



KONGSBERG

4TH QUARTER 2016

INVESTOR PRESENTATION, 8 FEBRUARY 2017

Geir Håøy, President & CEO

Hans-Jørgen Wibstad, CFO



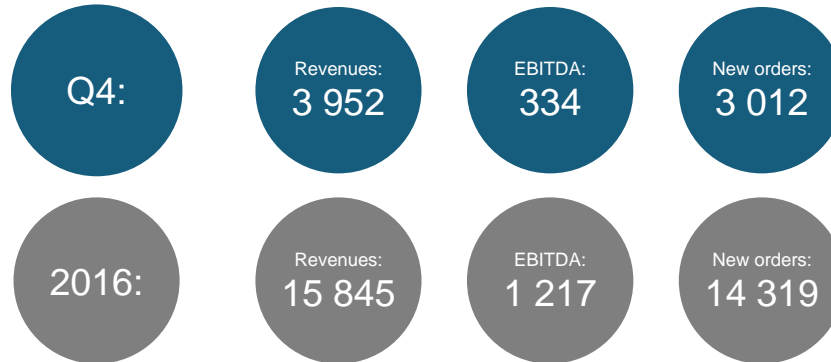
2016 – AN EVENTFUL YEAR



KONGSBERG



- Group revenues 7 % lower compared to last year, mainly due to the weak offshore market
- Several strategic decisions and wins
 - Important positioning in defence
 - Patria
 - MCT-30 Medium Caliber
 - Kongsberg Digital
 - Positioning KM for new market conditions



FINANCIAL STATUS



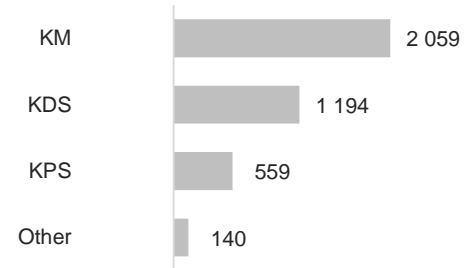
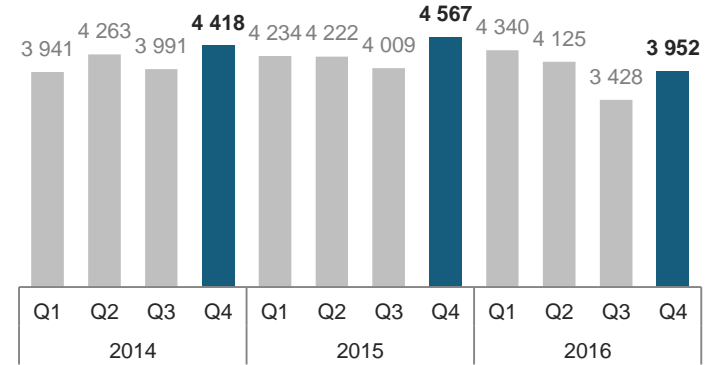
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REVENUES Q4

Q4 revenues down 13.5 %, offshore downturn impacting revenues

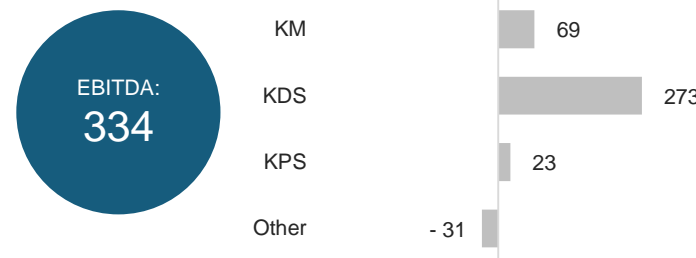
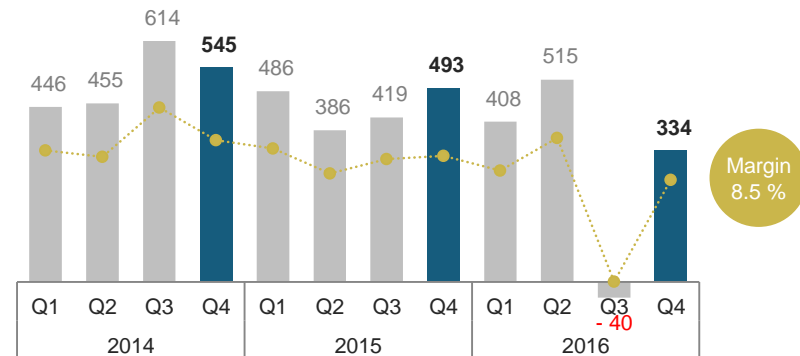
- KM revenues down 23.6 % compared to Q4 2015, offshore down ~35 %
 - Non-offshore related Subsea solid
 - Merchant Marine somewhat slower
- KDS revenues 10.2 % up from Q4 2015
- KPS revenues down 6.8 % from Q4 2015



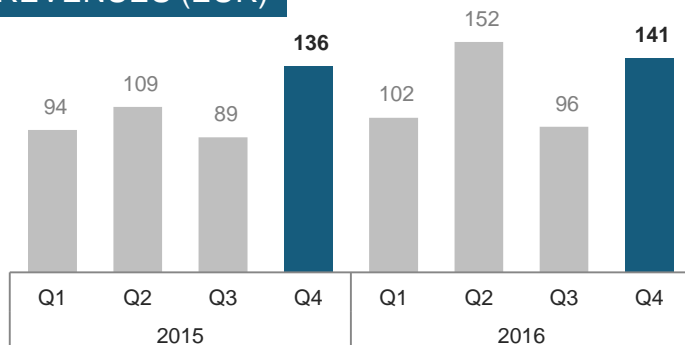
EBITDA Q4

MNOK 334 EBITDA in Q4, impacted by restructuring costs

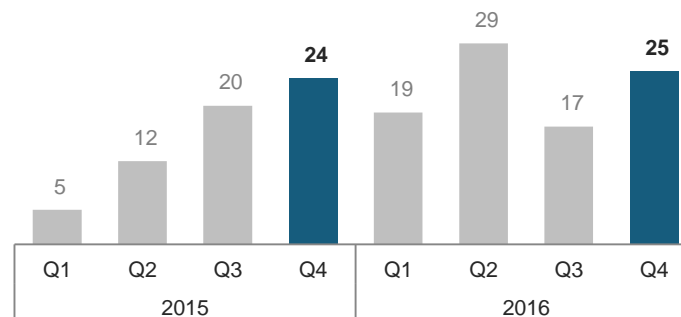
- MNOK 61 in restructuring costs in KM and 'Other'
- EBITDA margin 10.0 % excluding restructuring costs
- Solid profitability in KDS, 22.9 % EBITDA-margin incl. profit in Patria (MNOK 63) and KSAT (MNOK 17)
- Continued low, but positive EBITDA in KPS



REVENUES (EUR)



EBITDA (EUR)



| BRIDGE FROM EBITDA TO KOG'S SHARE OF NET PROFIT | 1.10. – 31.12. | | 24.5. – 31.12. | |
|---|----------------|-----------|----------------|------------|
| | EUR | NOK | EUR | NOK |
| EBITDA | 25 | | 60 | |
| Financial items, taxes, depreciation and amortisation | -4 | | -16 | |
| Earnings after tax | 20 | | 44 | |
| KONGSBERG's share (49.9%) ¹⁾ | | 80 | | 183 |
| Amortisation of excess value after tax | | -17 | | -40 |
| Share of net income recognized in KDS for the period | | 63 | | 143 |

¹⁾ Share of Patria's net income after tax adjusted for minority interests.

NON-RECURRING ITEMS Q4

| | KM | KDS | KPS | OTHER | GROUP |
|--------------------------|------------|-----|-----|------------|------------|
| Restructuring costs | -44 | | | -17 | -61 |
| Total¹ | -44 | | | -17 | -61 |

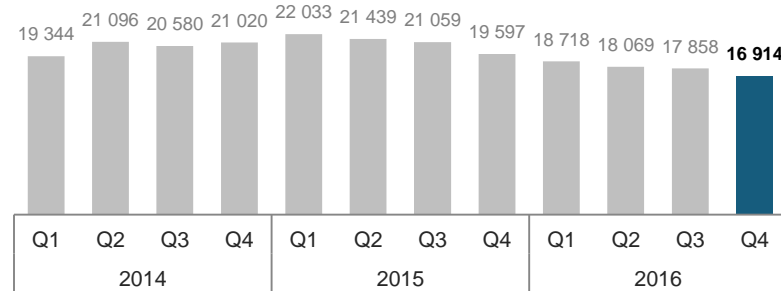
1) List is not exhaustive

ORDERS Q4



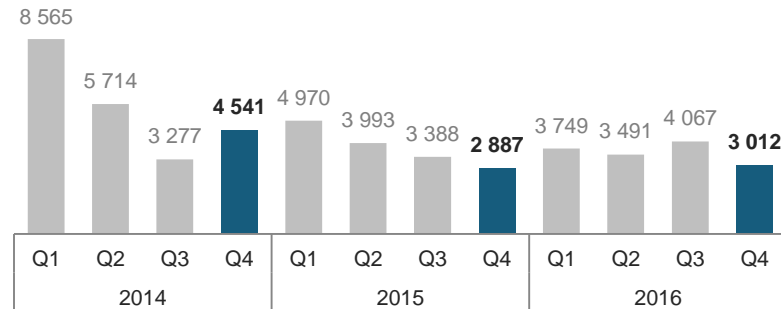
KONGSBERG

- Book-to-bill 0.76 in Q4
 - KM 0.56 full year 0.92
 - KDS 1.01 full year 0.88
 - KPS 0.79 full year 0.81
- 2016 order intake BNOK 14.3 vs. 15.2 in 2015, book-to-bill 0.90



Backlog:
16 914

- MNOK 660 write-down of KM's backlog in Q3
 - Primarily offshore related orders
 - Still uncertainty in parts of the order backlog



New orders:
3 012

CASH FLOW Q4 AND 2016



KONGSBERG

MNOK 639 cashflow in Q4 2016

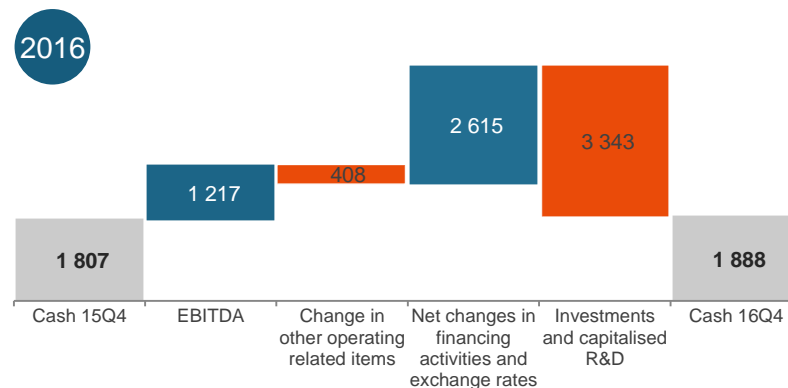
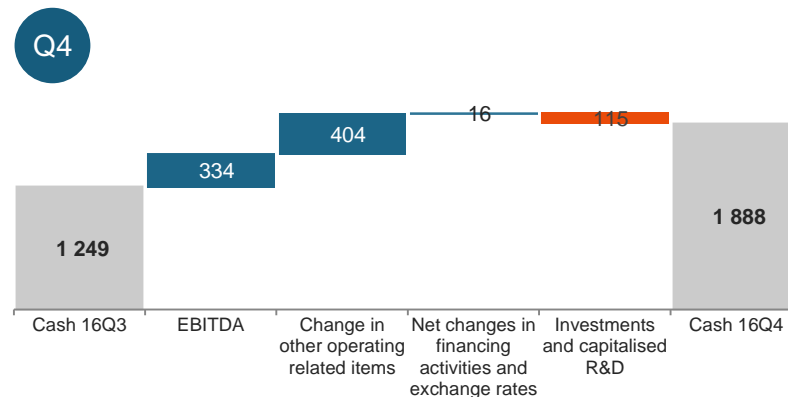
- Solid cash flow from operations
- MNOK 100 investment in eSmart Systems AS

MNOK 81 cashflow in 2016

- Cash flow from operations improved by BNOK 1.9 from 2015
- Investments and M&A activity financed by new bonds/loans

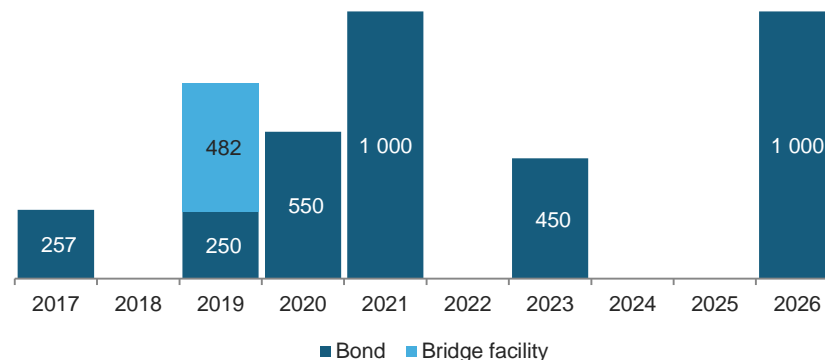
| | Q4 2016 | Q3 2016 | Q4 2015 |
|------------------------------|---------|---------|---------|
| Gross interest bearing debt | 4 083 | 4 031 | 866 |
| Cash and short-term deposits | 1 888 | 1 249 | 1 807 |
| Net interest bearing debt | 2 195 | 2 782 | -941 |
| Equity ratio | 31.7% | 31.3% | 32.0% |
| ROACE* | 6.9% | 6.1% | 13.5% |

* 12 months rolling EBIT divided by 12 month average equity and interest bearing debt



DEBT STRUCTURE

- 3 BNOK bond issues in 2016, partly used to repay existing debt
- In addition to the bond loans, KONGSBERG has a 1.5BNOK revolving credit facility and a 500 MNOK overdraft facility, both undrawn at year end 2016

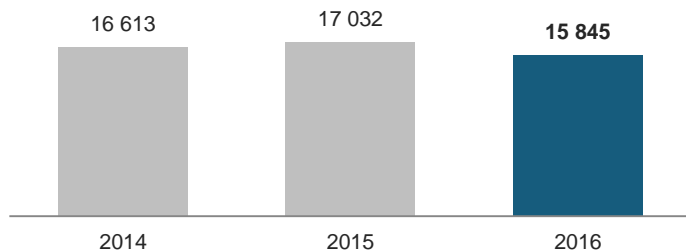


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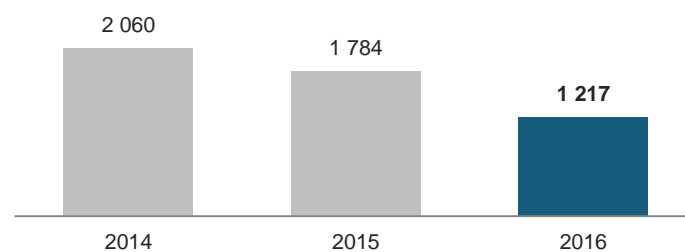


FULL YEAR KEY FIGURES

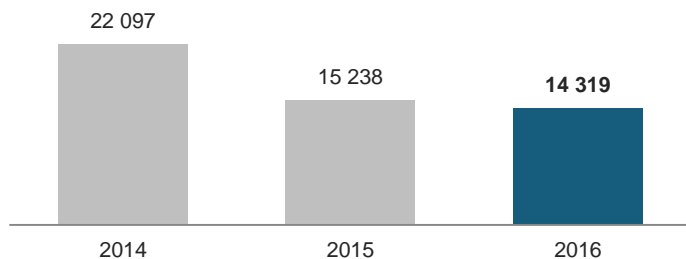
REVENUES



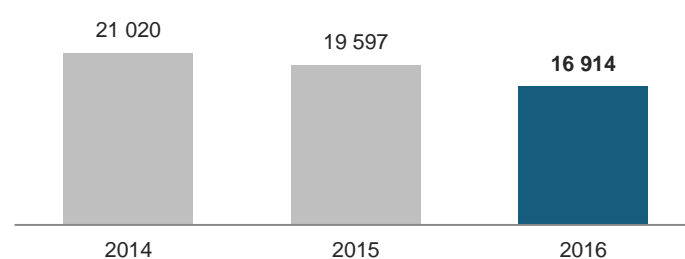
EBITDA



NEW ORDERS



ORDER BACKLOG



NON-RECURRING ITEMS 2016

| | KM | KDS | KPS | OTHER | GROUP |
|----------------------------|-------------|----------|------------|------------|-------------|
| Write-down inventory | -150 | | | | -150 |
| Write-down currency hedges | -130 | | | | -130 |
| Write-down other assets | -74 | | | | -74 |
| Restructuring costs | -127 | | | -44 | -171 |
| Sale of shares in KBC | | | | +54 | +54 |
| Customer clarifications | | | +38 | | +38 |
| Total¹ | -481 | - | +38 | +10 | -433 |

1) List is not exhaustive

DIVIDEND

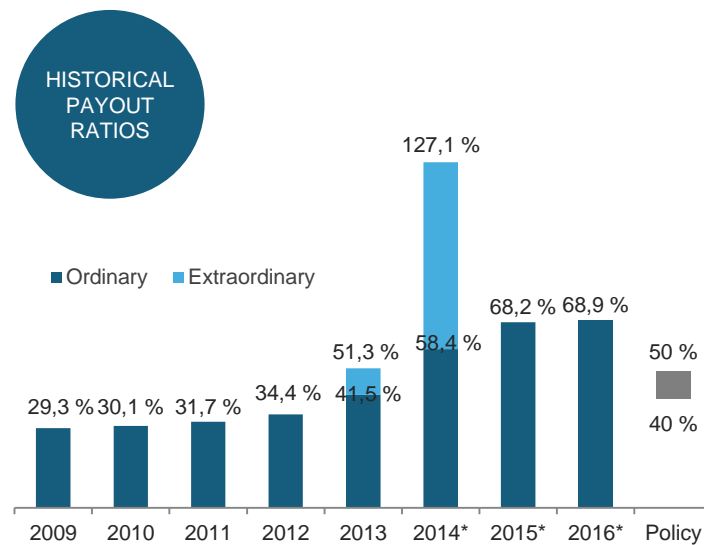


KONGSBERG

“ *Dividends shall over time constitute between 40 and 50 per cent of the company's ordinary net profit after tax, future capital requirements taken into account* ”

The Board proposes for the annual general meeting on 26 April 2017 a dividend of **NOK 3.75** per share for FY 2016.

| | 2014 | 2015 | 2016 |
|-------------------|----------|----------|----------|
| Ordinary dividend | MNOK 510 | MNOK 510 | MNOK 450 |
| Payout ratio | 58.4 % | 68.2 % | 68.9 % |
| *Ex. write-downs | 42.7 % | 50.0 % | 50.2 % |



BUSINESS UPDATE



KONGSBERG



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KONGSBERG MARITIME

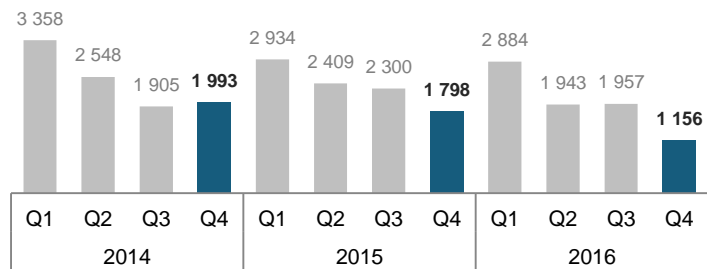
Q4

- Continued negative impact from oil and offshore related business
- Low order intake overall – improved order intake within both merchant and subsea related activities from previous quarter
- Solid life-cycle business

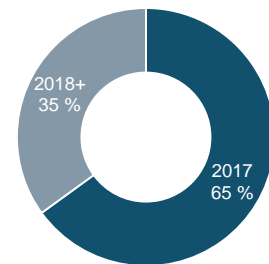
2016

- Hit by weak oil and offshore market
- Major initiatives to adapt to changing markets
 - New concepts launched
 - Restructuring and cost adaptation
- New organisation in effect from 1.1.2017

NEW ORDERS:



BACKLOG DELIVERY:



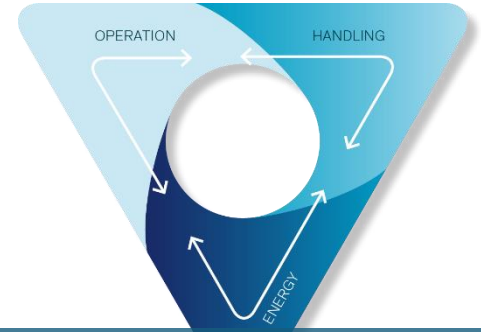
STRENGTHENING KM'S COMPETITIVE EDGE



TURMOIL
IN OFFSHORE MARKETS



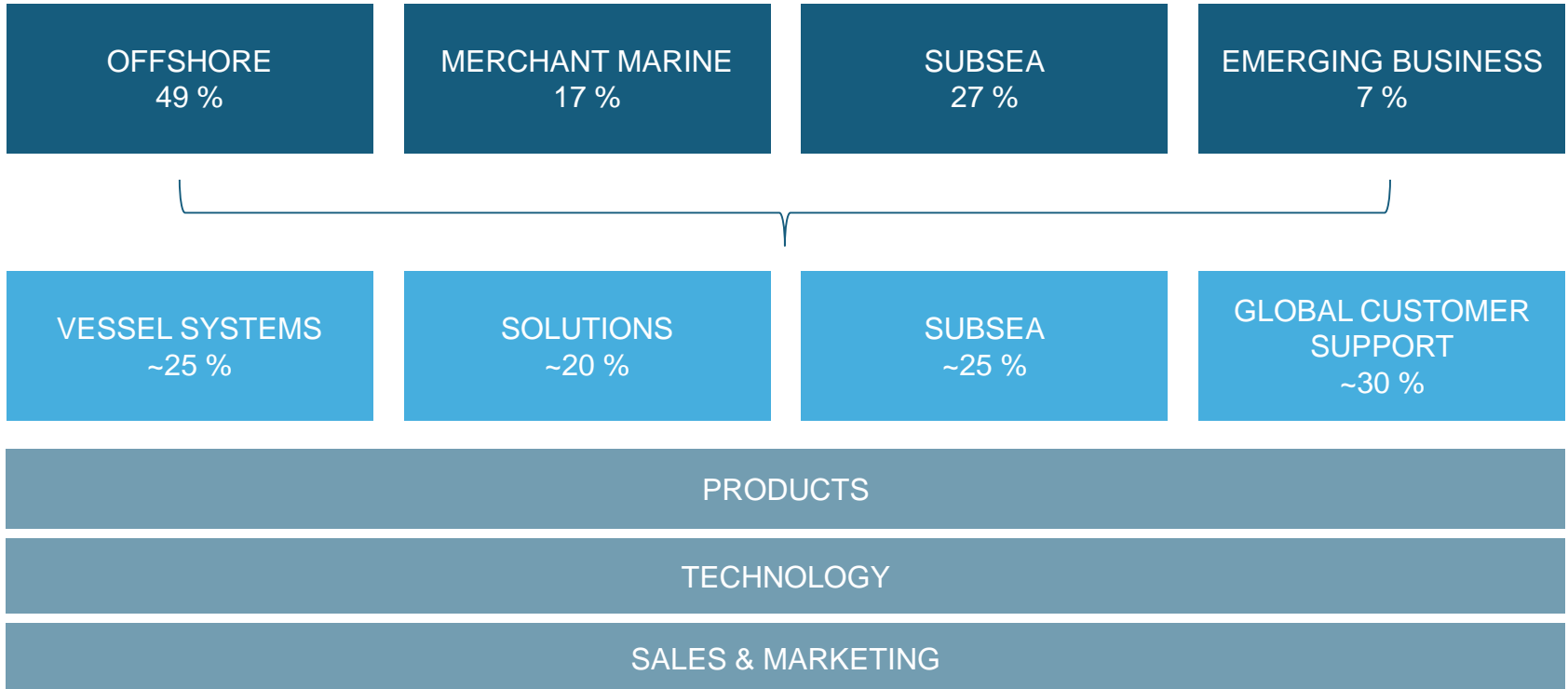
COST-EFFECTIVE SOLUTIONS
DEMANDED BY CUSTOMERS



FULL REVITALIZATION
OF KM'S COMPETITIVE
POSITION



NEW KM ORGANISATION IN EFFECT FROM 1 JANUARY 2017





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KONGSBERG DEFENCE SYSTEMS

Q4

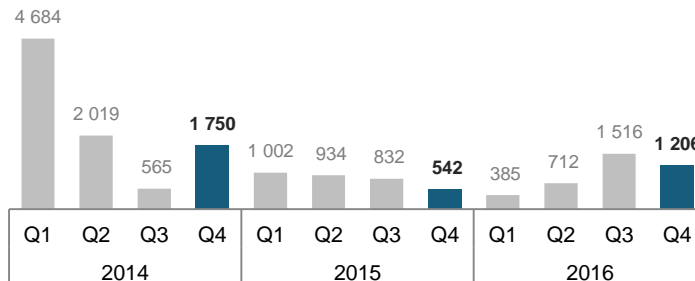
- Continued solid performance and strong margins
- Upgrade contracts for both Norwegian submarines and frigates
- Framework-agreement on helicopter maintenance with Leonardo
- Successful JSM flight test

2016

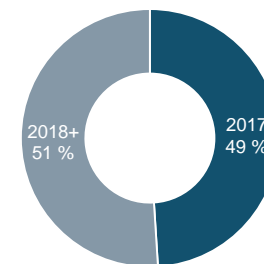
- Solid performance throughout the year
- Strategic entry into Patria
- Strong order intake within Space, Naval and Defence Communication
- Continued positioning for major campaigns



NEW ORDERS:



BACKLOG DELIVERY:





KONGSBERG PROTECH SYSTEMS

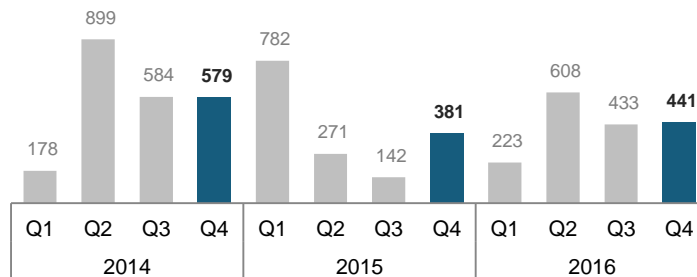
Q4

- Low margin level – as expected
- Serial deliveries for new low-profile RWS to US Army
- Eight MCT-30 delivered to customer by Q4
- RWS deliveries to 10 different customers

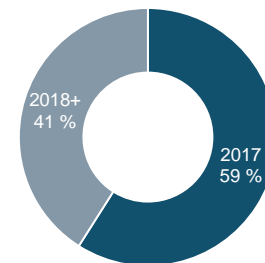
2016

- World leading position confirmed
- More than 800 weapon stations delivered in 2016
- First contract for MCT-30, BNOK 0.6 to US Army
- Pursuing significant opportunities

NEW ORDERS:



BACKLOG DELIVERY:



PATRIA



KONGSBERG

4 % growth in revenues from Q4 2015

- Good profitability in 2016, especially within armoured wheeled vehicles and maintenance
- 4.1 percentage points higher EBITDA margin in 2016 compared to 2015
- Net income improved by 63 % from 2015



INVESTOR VISIT TO PATRIA

Date: 15-16 March 2017
Place: Tampere and Jämsä, Finland
Sign up by: 17 February

- Meet Patria's CEO and top management
- Presentation of Patria's businesses
- Tour of facilities

Practical information and registration on
www.kongsberg.com/ir



OUTLOOK



KONGSBERG



2017 OUTLOOK

KONGSBERG MARITIME

- Weak oil and offshore market expected to continue
- Positive development within integrated concept solutions expected also in 2017
- Revenues expected to decline compared to 2016

KONGSBERG DEFENCE SYSTEMS

- Strong position in selected niches and several important opportunities in a generally strengthened defence market
- Entering the year with solid order coverage – supports some growth in 2017

KONGSBERG PROTECH SYSTEMS

- Global leader in remote weapon systems with a well positioned product portfolio
- Revenues are not expected to grow in 2017, but long-term potential continues to be strong

OTHER

- Kongsberg Digital established in 2016 as part of the strategy for developing the next generation of digitalised products and services
- Main focus for KDI in 2017 is to build and develop the business. No significant profit contribution is expected in 2017

See quarterly report for full text

RESPONSIBLE BUSINESS CONDUCT



VALUES & CULTURE



COMPLIANCE



TECHNOLOGY FOR
SUSTAINABILITY

LICENSE TO OPERATE

DISCLAIMER



KONGSBERG

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WORLD CLASS

THROUGH PEOPLE, TECHNOLOGY AND DEDICATION