



KONGSBERG

INVESTOR PRESENTATION

2nd quarter 2018

24/08/2018

Geir Håøy, President & CEO
Gyrid Skalleberg Ingerø, CFO



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Highlights Q2

Positive trend in key KM KPI's:
Book/bill 1.1, global customer
support and Subsea.

Solid margins and good order intake
in KDA, lower revenues

R&D investments in KDI, continued
volume challenges within Maritime
Simulations

MNOK 129 costs related to M&A
and a challenging KM project



3 525

REVENUES

5 299

NEW ORDERS

Q2
2018

241

EBITDA

6.8%

EBITDA-MARGIN



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Financial Status





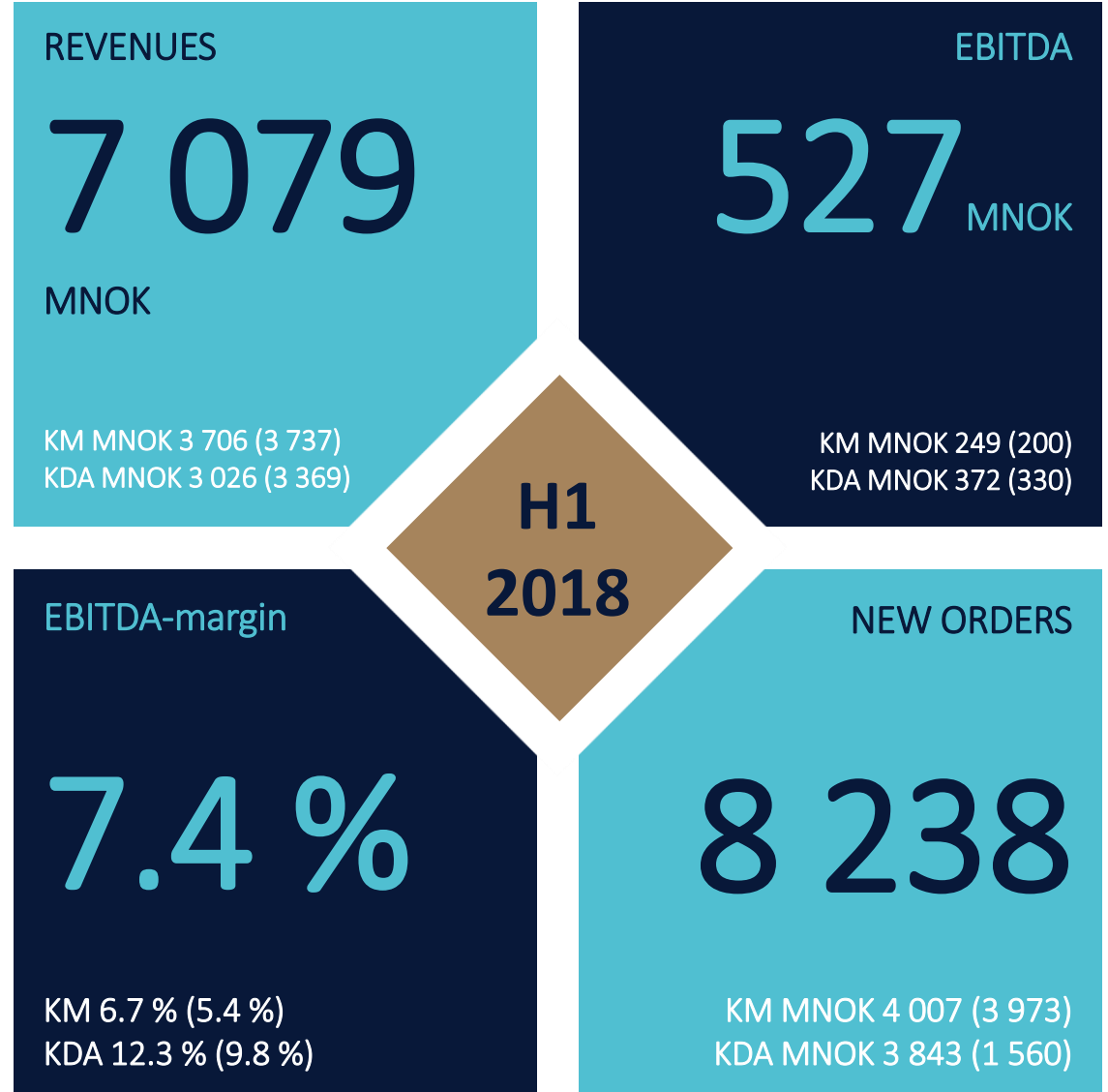
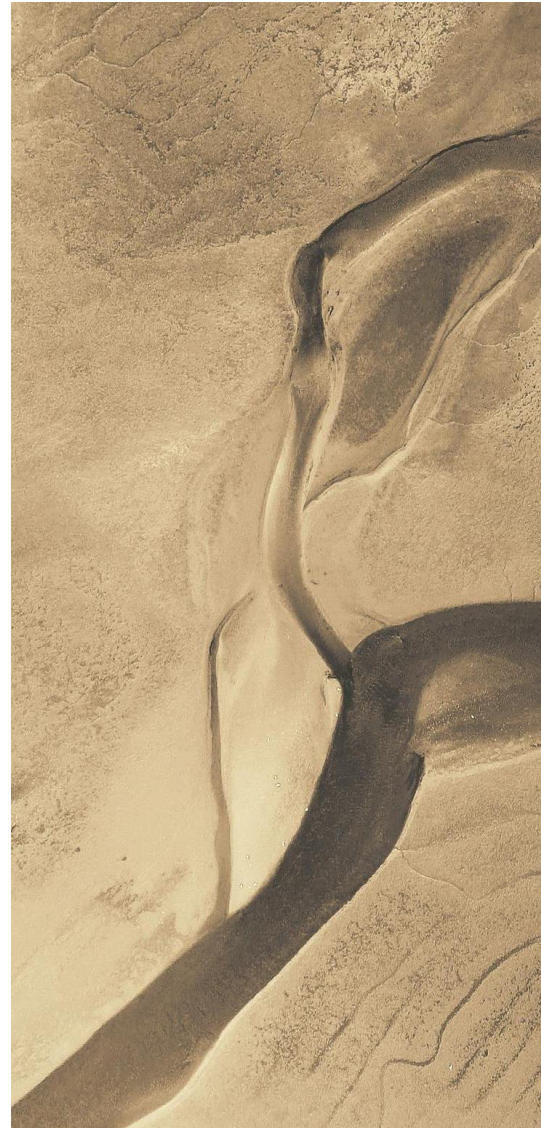
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H1 2018

Solid order intake, both in KM and KDA

Increased profitability

Somewhat lower revenues



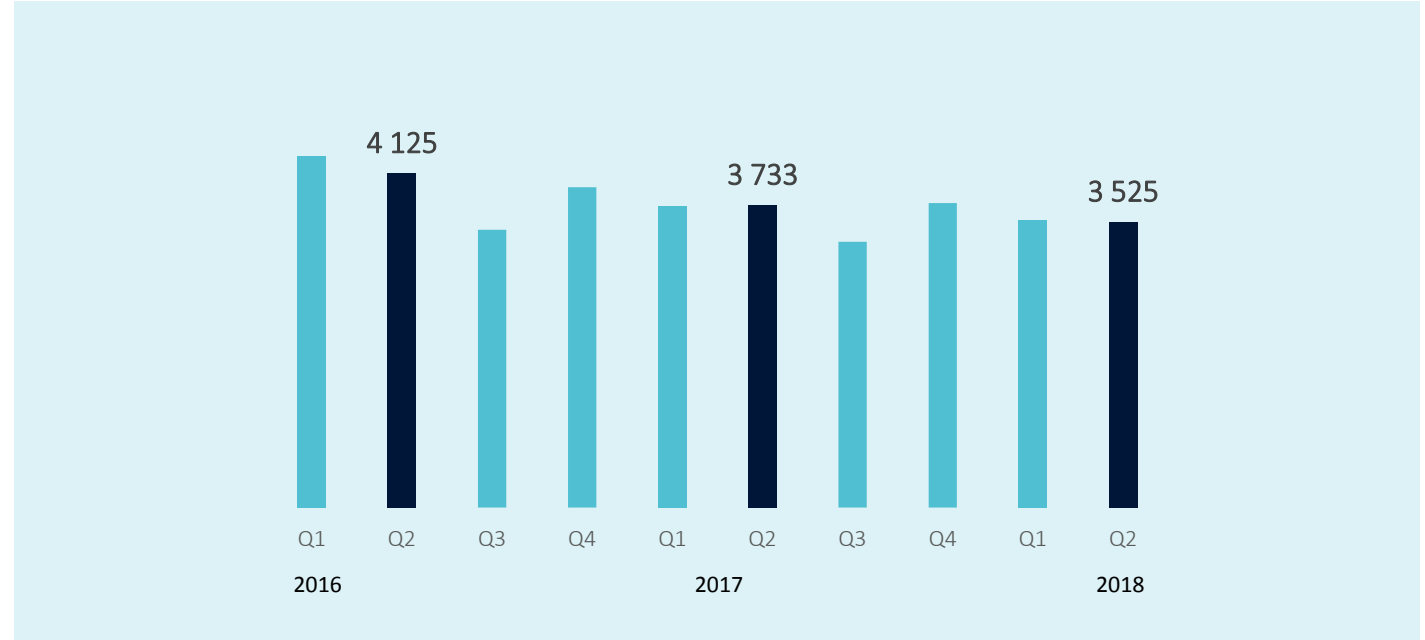


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REVENUES Q2

Q2 revenues down 5.6 %

- KM revenues down 3.0 % YoY
- KDA revenues down 9.4 % YoY

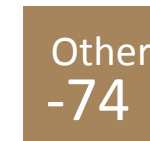




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EBITDA Q2

- Two special items
 - MNOK 79 incurred M&A costs
 - MNOK 50 excess costs related to on specific KM-project
- Underlying margin improvement in KM
- Continued solid margin in KDA



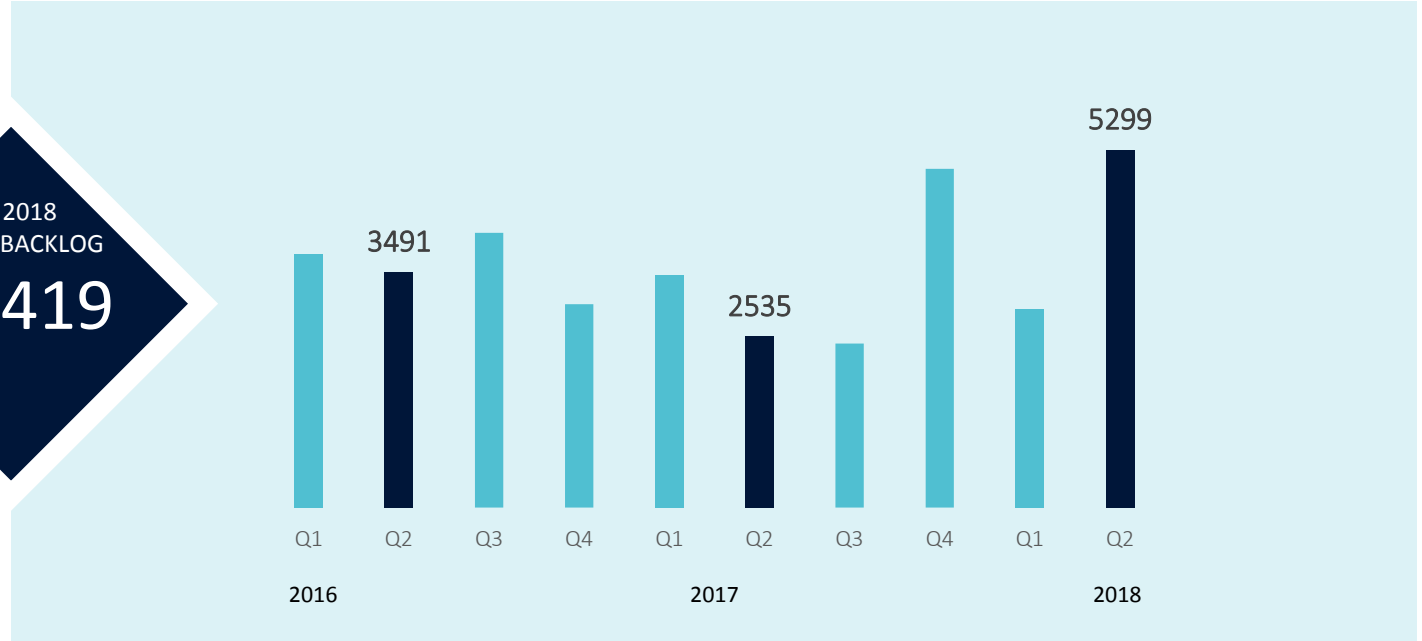


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NEW ORDERS Q2

- KM Book/bill 1.1
- Continued good ordering from the traditional merchant segments, and within marine robotics and fishery
- Strong KDA order-intake, especially within missiles and aerostructures

Q2 2018
ORDER BACKLOG
16 419



KM
2 107

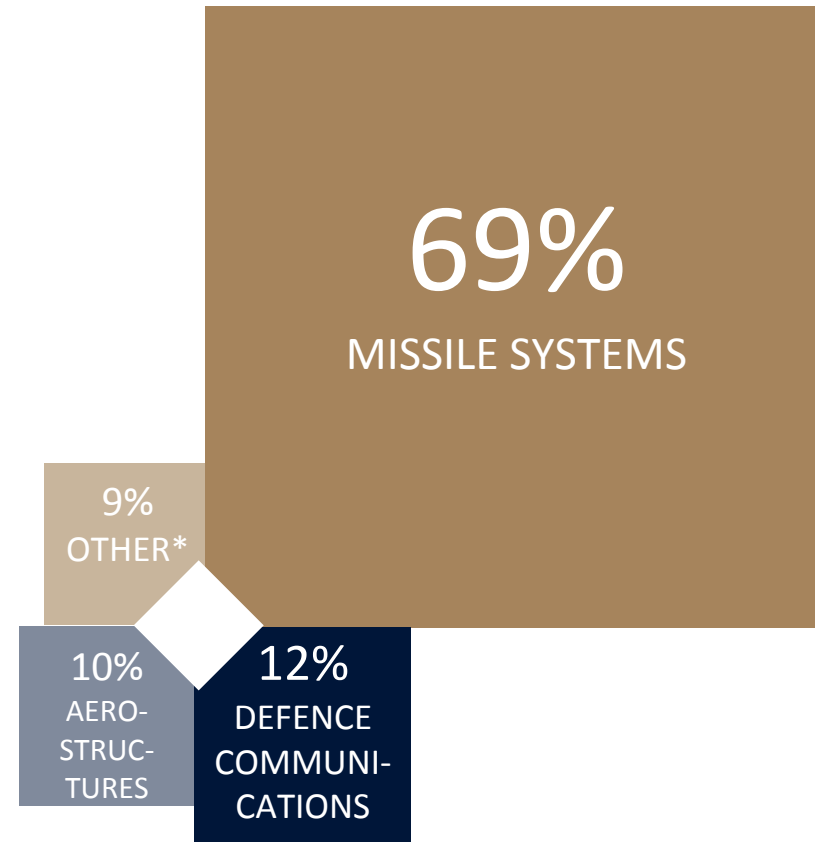
KDA
3 045



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Q2 New orders by Division

Kongsberg Defence & Aerospace



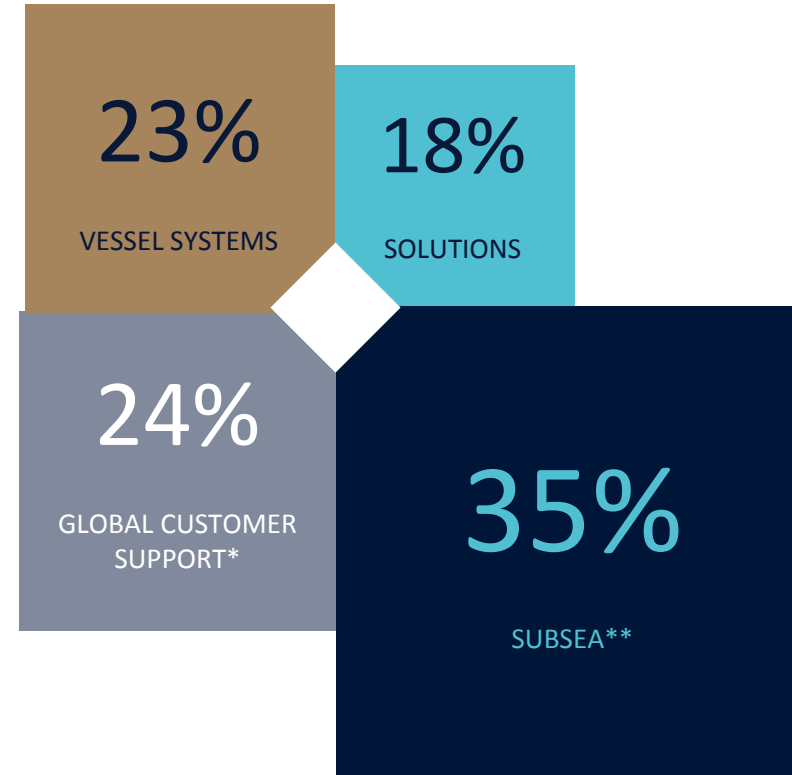
*Other includes Integrated Defence Systems, Protech Systems and Space & Surveillance



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Q2 New orders by Division

Kongsberg Maritime



*GCS does not include Subsea aftermarket

** Subsea also includes Subsea aftermarket



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Strong balance sheet

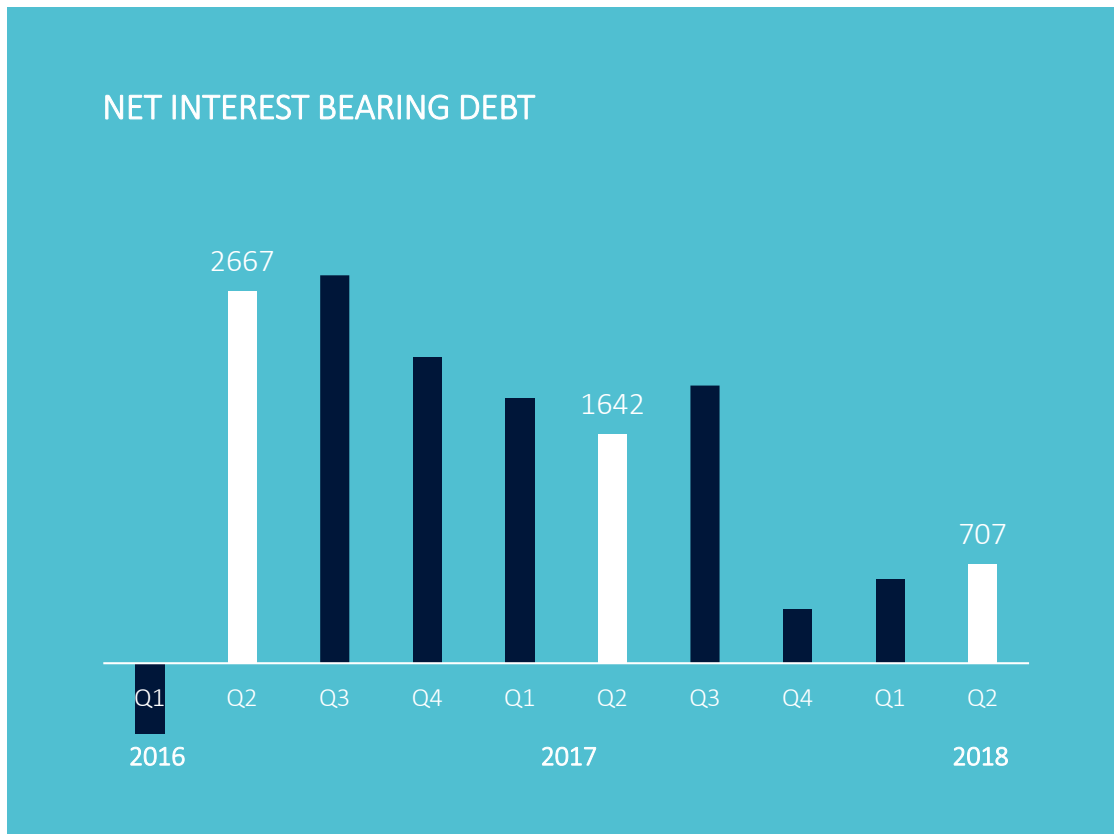
	Q2 2018	Q1 2018	2017
Gross interest bearing debt	3 337	3 340	3 340
Cash and short-term deposits	2 630	2 739	2 956
Net interest bearing debt	707	601	384
Equity ratio	35.1 %	35.9 %	35.6 %
ROACE	9.4 %	8.8 %	9.1 %



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Debt position

Healthy maturity profile





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Business Update





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Business Update

Kongsberg Maritime

KM

Positive order intake, stable revenues and improved underlying margins



- Orders from traditional merchant such as bulk, container and LNG-vessels improving
- Lower volume of orders from larger integrated solutions, growing number of prospects
- Signed contract for Johan Sverdrup field development phase 2
- Subsea segments such as fishery and marine robotics continue to deliver
- Increasing activity and high utilization within global customer support



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Leading the way towards autonomous seaborne operations





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Business Update

Kongsberg Defence & Aerospace

KDA

Solid margins
and strategically
important
contracts
secured



- Several important wins within missile area
 - Malaysia
 - Over The Horizon
 - JSM test missiles
- MNOK 525 order for parts to F-35
- Negotiations in Qatar



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Selected ongoing campaigns

More potential in Qatar



Major vehicle program in Qatar

- Program announced 13 March 2018
- KONGSBERG selected to supply medium calibre turrets, remote weapon stations and other essential parts of the program
- Ongoing negotiations
- Total scope still to be defined, BNOK 15 estimated potential
 - Upside of up to BNOK 5 depending on ongoing scope- and price negotiations
- Expected contract award: 2019

Air defence program – NASAMS to Qatar

- Raytheon has announced MoU for a major NASAMS system
- KONGSBERG is exclusive partner on the NASAMS system
- Potential of USD 2 Billions on total program according to Raytheon
- Expected contract award: 2018/2019



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Naval Strike Missile

Important milestones and contracts signed in Q2

- Significant milestone reached – NSM selected by U.S. Navy for its over-the-horizon program
- EUR 124 million contract for NSM missiles to the Royal Malaysian Navy. Following contract for ship equipment signed 2015
- MNOK 220 contract signed with Norwegian Defence Material Agency for cooperation agreement on NSM



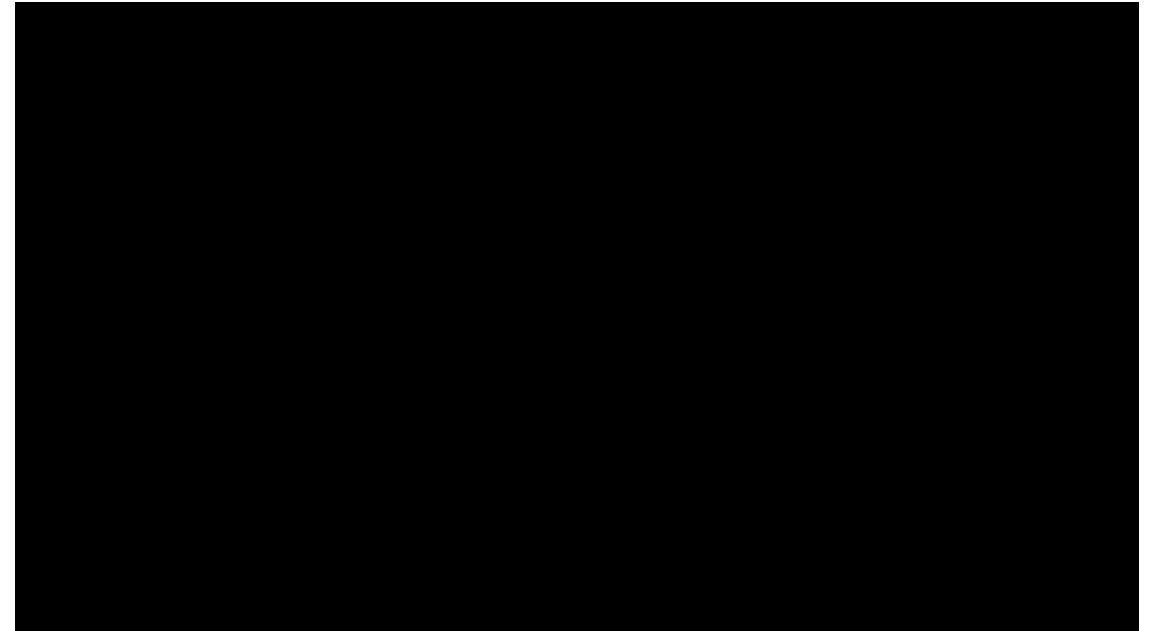


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Joint Strike Missile

Final test passed

- JSM is the only fifth gen. strike missile with advanced capabilities, compatible with the bay of the F-35. Considerable international interest
- Important milestone reached with the JSM passing its last planned test of the missile qualification program – development process on schedule for completion by end of year
- Signed contract with Norwegian Defence Material Agency worth MNOK 700 for test missiles for integration phase



Video showing the final development test of JSM



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Business Update

Kongsberg Digital, Patria, Space



KDI

- High development activity in initiatives such as Kognifai and digital twin
- Weak revenues and order intake from maritime simulation area
 - Improvement in order intake in Q3

Patria

- Stable overall revenues
 - Good development within Systems area due to Hamina contract signed in Q1
 - Low activity and declining backlog for Land business (vehicles)
- MEUR 7.1 EBITDA, down from MEUR 14.4
 - Relates to volume decline in Land business



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Strengthening our global leading position through the acquisition of Rolls-Royce Commercial Marine



Strengthens Kongsberg Maritime as an integrator and global technology leader



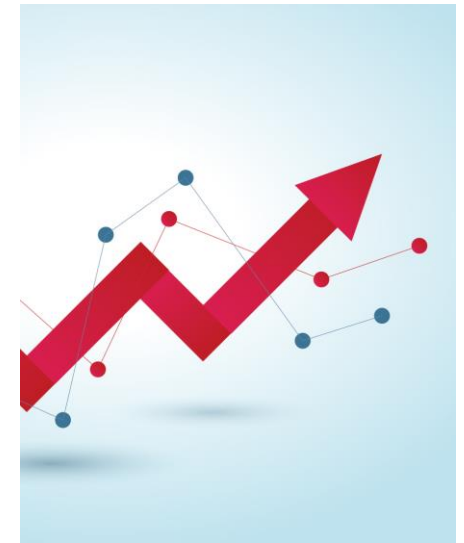
Highly complementary portfolios of leading products of strategic importance to customers



Enhanced position to capitalize on industry trends and dynamics



A new strong global presence to better meet the needs of customers and end-users



Significant cost and revenue synergy potential



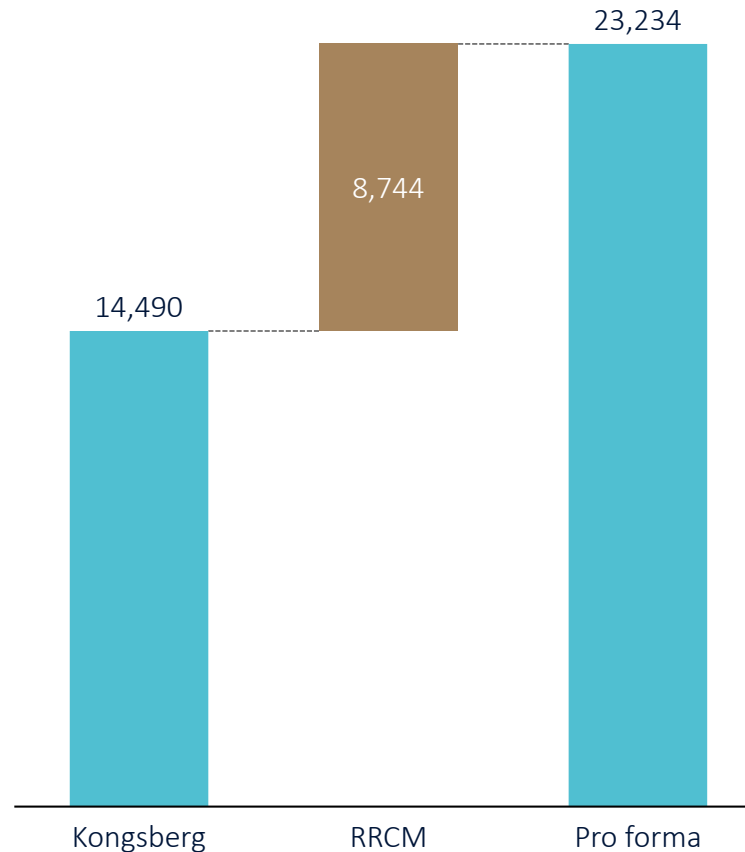
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Financial considerations

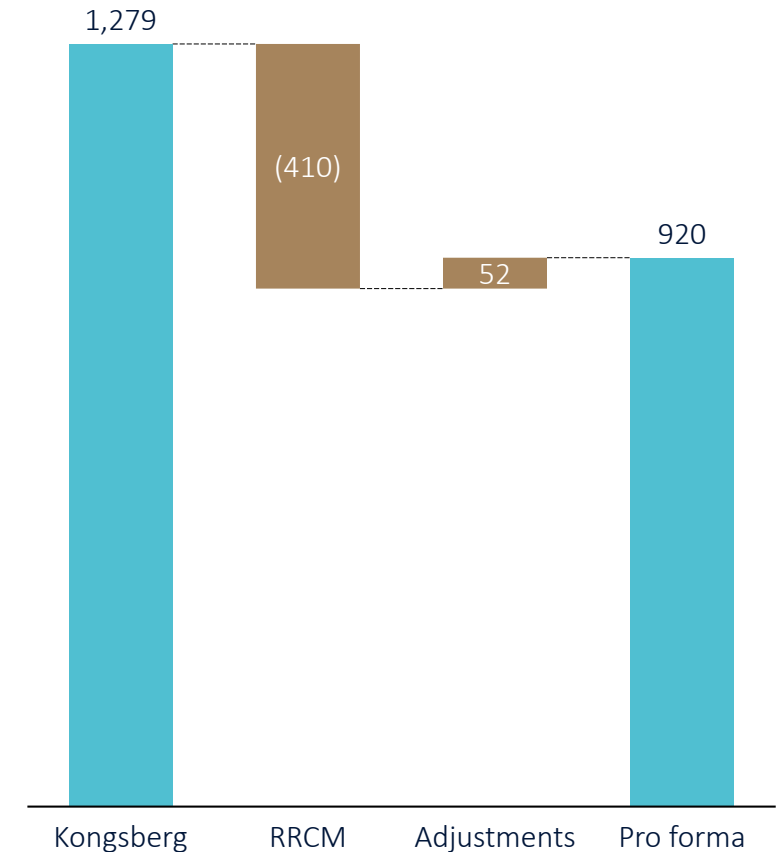
Commentary

- Challenging market conditions in the maritime sector had a negative impact on RRCM profitability in 2017
- Primary focus is to make RRCM profitable, even if current market conditions persist for longer than expected
 - Achieved through ongoing cost-cutting initiatives at RRCM and expected cost and revenue synergies
- Estimated implementation and integration costs of approximately NOK 450 millions

Unaudited pro forma 2017 revenue (NOKm)



Unaudited pro forma 2017 EBITDA (NOKm)





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Adjustment to financial calendar



- Full CMD will be held after closing of Rolls-Royce Commercial Marine acquisition, date and time TBD
- Q3-presentation, 26 October 2018, will be extended with a one hour business update

An aerial night view of a city, likely Dubai, showing a dense grid of buildings and streets illuminated by city lights. A large teal rectangular box is overlaid in the center, containing white text.

Outlook

Last years' implemented actions will contribute to overall profitability improvements in 2018

KM expects stable revenues and improved profitability in 2018 compared to 2017

KDA has solid prospects for new orders for nearly all product areas

KDI will continue to invest in product development

**See quarterly report for full text*



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Thank you

www.kongsberg.com

