



KONGSBERG

INVESTOR PRESENTATION

Q4 2019

12/02/2020

Geir Håøy, President & CEO
Gyrid Skalleberg Ingerø, EVP & CFO



KONGSBERG

2019

- A GAME CHANGER



WORLD CLASS – Through people, technology and dedication

KONGSBERG PROPRIETARY - See Statement



KONGSBERG

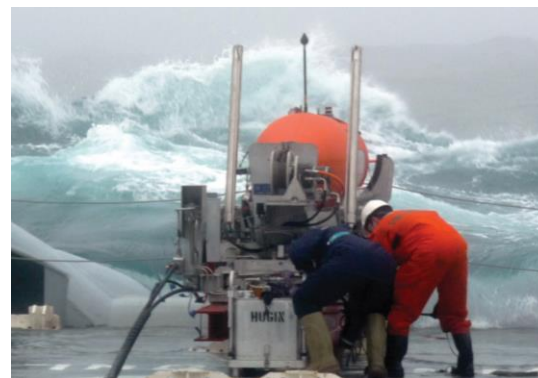
Highlights Q4

8 164
REVENUES

6 934
NEW ORDERS

851
EBITDA

10.4%
EBITDA MARGIN



GROUP:

- Solid organic growth
- Good earnings
- Strong cash flow
- Dividend proposal;
 - Ordinary 2.50 NOK/share
 - Extraordinary 10.00 NOK/share
 - Share buy-back MNOK 500

DEFENCE:

- RWS to Switzerland and Denmark
- C-UAS to Germany
- JSM to Japan
- Mobile Ground Based Air Defence to Norway

MARITIME:

- High activity in Sensors & Robotics and Global Customer Support
- Continued improvement in EBITDA both in KM as a whole as well as Commercial Marine

DIGITAL:

- Nyhamna dynamic digital twin in operation since December
- Vessel Insight roll-out
- 10 % revenue growth

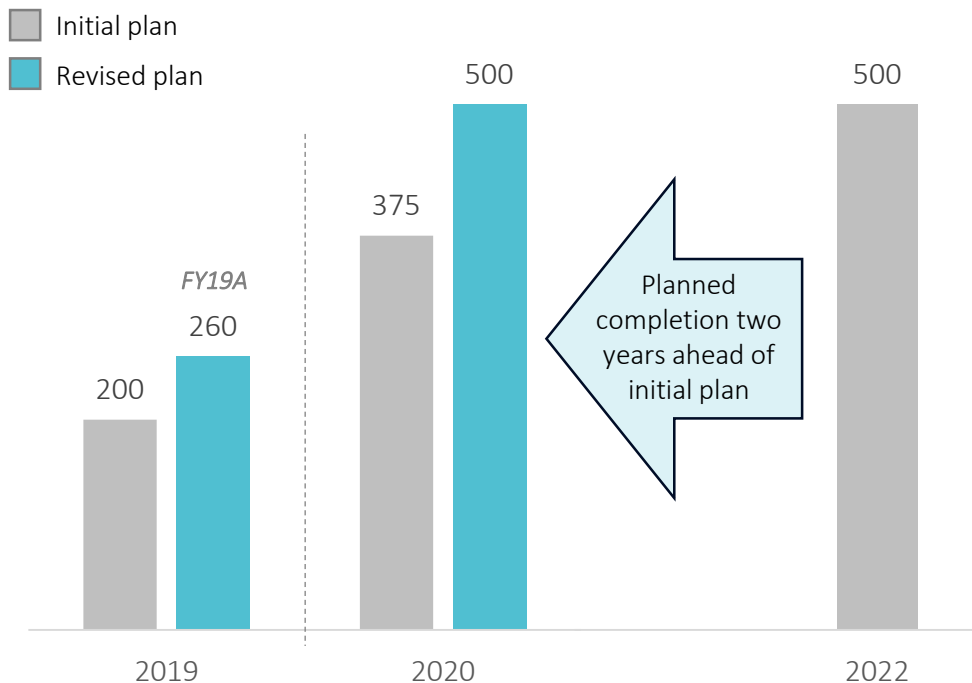


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Value Capture program targets completion two years ahead of original plan

Revised plan for cost savings

P&L effect relative to 2018, MNOK



Comments

- The program is ahead of schedule and planned realization of 500 MNOK annual cost synergies is expedited from 2022 to 2020
- The increased ambitions are supported by a number of initiatives including:
 - Deck Machinery restructuring
 - Consolidation of delivery organizations
 - Production footprint and make/ buy optimization
 - Harmonization of automation product portfolio
 - Further optimization of global footprint
- The systematic improvements will continue to drive fulfilment of the 2022 profitability ambitions communicated at the CMD



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Financial status

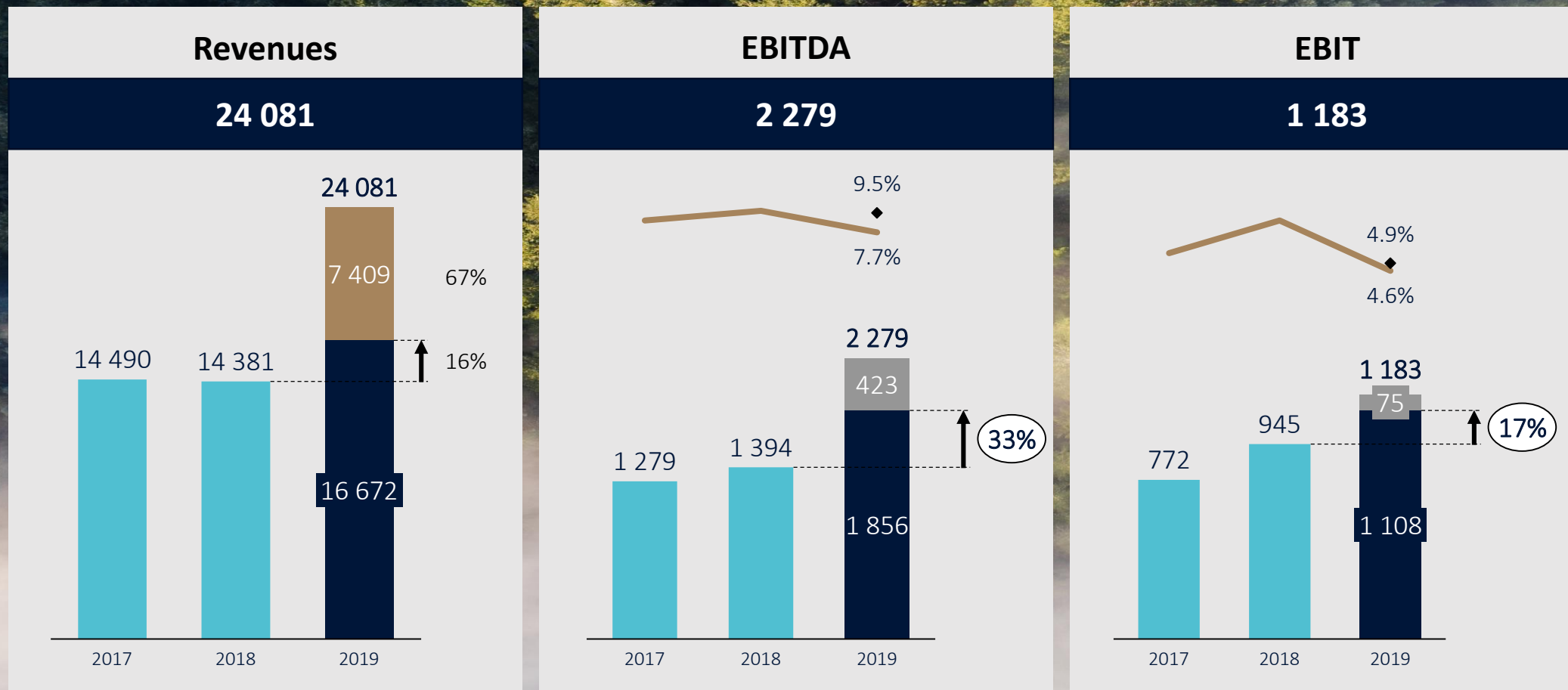
Gyrid Skalleberg Ingerø, CFO



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FY 2019 – KONGSBERG (KOG)

MNOK



From Acquired Companies

IFRS 16 effects

Margin ex. IFRS

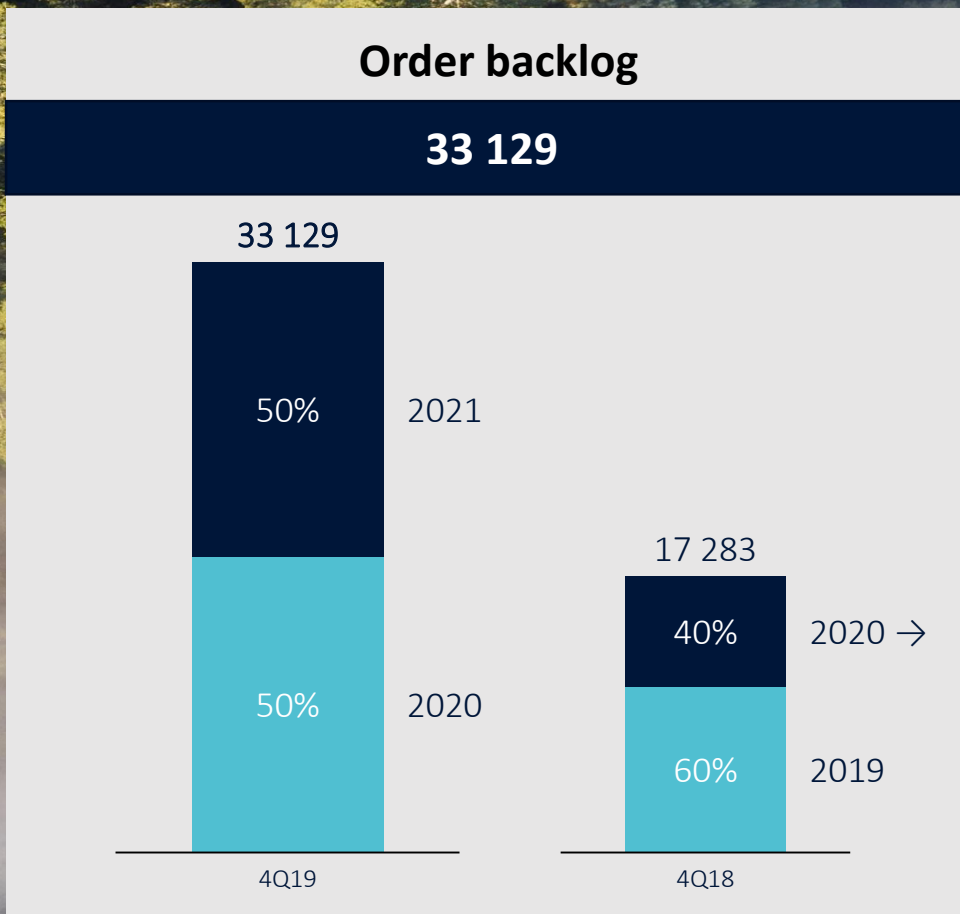
Margin inc. IFRS



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FY 2019 – KONGSBERG (KOG)

MNOK



 From Acquired Companies



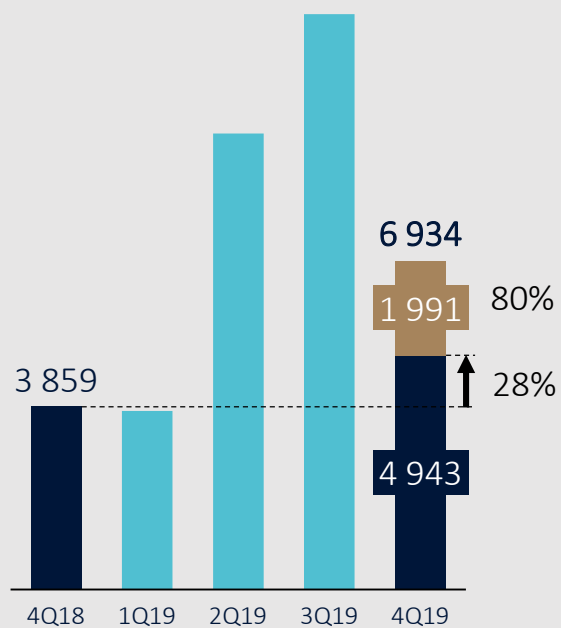
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Q4 – KONGSBERG (KOG)

MNOK

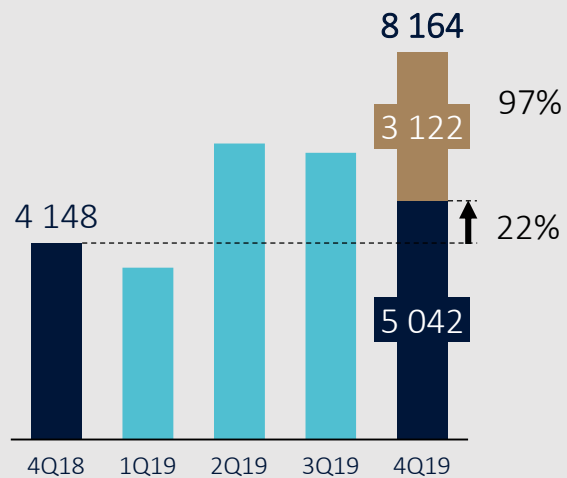
Order Intake

6 934



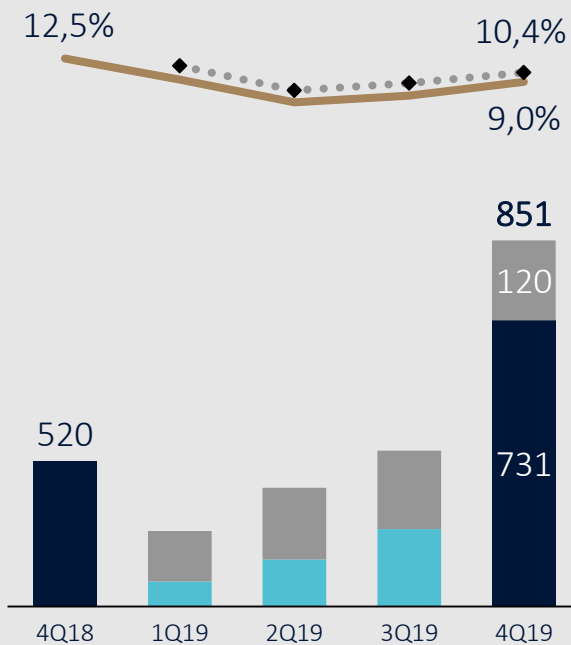
Revenues

8 164



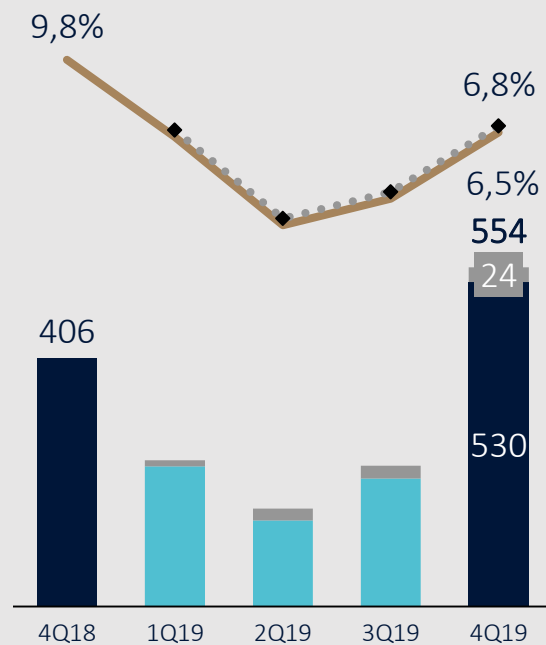
EBITDA

851



EBIT

554



From Acquired Companies

IFRS 16 effects

Margin ex. IFRS

Margin inc. IFRS



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Kongsberg Maritime

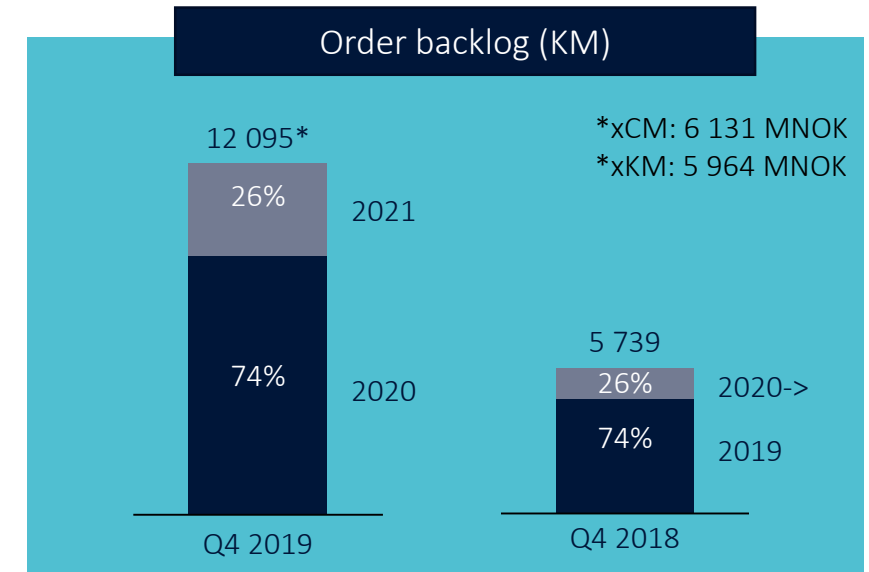
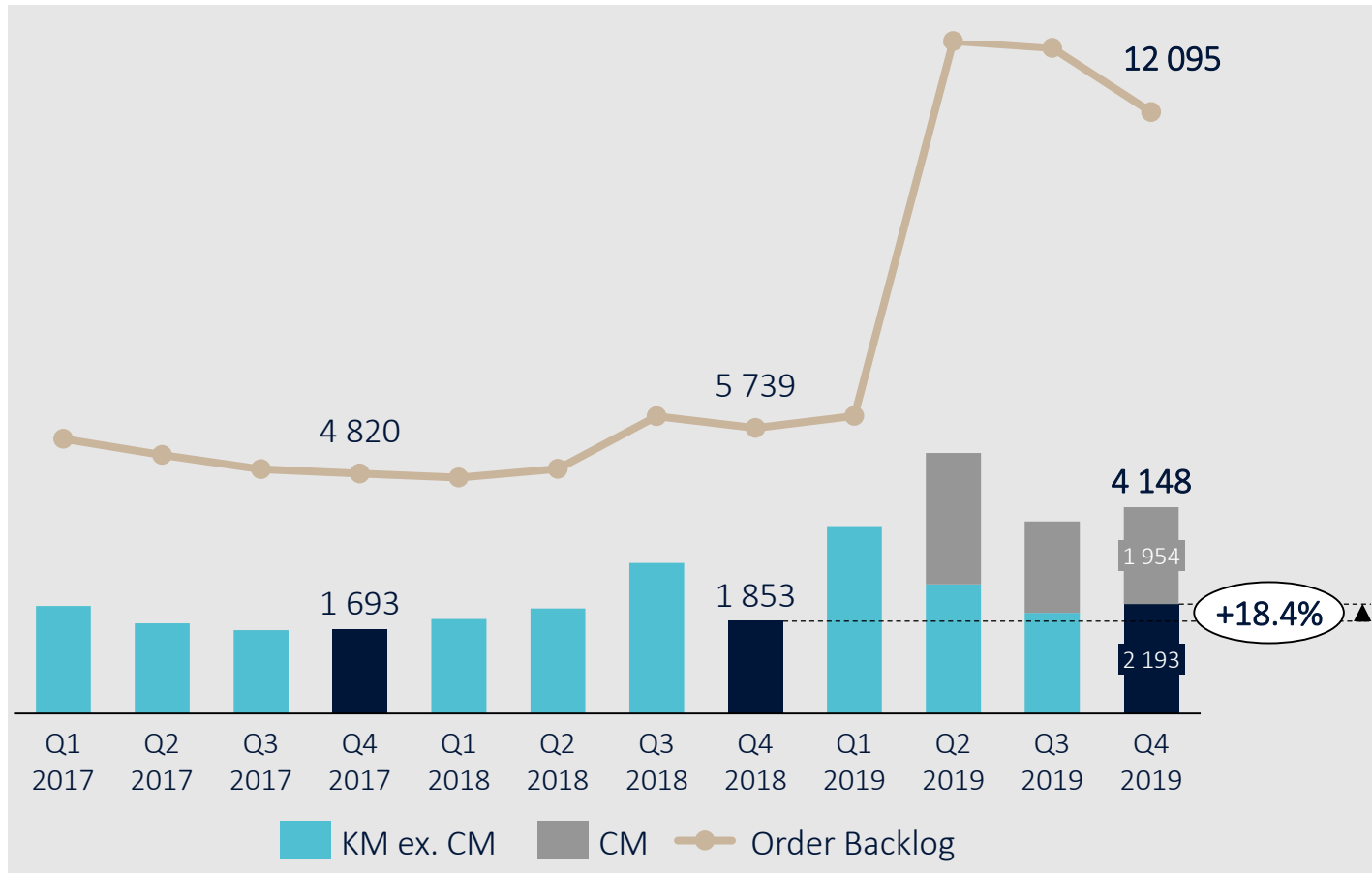
Q4



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Improved order intake YoY in KM

MNOK



Book/Bill Q4:	0.76
Order intake Q4:	MNOK 4 148
Order backlog Q4:	MNOK 12 095
Book/Bill 2019:	0.96
Order intake 2019:	MNOK 15 469



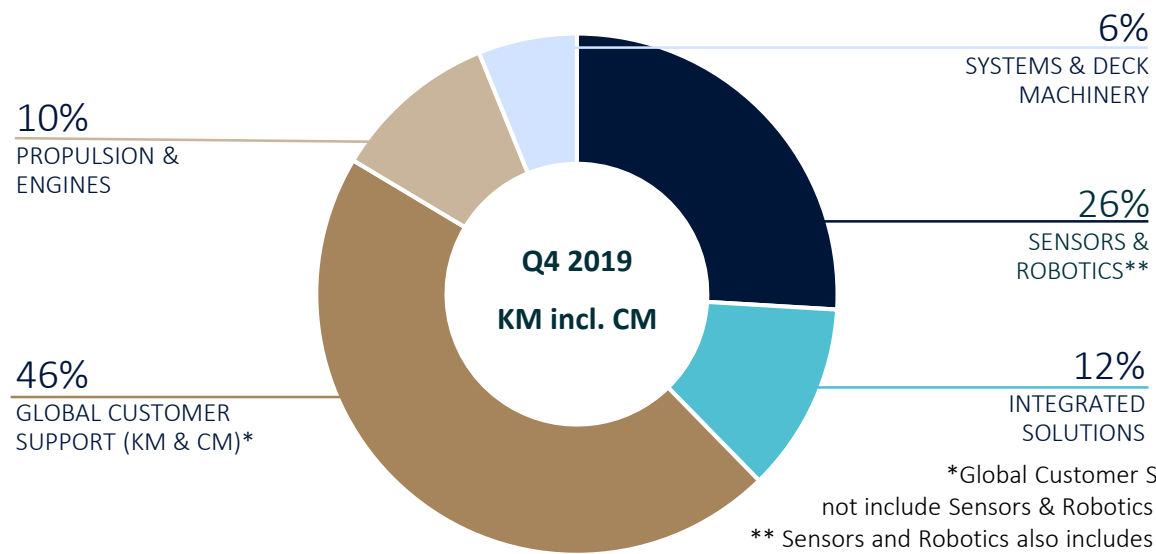
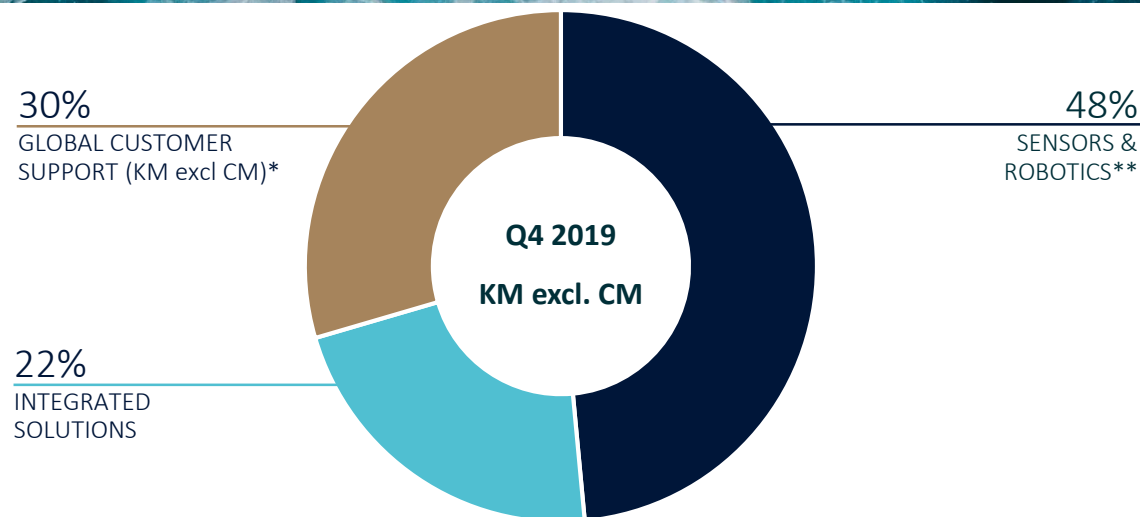
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Q4 KM Order intake

Order intake Q4:	MNOK 4 148
KM ex. CM Q4:	MNOK 2 193 (+18.4% YoY)
CM Q4:	MNOK 1 954 (-30.0% YoY*)
Order intake 2019:	MNOK 15 469 (+74.1% YoY)
KM ex. CM order intake 2019 +1.6% YoY	

*CM Pro forma 2018

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*Global Customer Support does not include Sensors & Robotics aftermarket
**Sensors and Robotics also includes aftermarket



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Q4 KM Revenues

Revenues Q4: **MNOK 5 490**

KM excl. CM Q4:
(*Growth +21.2% YoY)

CM Q4:
(+21.9% YoY**)

Revenues 2019: **MNOK 16 038**

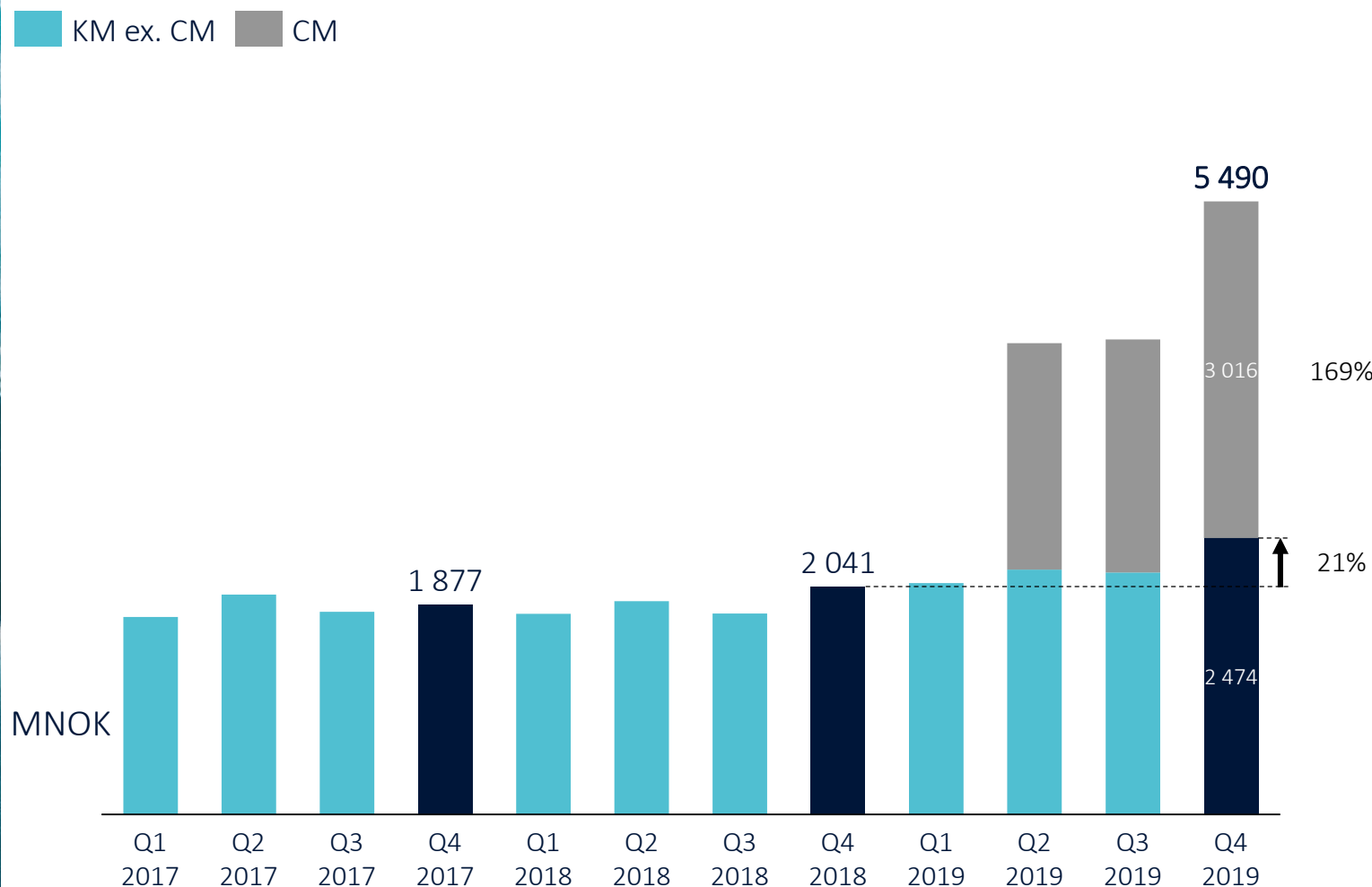
(*Growth +18.0% YoY)

CM figures included as from Q2-2019

* Growth exclusive acquired companies

**CM Pro forma 2018

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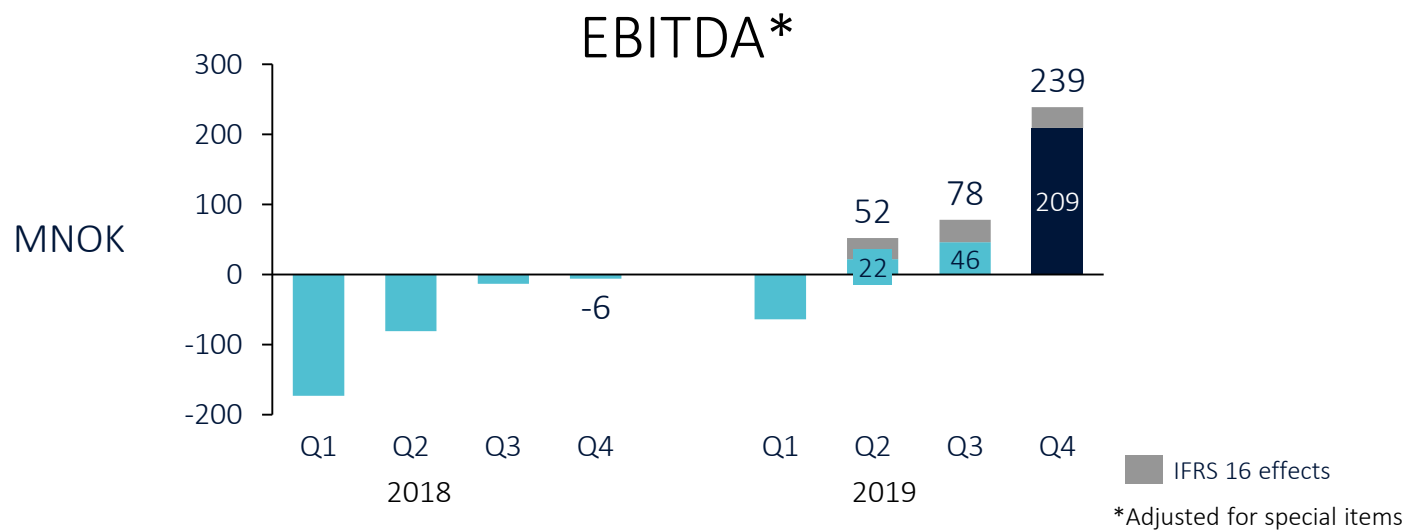
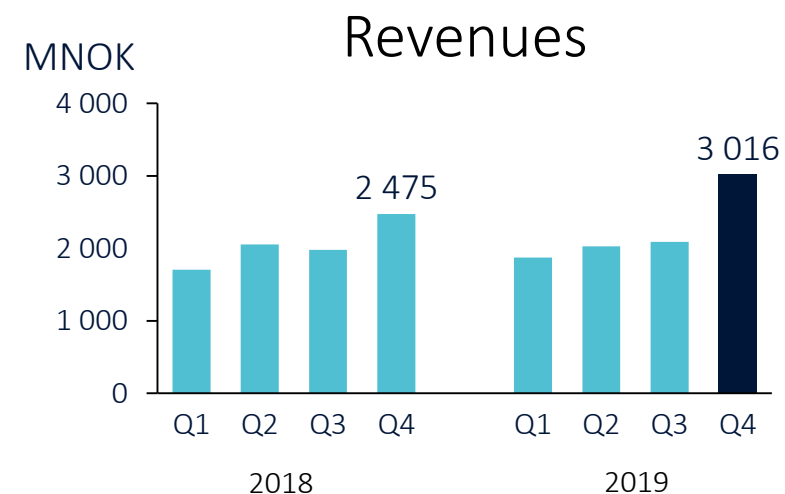
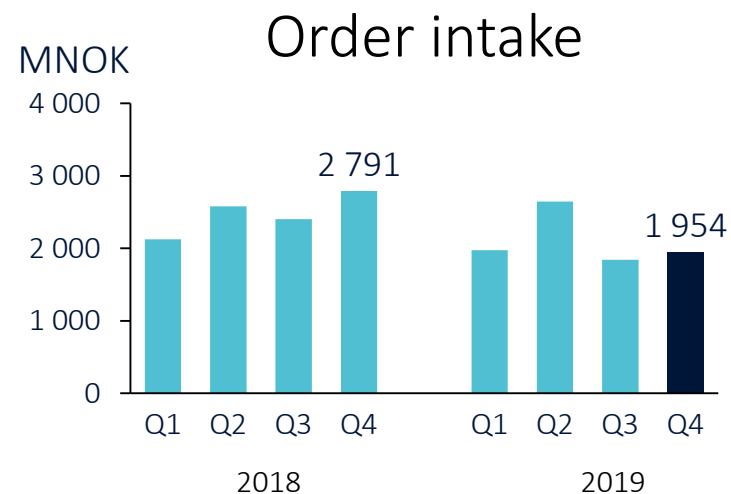


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Q4 Development Commercial Marine*

Special items (MNOK)	Q4	2019
Integration costs Commercial Marine	44	194
Restructuring costs Commercial Marine	56	143
Total	100	337

* Pro forma figures up to Q1-2019, adjusted
EBITDA shown in Q2,Q3 and Q4 2019





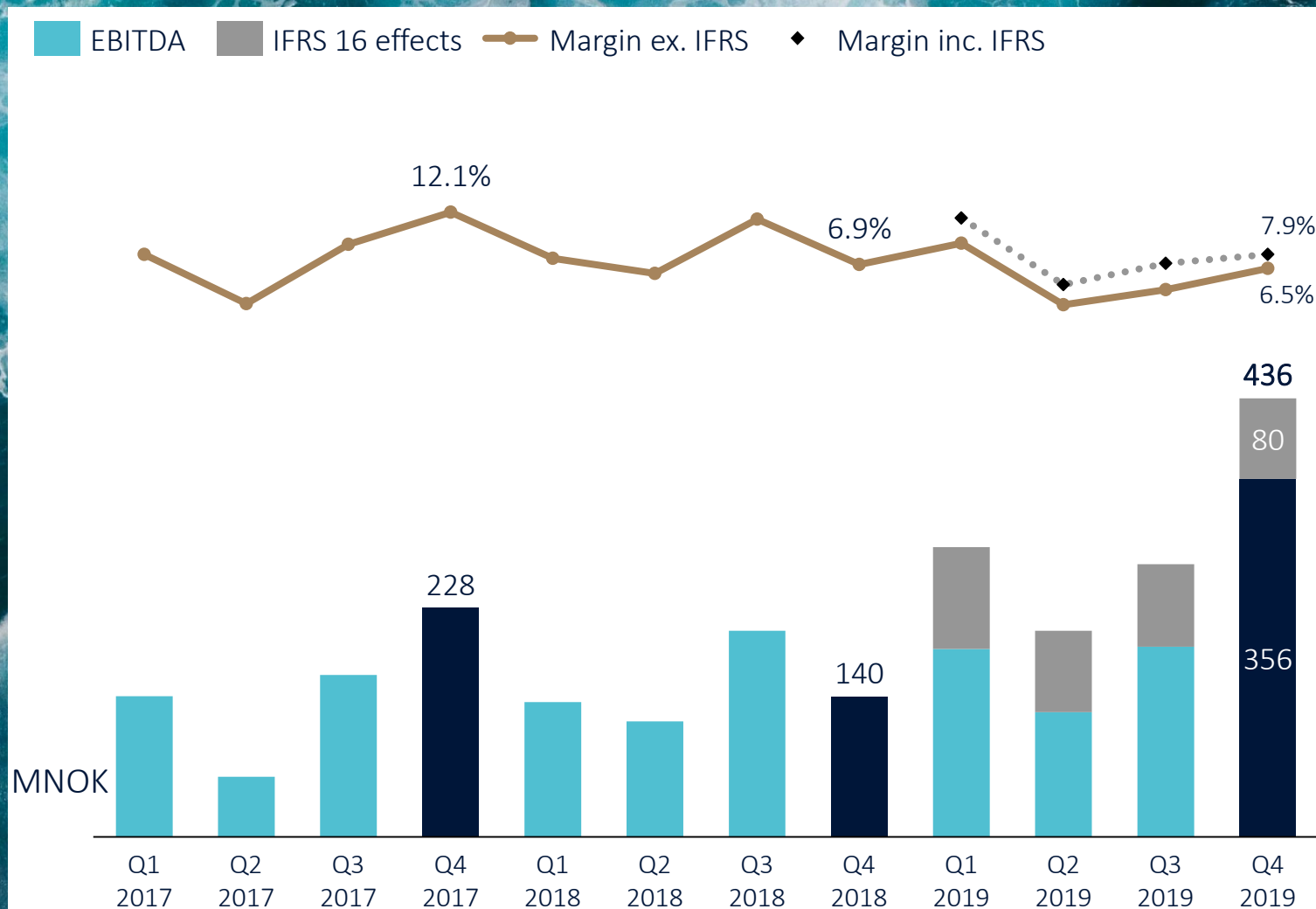
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Q4 KM EBITDA

*) Bridge to xKM EBITDA Q4
(YoY MNOK)

	MNOK
EBITDA excl. IFRS 16	356
+ Restructuring- and integration costs	100
= Adjusted EBITDA	456
- CM EBITDA	209
= xKM EBITDA	247

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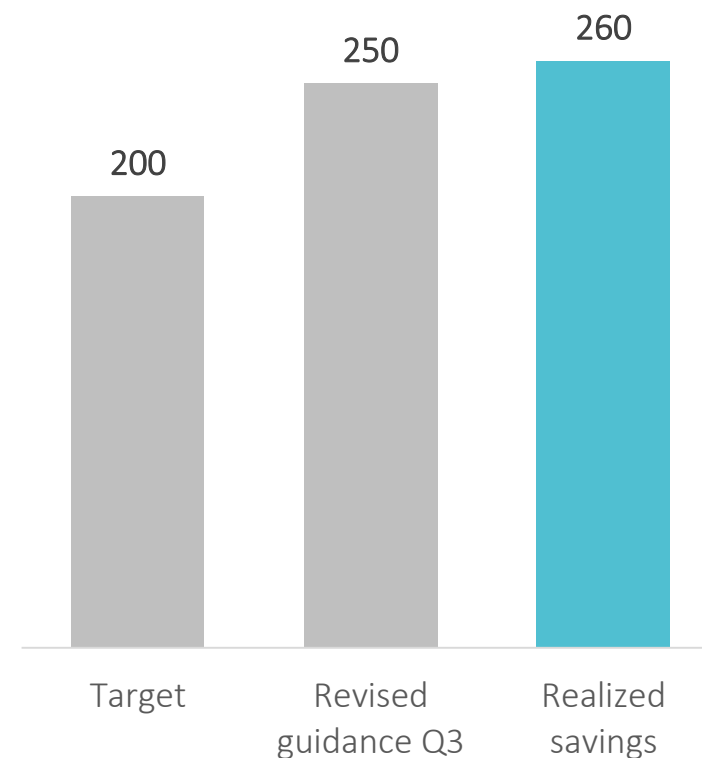
Value Capture program ahead of schedule

Broad range of measures executed in 2019

- ✓ Footprint optimization: 15 sites co-located
- ✓ Exit of Vung Tau (Vietnam) and Gdansk (Poland)
- ✓ Ship Design restructuring
- ✓ Announced restructuring of Deck Machinery
- ✓ Reduction of overcapacity across delivery organizations
- ✓ Digital marine activities unified and prioritized
- ✓ Benefit schemes harmonized
- ✓ Scale savings within sales, support and administrative functions
- ✓ More cost efficient set-up of group support functions
- ✓ Reduction of 485 FTEs of which 315 has left. Restructuring costs for the full reduction of 485 are taken in 2019

Realized cost savings FY19

P&L effect relative to 2018, MNOK



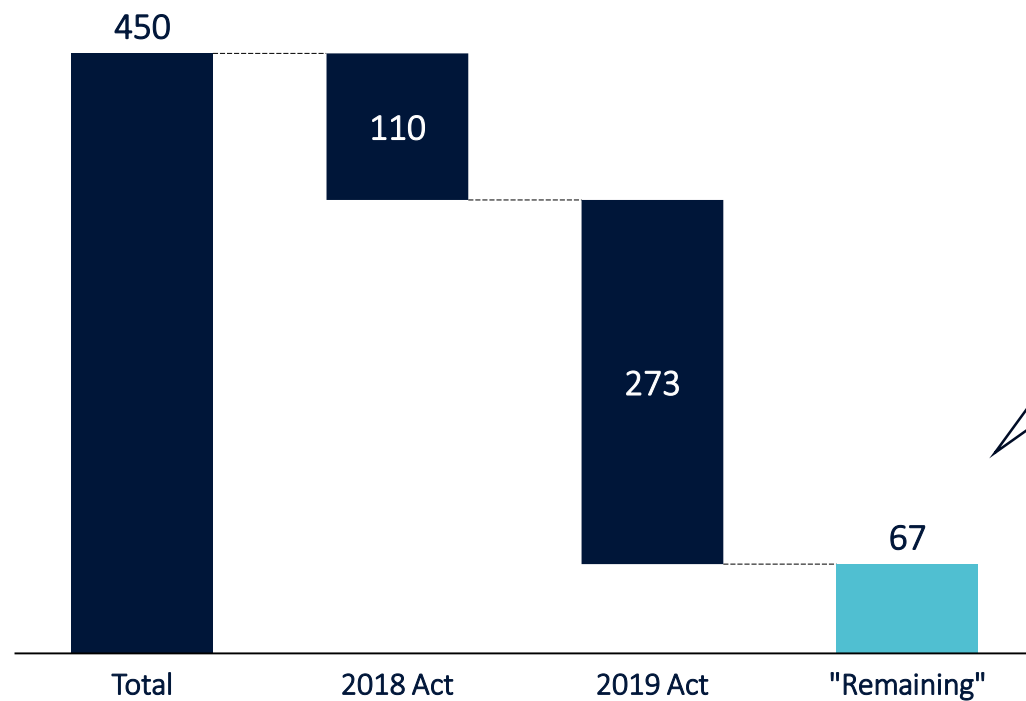


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Integration cost status

Integration cost overview

MNOK



Main activities

- IT infrastructure enabling collaboration
- Legal entities clean-up



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Kongsberg Defence & Aerospace

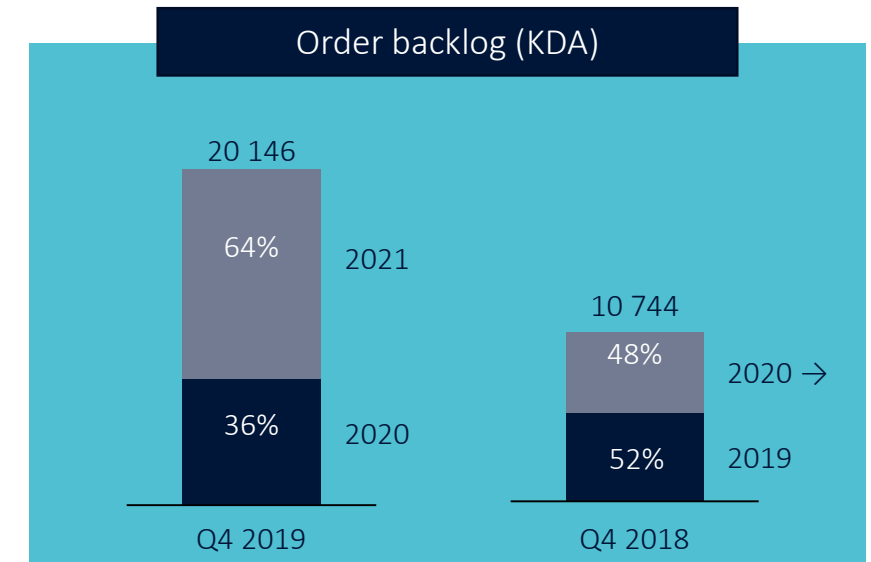
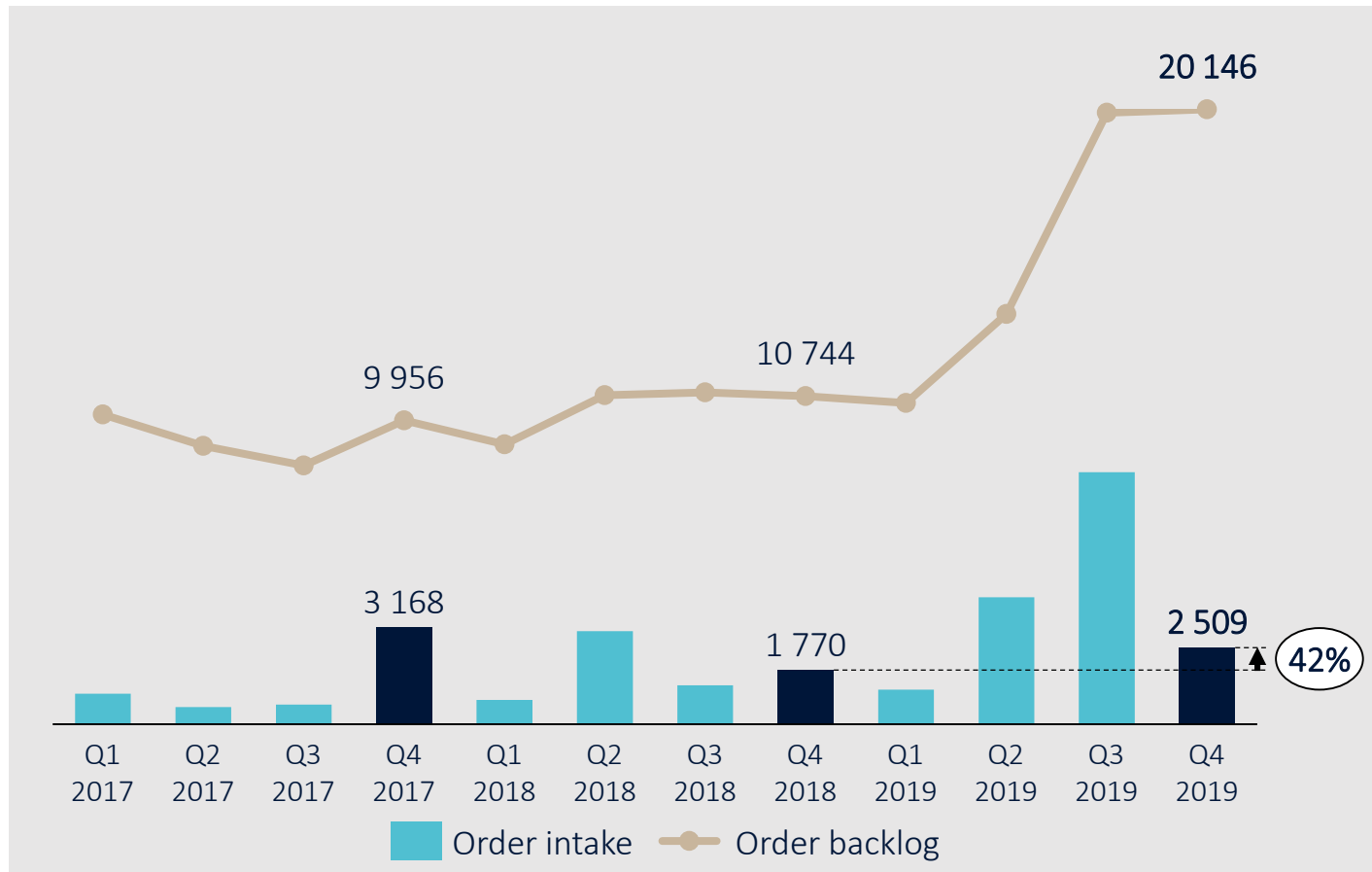
Q4



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Increasing order intake, strong backlog

MNOK



Book/Bill Q4: 1.02

Book/Bill YTD: 2.22

Order intake 2019: MNOK 16 060

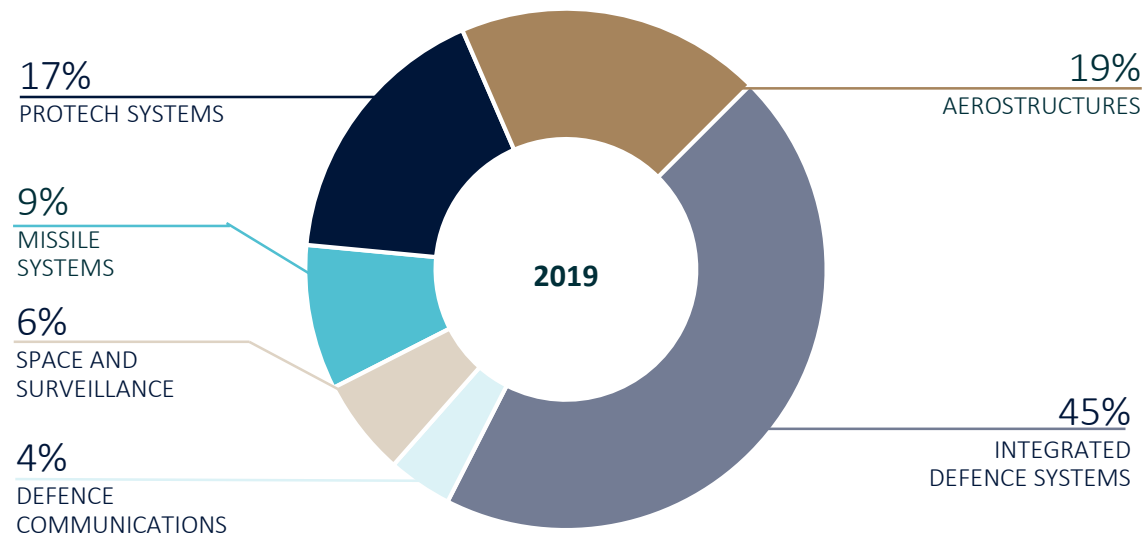
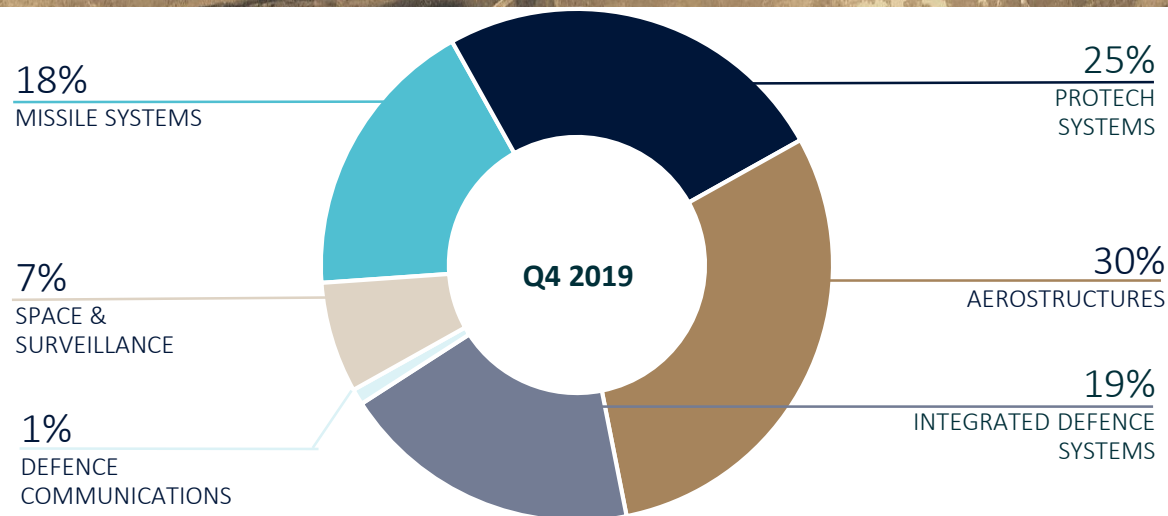


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Q4 KDA Order intake

Order intake Q4: **MNOK 2 509**
(+41.7% YoY)

Order intake 2019: **MNOK 16 060**
(+133.3% YoY)





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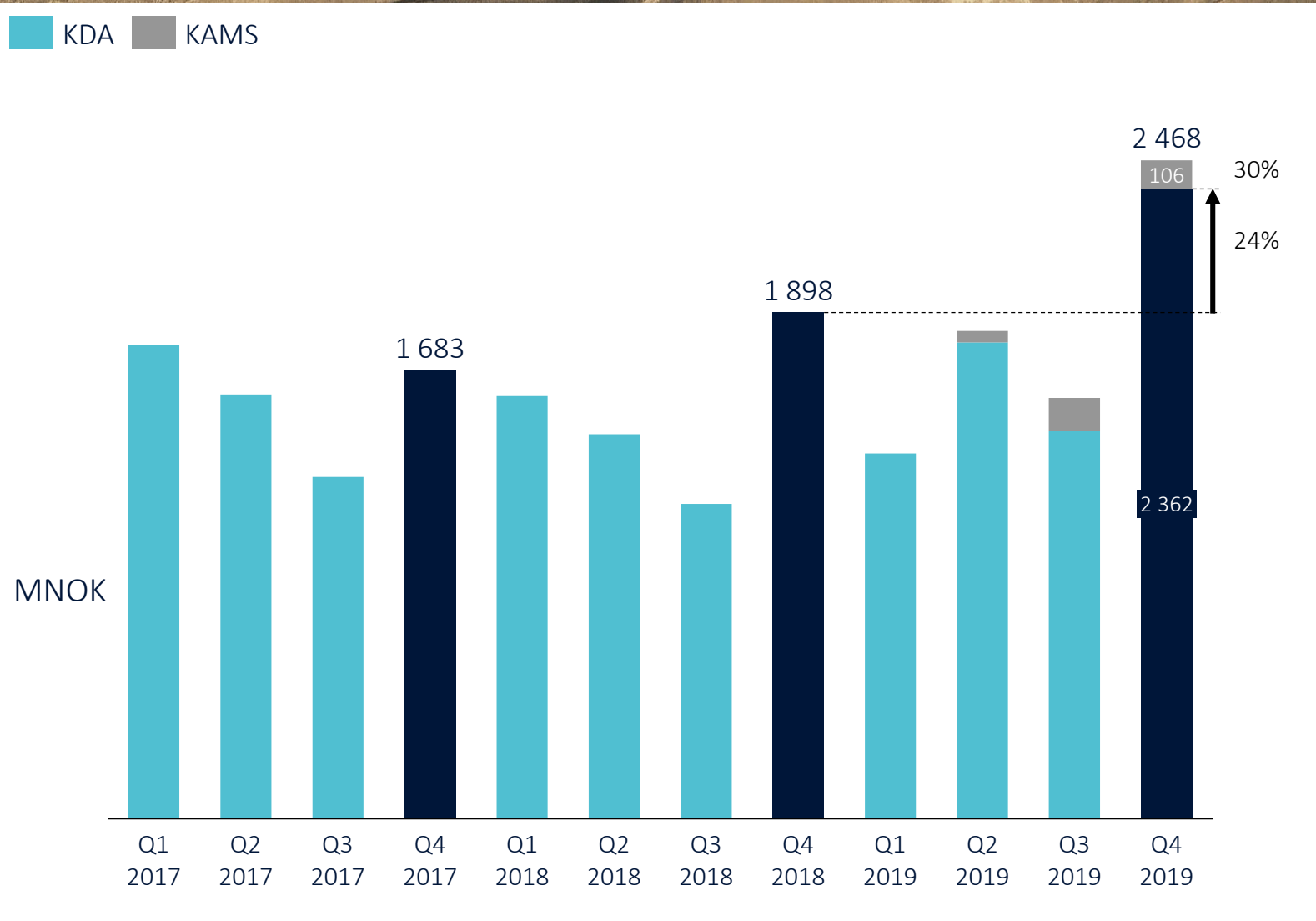
Q4 KDA Revenues

Revenues Q4: MNOK 2 468

Growth +30% YoY

Revenues 2019: MNOK 7 245

Growth +19% YoY





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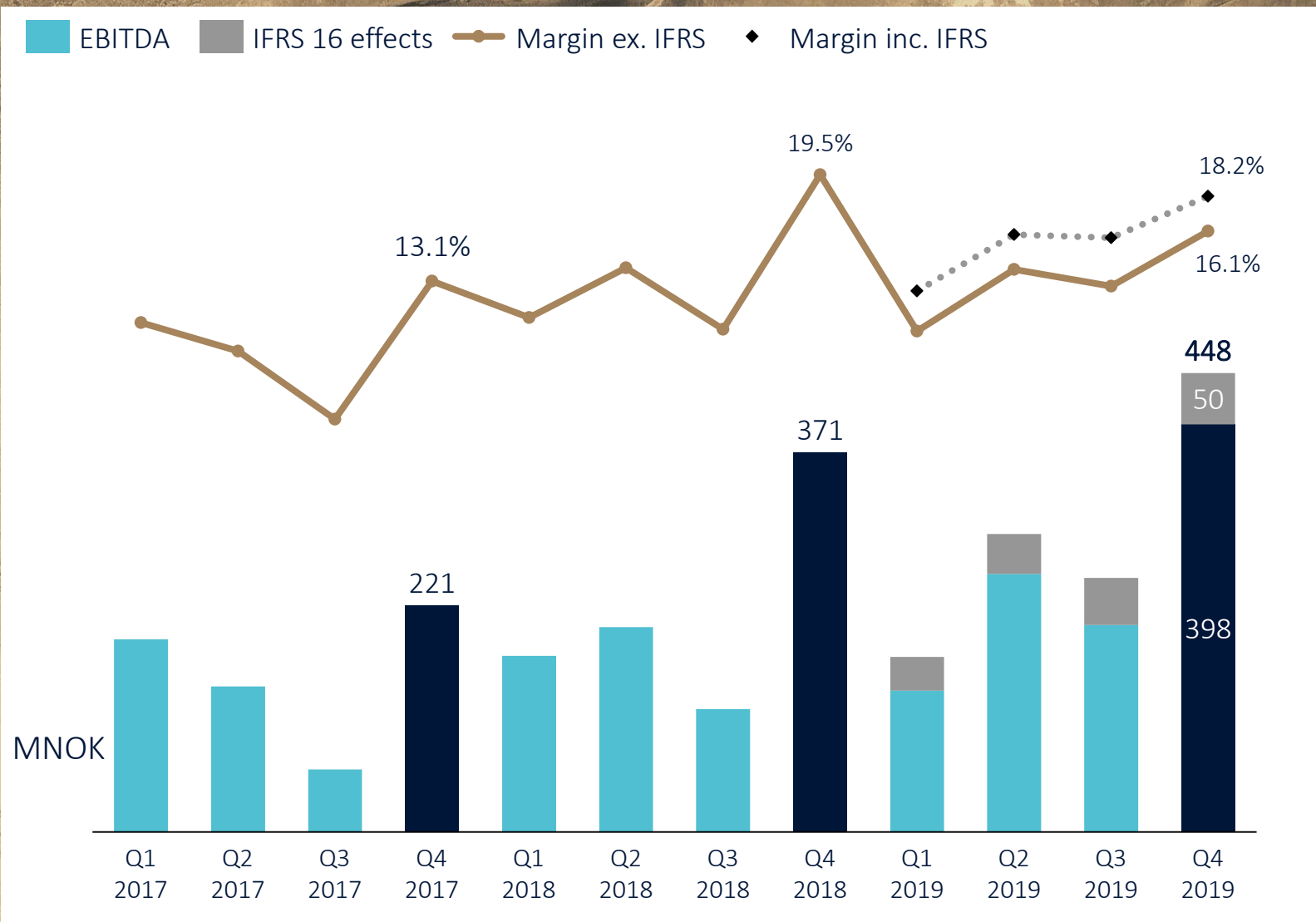
Q4 KDA EBITDA

EBITDA Q4: MNOK 448 / MNOK 398*
EBITDA-margin: 18.2% / 16.1%*

EBITDA 2019: MNOK 1 157 / MNOK 990*
EBITDA-margin: 16.0% / 13.7%*

*) ex. IFRS 16 effects

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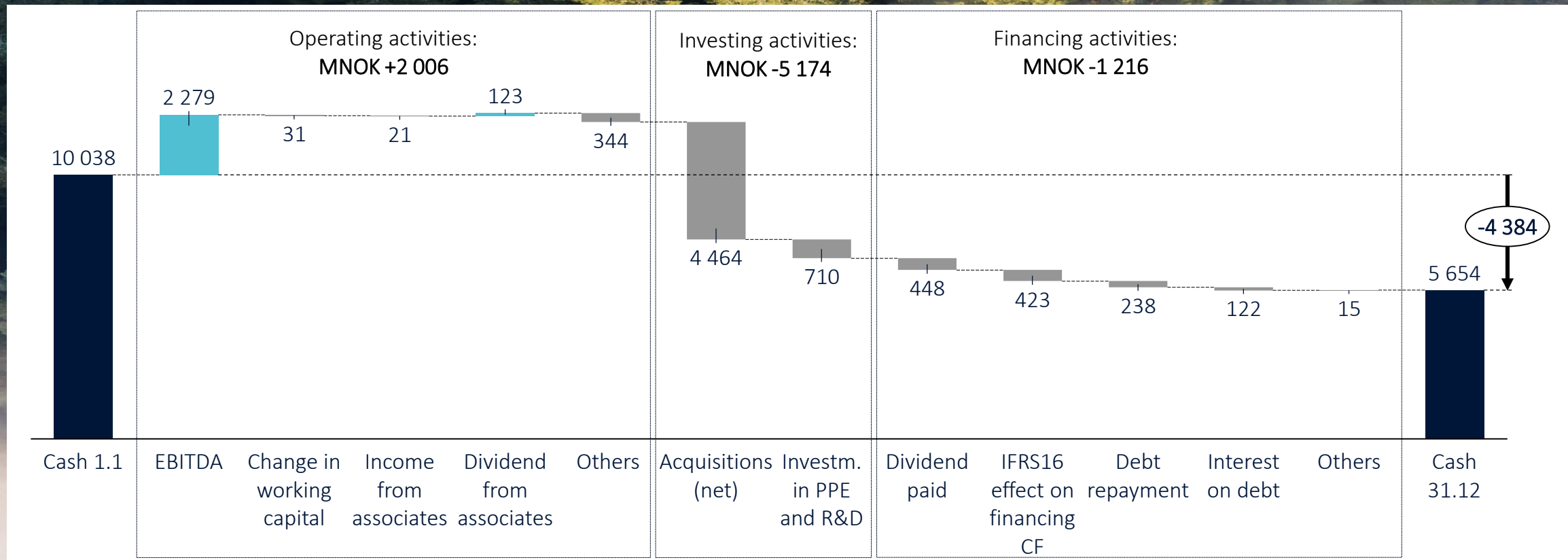
Balance sheet and cash flow (KOG)





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Development in cash 2019





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Q4

Strong balance sheet

Strong cash flow in Q4

	2017	2018	Q3 2019	Q4 2019
Gross interest bearing debt	3 340	4 332	4 090	4 089
Cash and short-term deposits	2 956	10 380	3 667	5 654
Net interest bearing debt	384	-5 706	423	-1 565
Equity ratio	35.6%	45.7%	35.7% 38.1%*	32.7% 34.7%*
ROACE	9.0%	12.5%	9.5%	10.0%

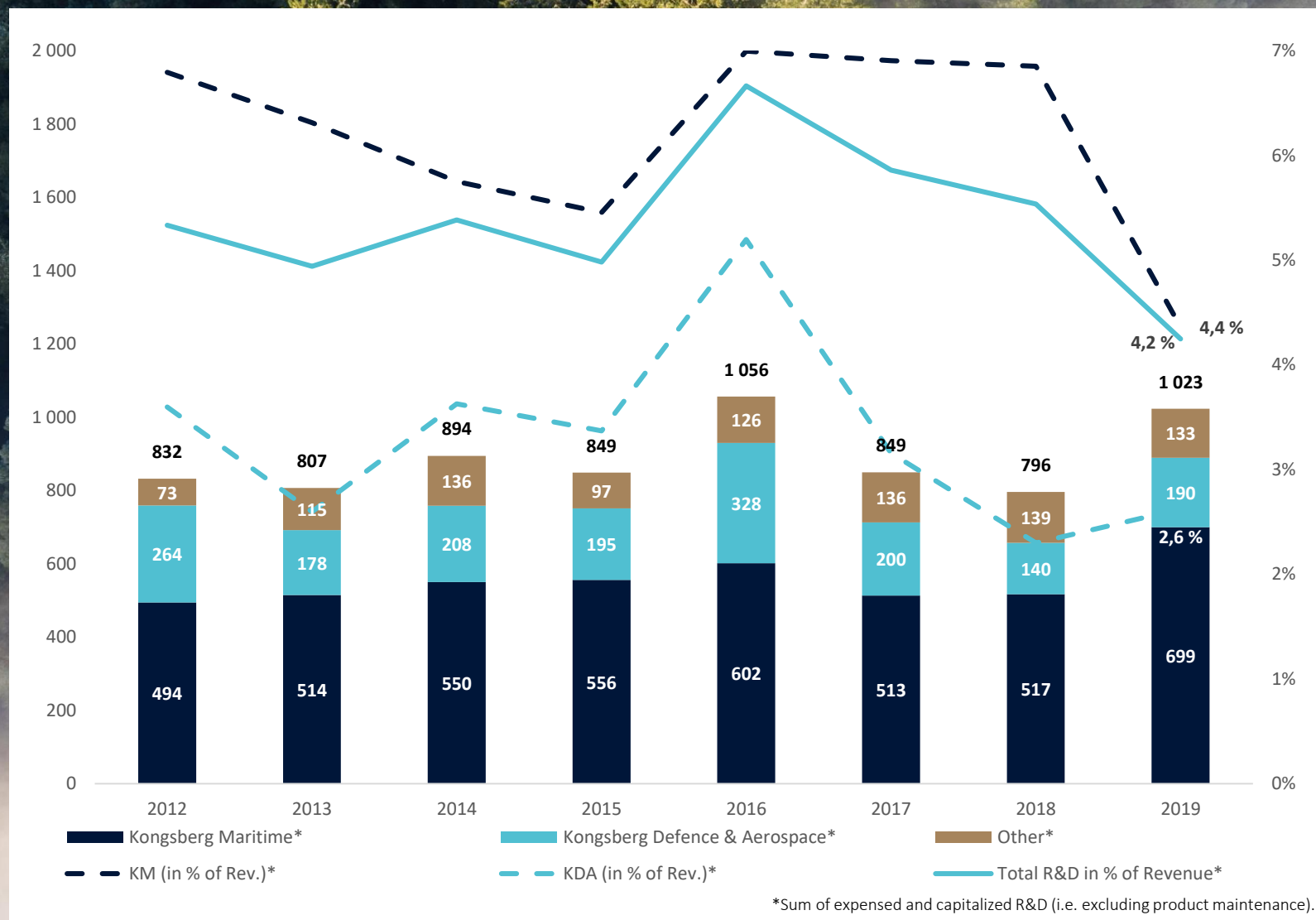
*) exclusive IFRS 16 effects.



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2019 R&D

Sum of expensed and capitalized
Research & Development

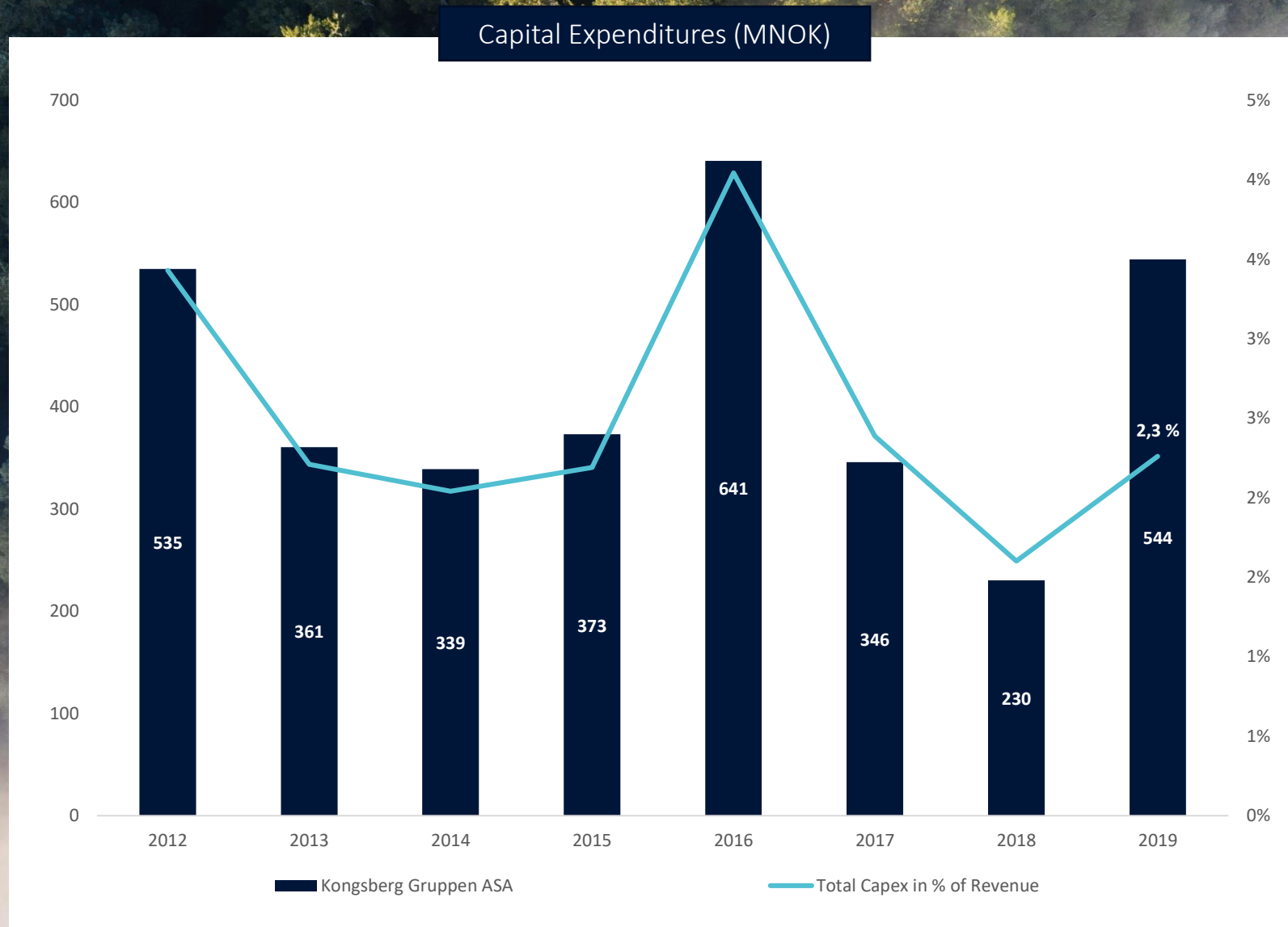




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2019 CAPEX

Capital Expenditures



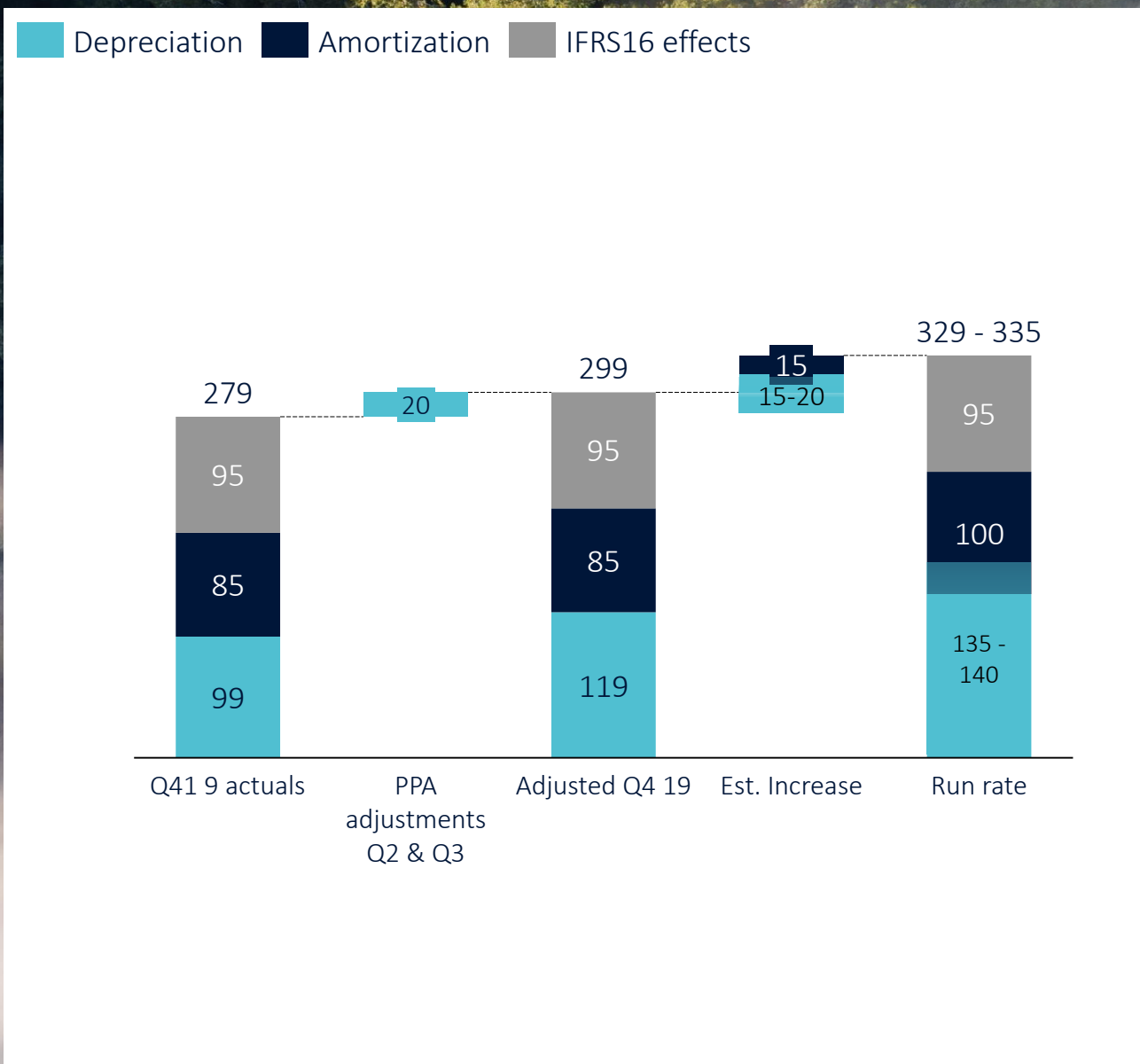


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Depreciation and amortization

Q4 19 actuals depreciation includes;

- 30 MNOK of PPA effects, of which 20 MNOK are from previous periods (Q2 and Q3)
- Increased depreciation going forward of 15 – 20 MNOK are related to investments in KDA





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Dividend

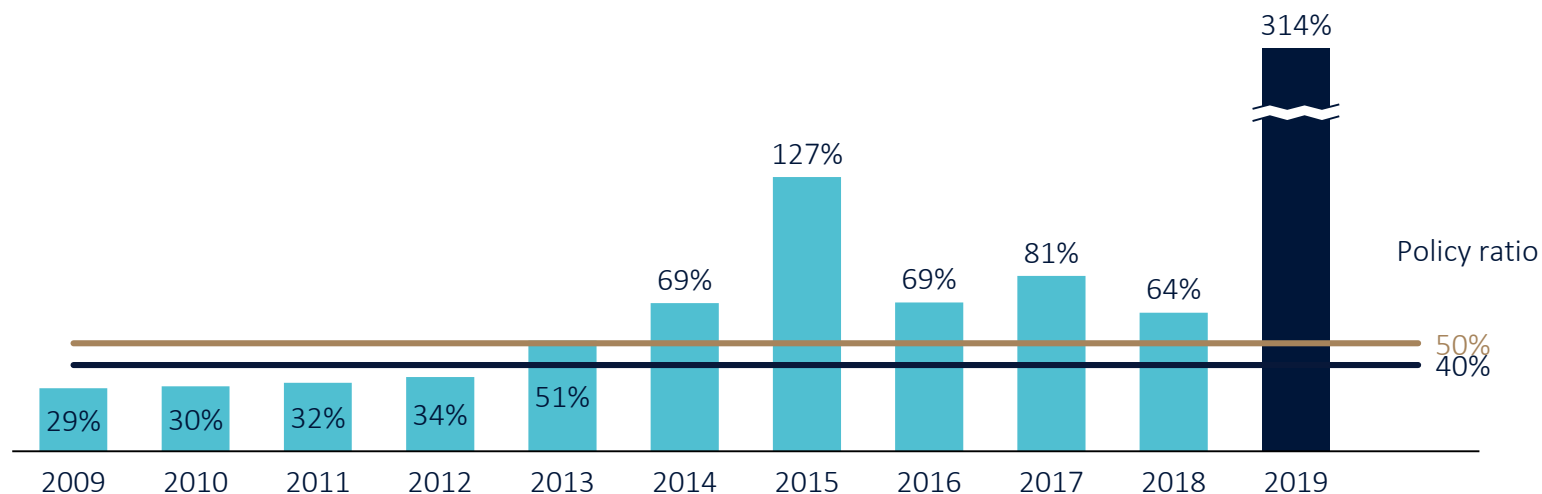
The board proposes for the annual general meeting (AGM) on 14 may 2020 a dividend of NOK 12.50 per share for FY 2019

The proposal is split into an ordinary dividend of NOK 2.50 per share and an extraordinary dividend of NOK 10.00 per share for FY 2019.

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

	2017	2018	2019*
Total dividends	MNOK 450	MNOK 450	MNOK 2 250
Payout ratio	81.2 %	64.2 %	313.8%

* Proposal for 2019 AGM





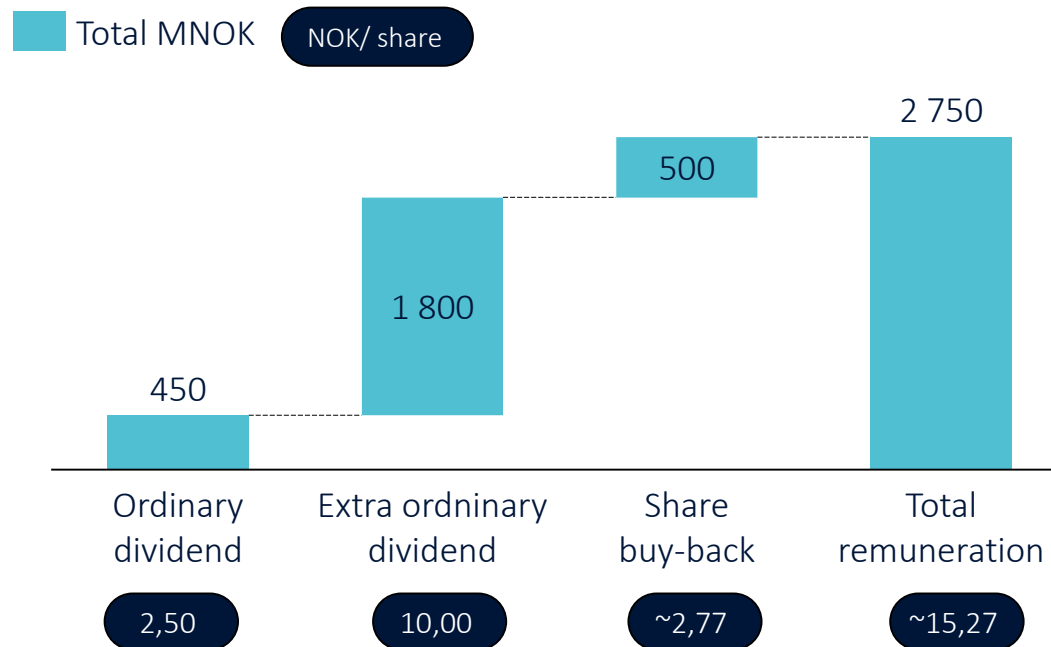
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Proposed dividend and share buy-back

Dividend and share buy-back

- 450 MNOK in ordinary dividend equivalent to 2.50 NOK /share
- 1 800 MNOK in extra ordinary dividend, equivalent to 10.00 NOK/share
- 500 MNOK in share buy-back, equivalent to ~2% of current market capitalization

Total remuneration





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Business update

Geir Håøy, President & CEO



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Business update

Kongsberg Defence & Aerospace



Important contracts

- Mobile Ground Based Air Defence to the Norwegian Army
- JSM follow-on contract with Japan
- RWS to Switzerland and Denmark
- Counter Unmanned Aerial System to Germany



Scaling business to deliver and position for new opportunities

- Increasing activity in all divisions
- Large recruiting campaigns
- Merging Protech and Defence Communications to new division: Land Systems



Maintenance, Repair and overhaul (MRO)

- KONGSBERG has long traditions on Helicopter MRO
- Expanded scope with KAMS acquisition
- Signed strategic agreements in Norway



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Two important MRO-contracts signed with NDLO in Q4

Naval vessels

Maintenance and engineering services including a breadth of the company's portfolio, from missile systems and weapon stations to command / control and navigation systems. Annual minimum scope is NOK 71 million for the first years.

NH-90 helicopters

Maintenance and support of the Norwegian NH-90 helicopter fleet for the years 2020-2026. The estimated value is about NOK 400 million distributed over the first four years.

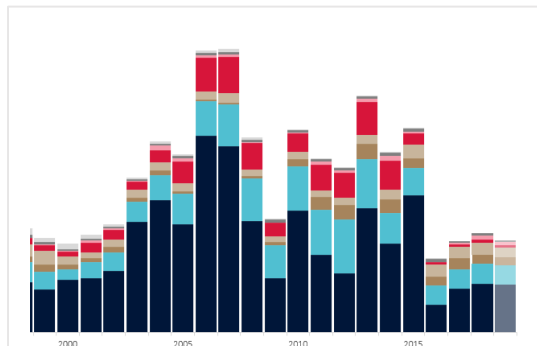


Photo:Forsvaret



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Business update Kongsberg Maritime



Solid performance...

- Revenue growth and improving margin
- Marine Robotics and Global Customer Support
- Integration of CM ahead of plan

...in a challenging market...

- 2019 turned out to be one historic low when it comes to contracting of new vessels in the market
- This applies to most segments except LNG, Cruise, ferries and FPSO

...positioned to be there in the future

- Product and portfolio optimization
- Energy management for greener hybrid solutions
- Equipment installed on ~30.000 vessels
- Further strengthen our hydro acoustics business



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Enabling customers to reach their commitments to the UN Sustainability Goals



Hybrid Power

- KM's integrated hybrid power propulsion system offer proven efficiency benefits
- Designed to provide the best possible energy consumption at any time, while optimizing system redundancy and safety.
- Typically, a Kongsberg Maritime hybrid system is proven to offer fuel efficiency gains of around **20%**, with corresponding reductions in emissions



Delivery to Golden Energy

- Upgrade of two Golden Energy offshore vessels including integrated hybrid power propulsion
- Saving in dynamic positioning mode (DP2):
 - 50 % reduction on engine running hours, corresponding to 20% reduced fuel consumption
 - Reducing CO2 by 300 tonnes and NOx by one tonn
- Average savings all operational modes:
 - 34 % reduction of engine running hours, corresponding to 10% reduced fuel consumption
 - Reducing CO2 by 1 000 tonnes and NOx by three tonnes

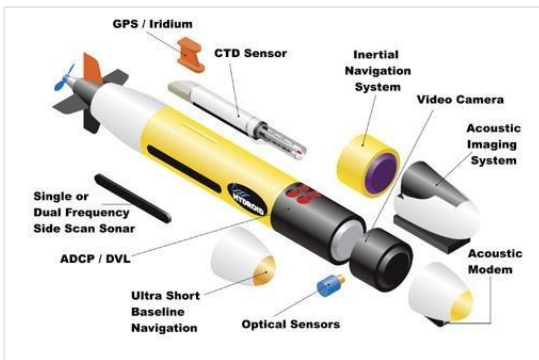
"We appreciate the good cooperation with Kongsberg Maritime, it enables us to reach our goals and at the same time we have a front row seat in developing Green Operations."

Per Ivar Fagervoll, CEO, Golden Energy Offshore



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KONGSBERG has entered into an agreement with Huntington to sell Kongsberg Hydroid



Successful development of Hydroid

- Acquired in 2008 for ~430 MNOK
- KONGSBERG has through successful technology development created considerable value during the ownership period

Attractive exit multiple

- Sales price of ~3.2 BNOK on a debt and cash free basis
- Implied valuation of ~24x EV/EBITDA

New alliance and opportunities ahead

- KONGSBERG and Huntington have entered a strategic alliance
- Continue to strengthening KONGSBERG's world-leading underwater environment in Horten



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Business update Kongsberg Digital and Patria

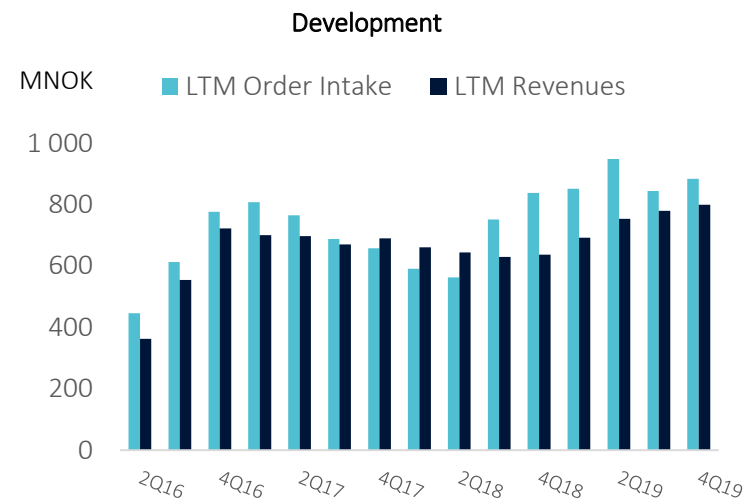
KDI

25 % revenue increase in 2019 and growing order intake

Book/bill 1.11 in 2019, 1.22 in Q4

Dynamic Digital Twin delivered and in operation

Continued roll out of Vessel Insight



PATRIA

Q4 revenues at MEUR 166, up from MEUR 150 YoY

Finland and Latvia have agreed on a joint development program for sustained army mobility enhancement based on Patria's 6x6 vehicle platform

Patria has initiated and executed capacity adjustments in both Land Systems and Aerostructures divisions

EBITDA in Q4 was MEUR 15 (MEUR 22), KONGSBERG's share of net profit was MNOK 7 in Q4 (MNOK 65 in Q4 2018)



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Outlook

KM

Good order backlog coverage and strong lifecycle business founds some revenue growth in 2020

Segments within new build market expected to remain challenging

KDA

Current backlog founds solid growth in 2020 independent of new contracting

Positioned for several major contracts over the next 1-2 years

KDI

Capitalize and accelerate on our positions related to dynamic digital twin and Vessel Insight

Emphasis on strategic opportunities



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Q&A





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Appendix





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Q4 IFRS 16 effects (MNOK)

Q4 2019	KOG incl. IFRS 16	KM	KDA	Others	KOG ex. IFRS 16
Revenues	8 164	-	-	-	8 164
EBITDA	851	-80	-50	10	731
EBIT	554	-19	-14	9	530
EPS	1.92	-	-	-	1.98

2019	KOG incl. IFRS 16	KM	KDA	Others	KOG ex. IFRS 16
Revenues	24 081	-	-	-	24 081
EBITDA	2 279	-296	-167	40	1 856
EBIT	1 183	-52	-2	-20	1 109
EPS	3.89	-	-	-	4.27



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Q4

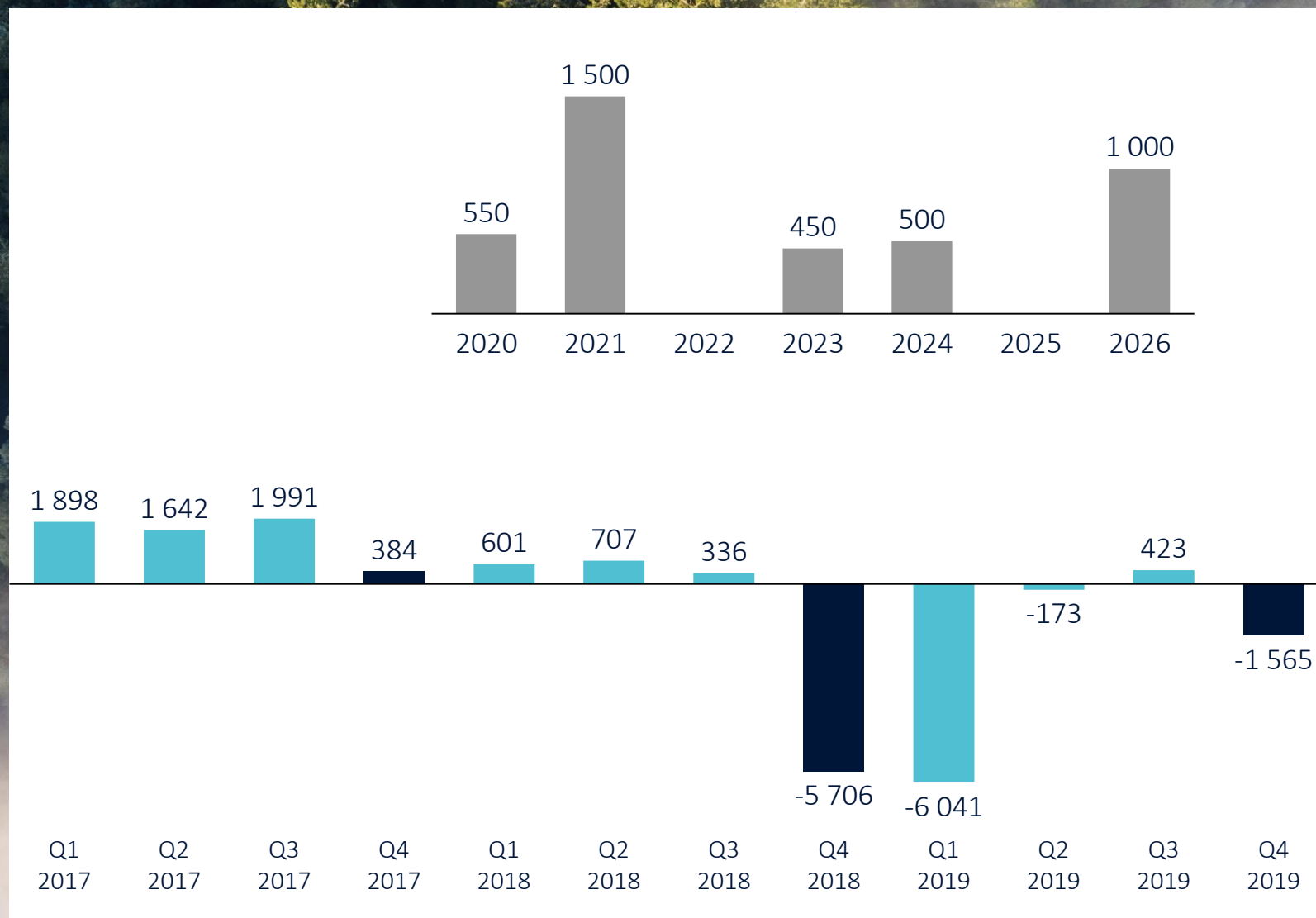
Debt position

Healty maturity profile

■ Bonds - Maturity profile (MNOK)

■ Net interest bearing debt (MNOK)

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Realized savings of 260 MNOK FY2019

Realized cost savings

P&L effect relative to 2018, MNOK

Area	Realized FY19	Comments to realized savings
Footprint & delivery streamlining	41	Initial effects of co-locations, production facility shutdowns and optimization of delivery organizations
SG&A savings and synergies	179	Savings driven by more cost efficient set-up of support and sales functions, as well as harmonization of terms and benefits
Product portfolio optimization	40	Savings related to streamlining of digital marine spending (Ship Intelligence)
Total	260	Realized cost savings ahead of initial target of 200 MNOK

Restructuring cost incurred in 2019 is 142 MNOK



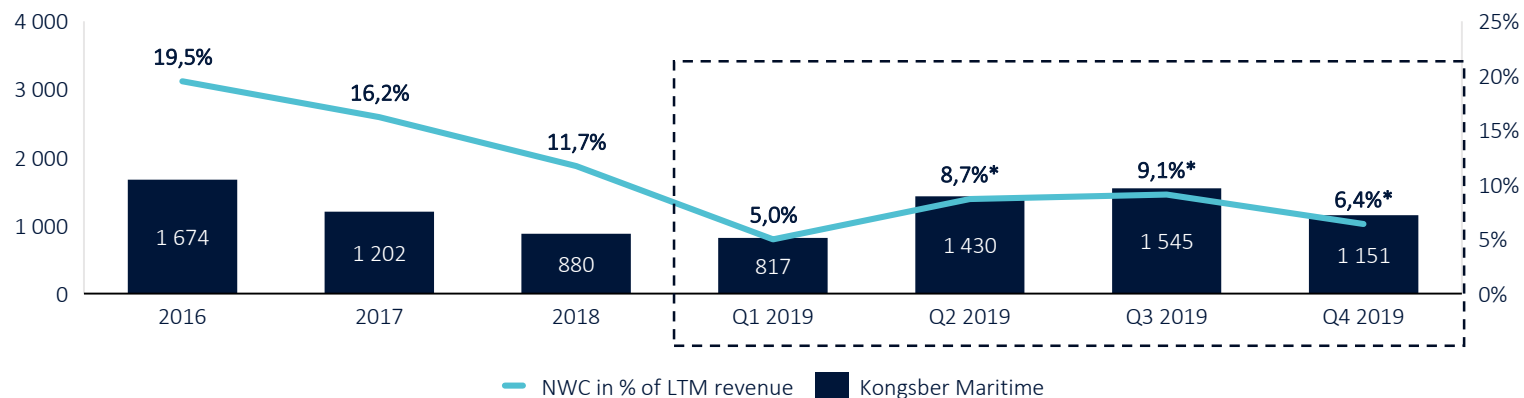
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Q4 NWC

Net Working Capital by Business Area

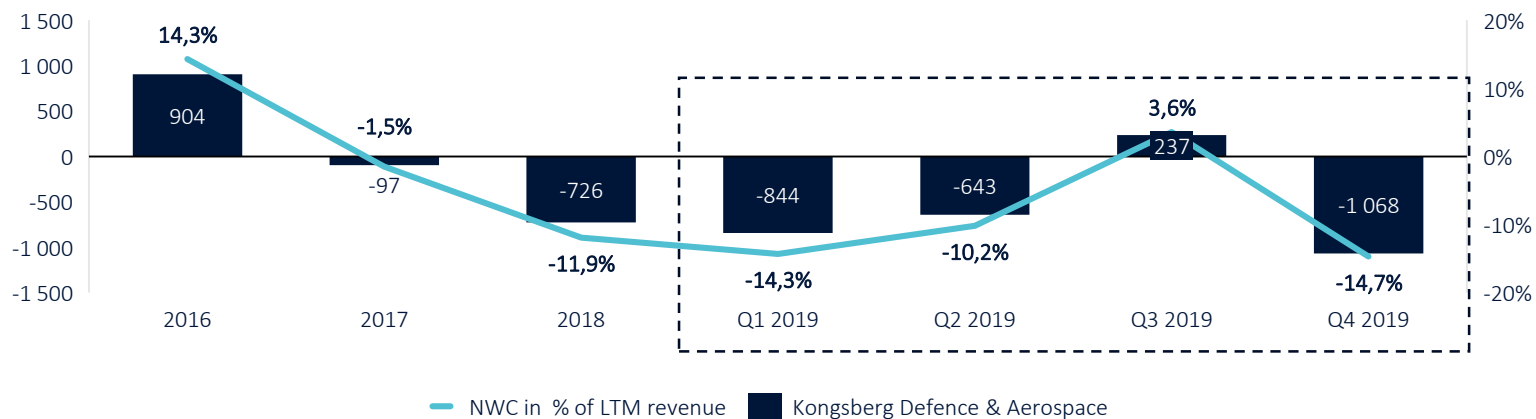
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Net Working Capital – Kongsberg Maritime (MNOK)



*Includes Proforma Revenue for Commercial Marine.

Net Working Capital – Kongsberg Defence & Aerospace (MNOK)



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Thanks