



KONGSBERG

CMD | 2019

AMBITIONS

24/09/2019

Gyrid Skalleberg Ingerø,
Group CFO KONGSBERG GRUPPEN ASA



KONGSBERG

DISCLAIMER

CMD | 2019

This presentation contains certain forward-looking information and statements. Such forward-looking information and statements are based on the current, estimates and projections of the Company or assumptions based on information currently available to the Company. Such forward-looking information and statements reflect current views with respect to future events and are subject to risks, uncertainties and assumptions. The Company cannot give assurance to the correctness of such information and statements. These forward-looking information and statements can generally be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements sometimes use terminology such as "targets", "believes", "expects", "aims", "assumes", "intends", "plans", "seeks", "will", "may", "anticipates", "would", "could", "continues", "estimate", "milestone" or other words of similar meaning and similar expressions or the negatives thereof.

By their nature, forward-looking information and statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company to differ materially from any future results, performance or achievements that may be expressed or implied by the forward-looking information and statements in this presentation. Should one or more of these risks or uncertainties materialize, or should any underlying assumptions prove to be incorrect, the Company's actual financial condition or results of operations could differ materially from that or those described herein as anticipated, believed, estimated or expected.

Any forward-looking information or statements in this presentation speak only as at the date of this presentation. Except as required by the Oslo Stock Exchange rules or applicable law, the Company does not intend, and expressly disclaims any obligation or undertaking, to publicly update, correct or revise any of the information included in this presentation, including forward-looking information and statements, whether to reflect changes in the Company's expectations with regard thereto or as a result of new information, future events, changes in conditions or circumstances or otherwise on which any statement in this presentation is based.

Given the aforementioned uncertainties, prospective investors are cautioned not to place undue reliance on any of these forward-looking statements.



KONGSBERG

Key drivers for value creation

CMD | 2019

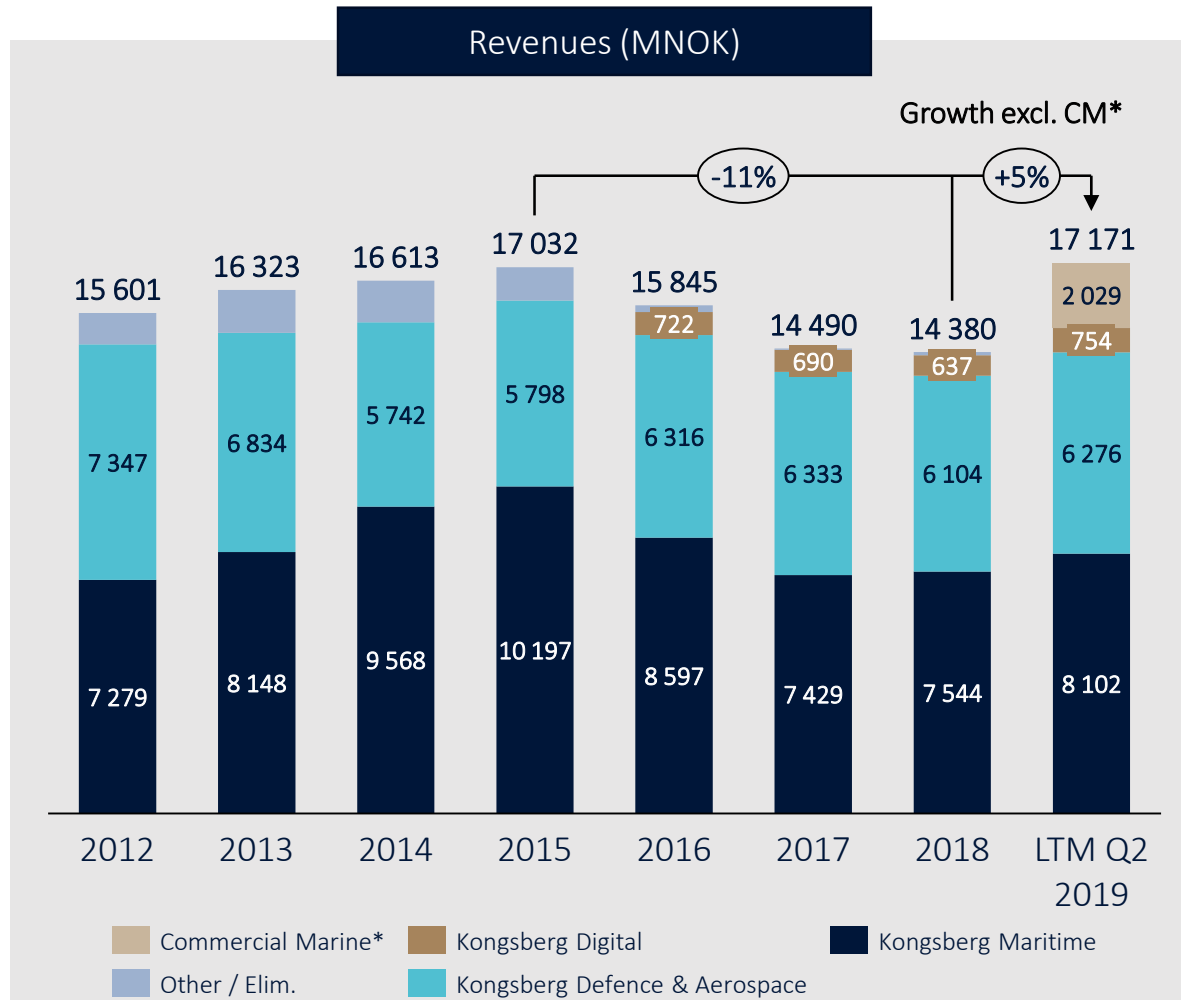




KONGSBERG

Improving revenue trend

CMD | 2019



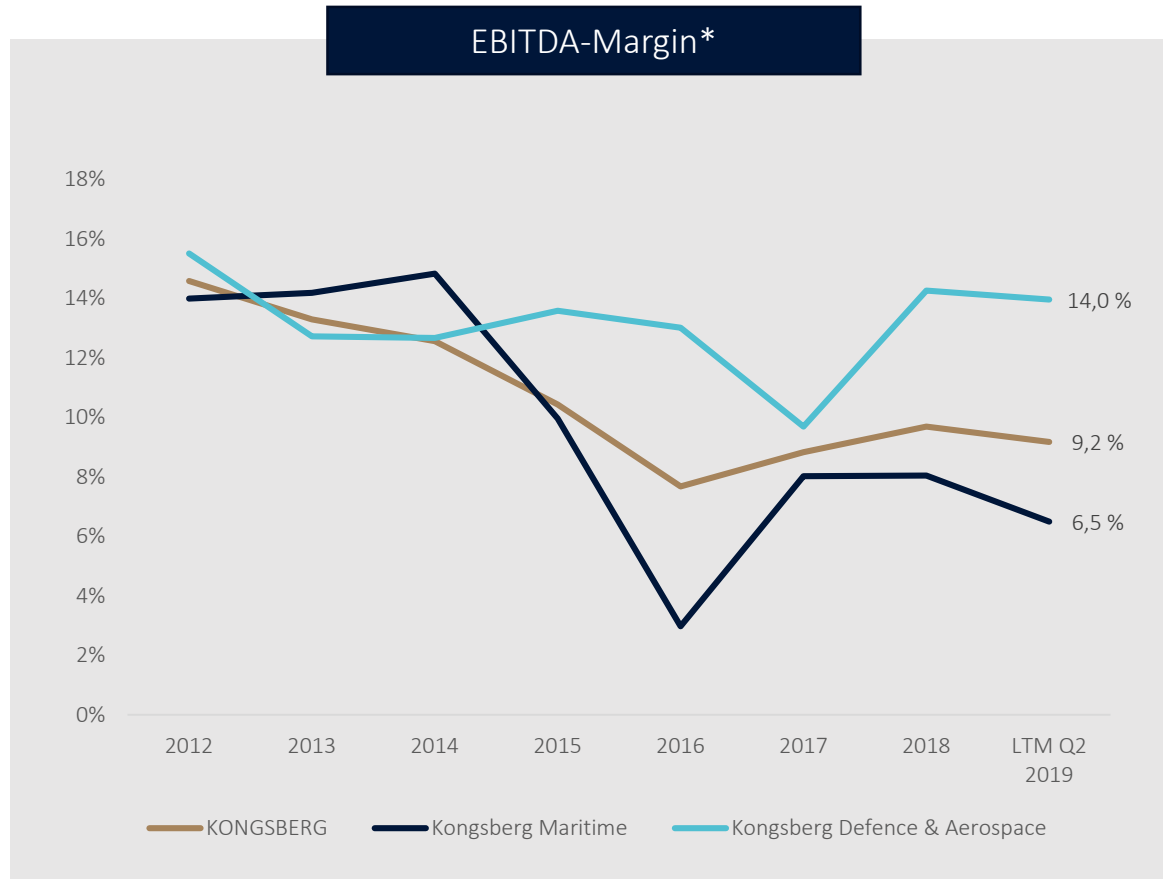
- 2012-2014
 - Strong growth from overheated offshore market
 - Declining defence revenues due to falling CROWS volumes
- 2015-2018
 - Stop in offshore contracting led to 25+ % decline in KM
 - Defence relatively stable
- 2019➔
 - Added revenues from Commercial Marine
 - Some growth in “old” KM
 - Ramp up from recent order intake in KDA



KONGSBERG

Commercial Marine weighing on improving margins

CMD | 2019



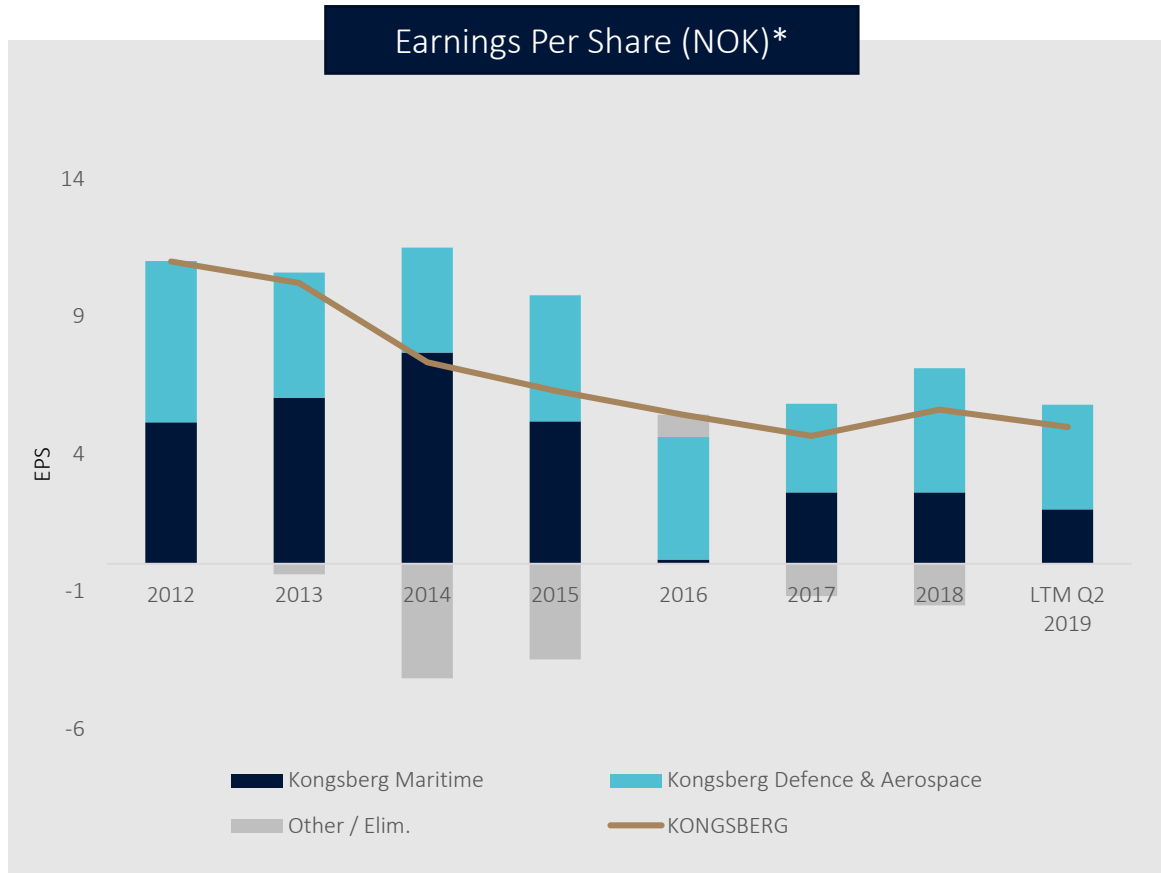
- 2012-2014
 - Hot offshore market founding strong profitability
 - Drop in defence margins due to decline in Remote Weapon Station (CROWS) volumes
- 2015-2018
 - KM margins challenged by declining volumes and price pressure
 - Defence impacted by restructuring in 2017
- 2019➔
 - Integration of Commercial Marine affects margins
 - Improvement in “old” KM
 - Defence relatively stable



KONGSBERG

Steady EPS-contribution from KDA, KM fluctuates

CMD | 2019



- KDA proving a stable foundation
- KM market more cyclical
- Equity rights issue in 2018 diluting EPS until Commercial Marine turn-around materialize

*The graph illustrates each business unit's contribution to EPS. Actual contribution may deviate.



KONGSBERG

Key drivers for value creation

CMD | 2019





KONGSBERG

Our capital allocation priorities

CMD | 2019

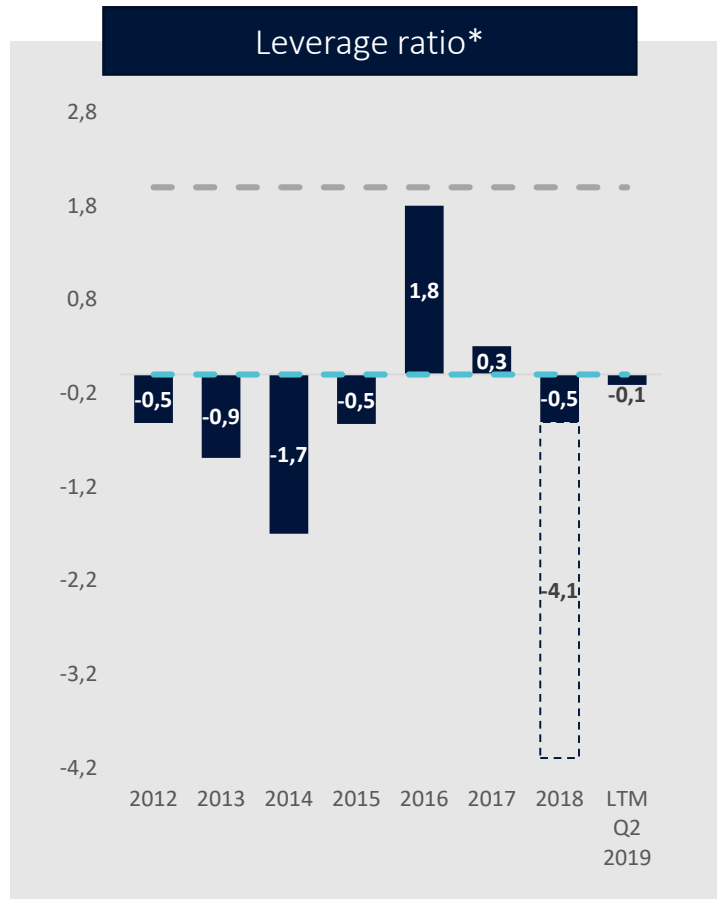




KONGSBERG

Rationale for having a solid balance sheet

CMD | 2019



*Net Interest Bearing Debt / EBITDA, 2018 inclusive and exclusive BNOK 5 rights issue.

WORLD CLASS – Through people, technology and dedication

1. Access to funding

- Medium term target of Net debt/EBITDA of 1.0x +/- 1.0x
- Securing investment grade credit rating equivalent and access to debt capital markets
- Committed credit facility acting as a back-stop

2. Customer confidence

- Long-term view in strategy and execution
- Fluctuating working capital
- Financial currency hedging policy

3. Integration of recent acquisition

- The Commercial Marine business has been cash consuming
- Uncertainty regarding timing of recovery in the offshore market

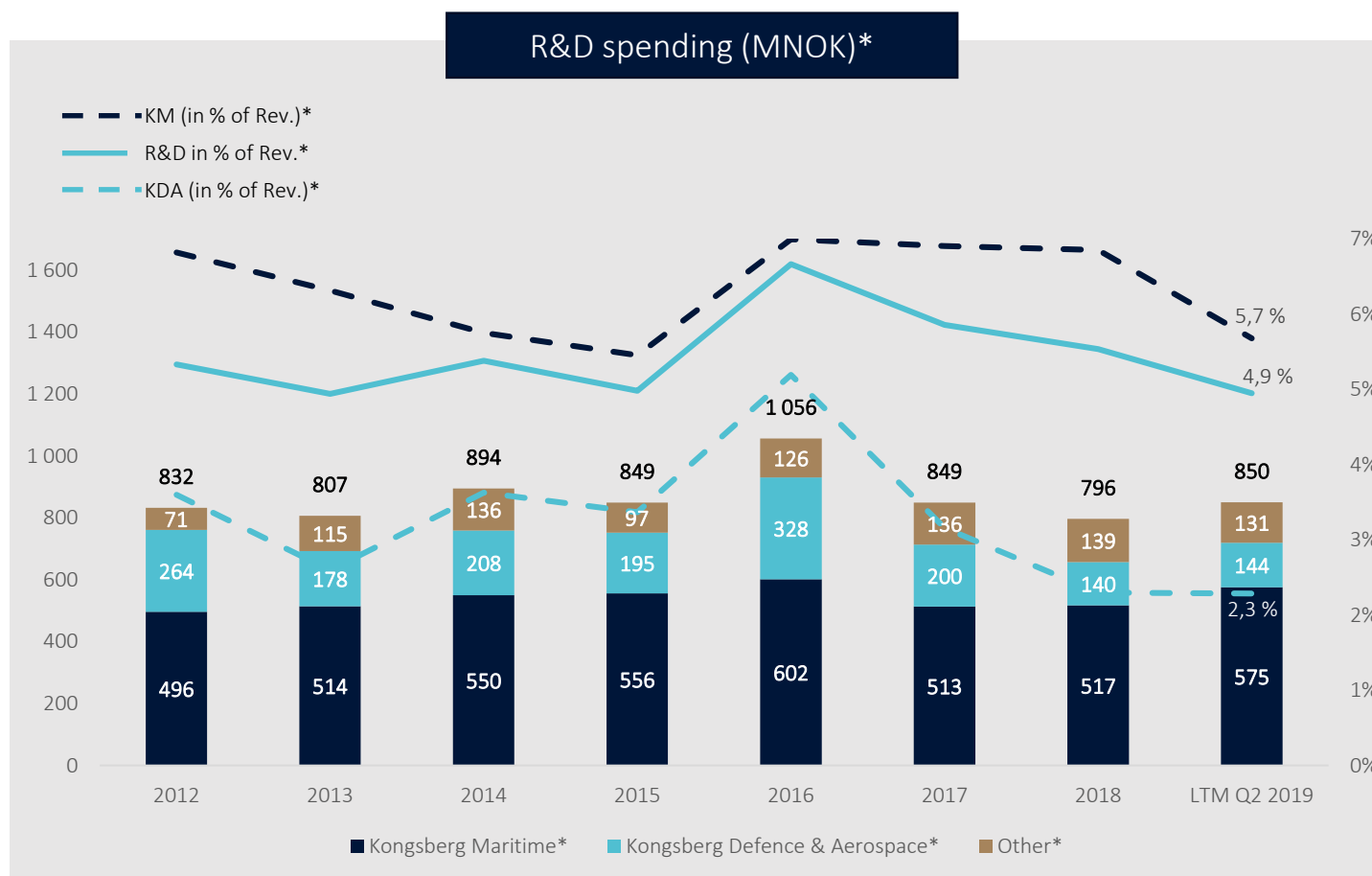


KONGSBERG

Technology development securing our positions

Self-funded R&D

CMD | 2019



*Sum of expensed and capitalized R&D (i.e. excluding product maintenance).

- R&D - investing to secure #1 positions
 - Self-funded R&D 5-6% of revenues
 - In addition we benefit from customer funded R&D
- Prioritisation of R&D projects



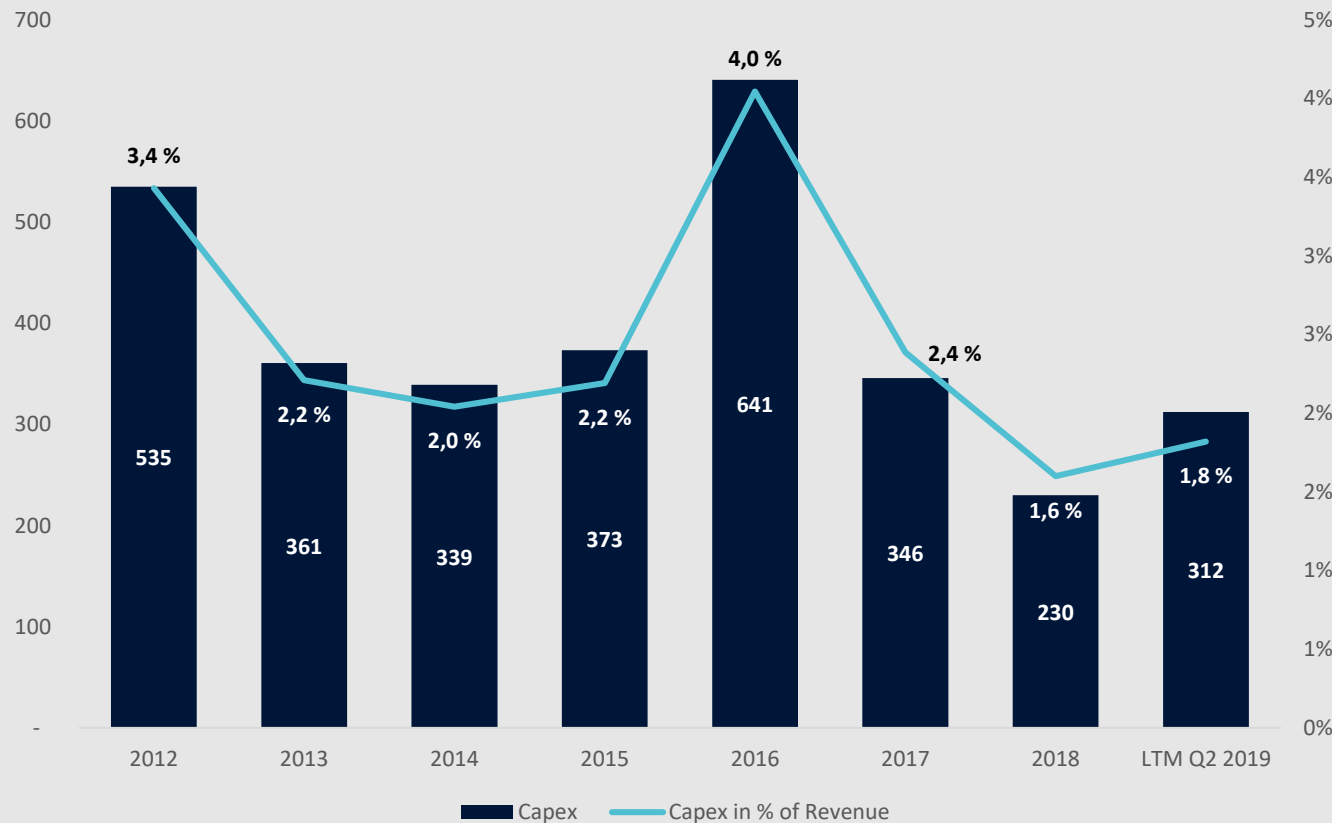
KONGSBERG

Investments

Capital expenditures 2012-2018

CMD | 2019

Capital expenditures (MNOK)



- Investments ex. R&D averaging 2.6% of revenues
 - Few production facilities requiring high investments
 - Low level of machinery and equipment related to operations
 - Production mainly performed by sub contractors
- Capex expected at 2-3% of revenues going forward
- Depreciation & amortisation going forward expected to be at ~same level as in Q2 2019

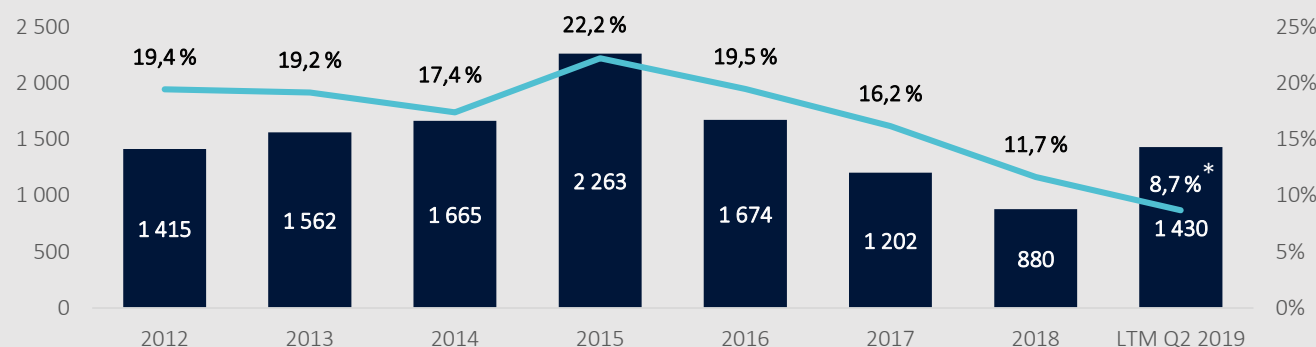


KONGSBERG

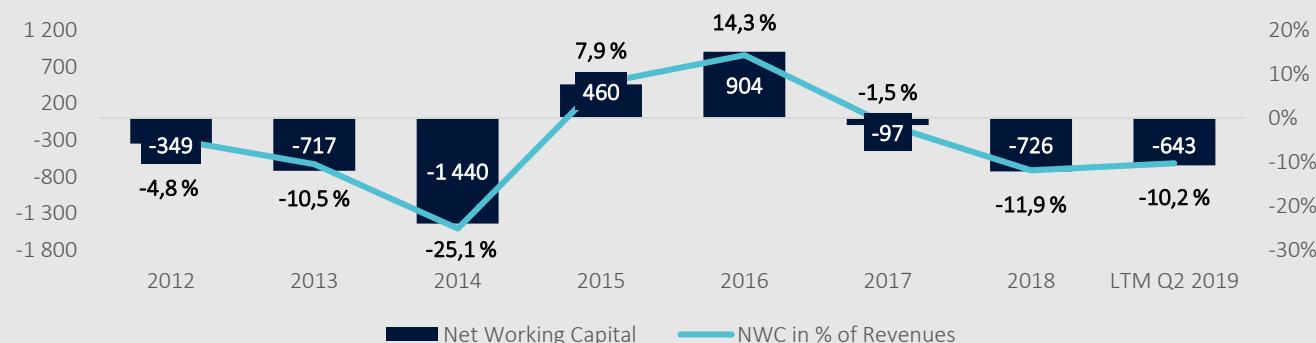
Fluctuating working capital

CMD | 2019

Net Working Capital – Kongsberg Maritime (MNOK)



Net Working Capital – Kongsberg Defence & Aerospace (MNOK)



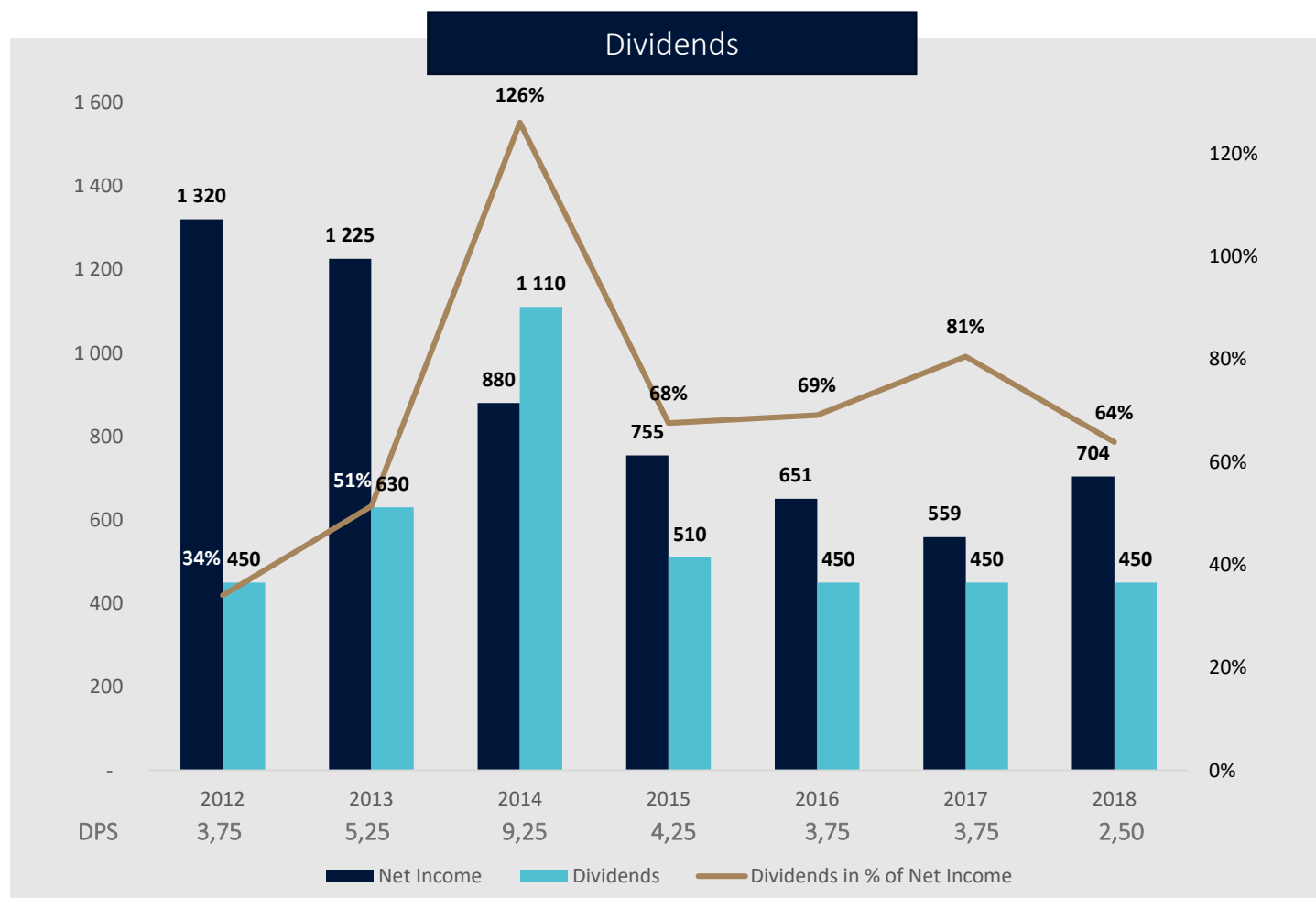
- Net working capital has fluctuated significantly
 - KDA: Mainly related to payment structure and project timeline within large projects
 - KM: historically more stable at 15-20% of revenues. Targeting a lower range going forward
- Average historical negative working capital within KDA. Expected to fluctuate also going forward



KONGSBERG

Healthy shareholder remuneration

CMD | 2019



- Dividend policy of 40-50% of net income
 - Actual pay-outs from 2013 above interval
 - Evaluate special dividends or share buybacks as a supplement on a case-by-case basis



KONGSBERG

Active management of business portfolio

- Investments of 8 billion last 4 years

CMD | 2019



- Support & develop Patria
- Integrate Commercial Marine
- Integrate Kongsberg Aviation Maintenance Services



KONGSBERG

Key drivers for value creation

CMD | 2019





KONGSBERG

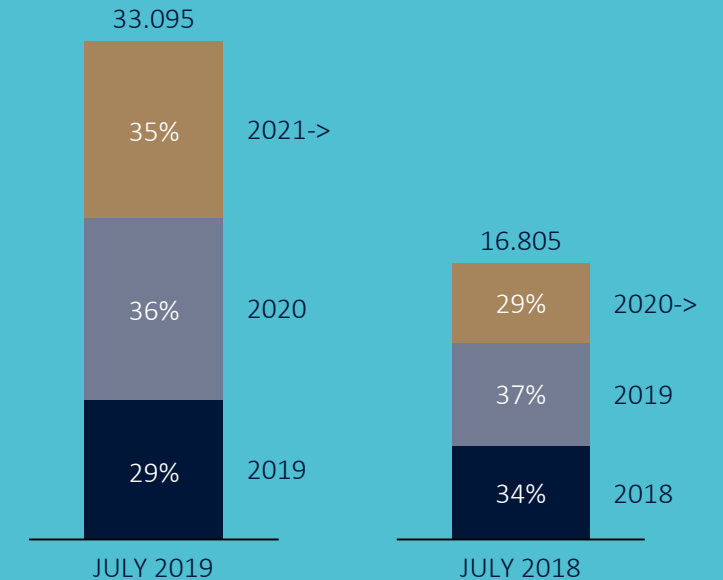
Recent pick up in order intake finds growth

CMD | 2019

Order intake and Revenues (MNOK)



Order backlog



BNOK 7 aftermarket in KM by large not reflected in backlog (annual basis)



KONGSBERG

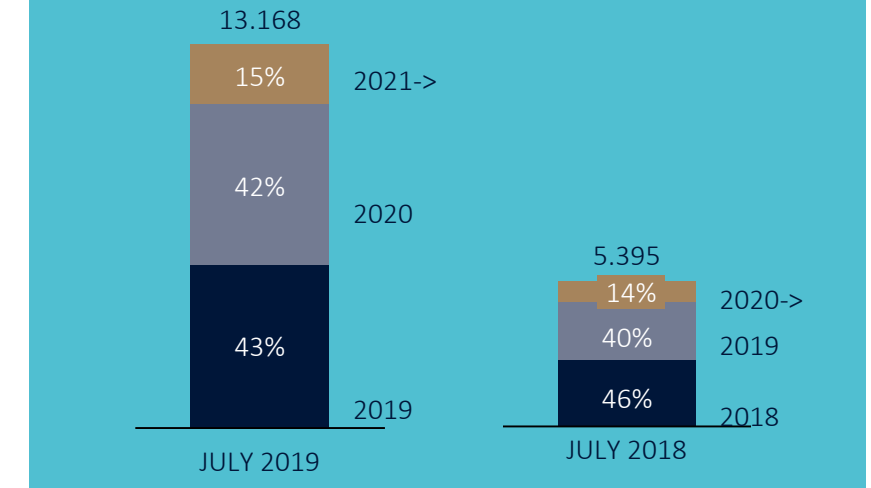
Short- and long-term backlog improved in KM

CMD | 2019

Order intake and Revenues - KM (MNOK)



Order backlog (KM)



xCM: 6.973 MNOK
xKM: 6.195 MNOK

- 7 BNOK aftermarket in KM by large not reflected in backlog (annual basis)
- Average lead-time from contract to revenues typically ranges from 3-15 months



KONGSBERG

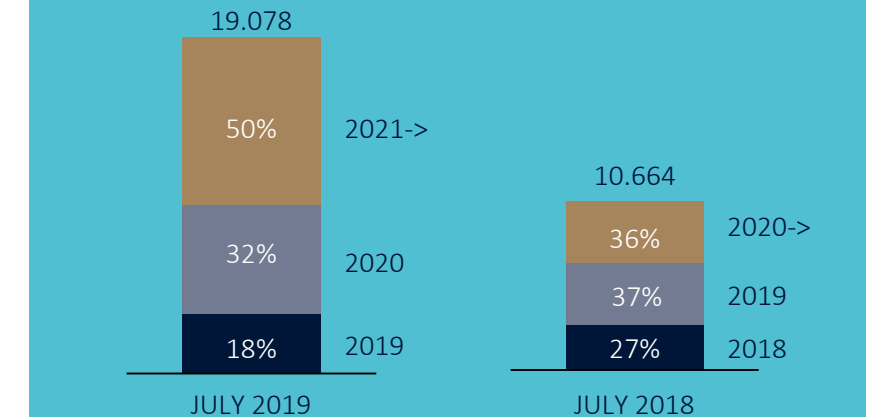
KDA: Solid pick up in order intake, major improvement in backlog

CMD | 2019

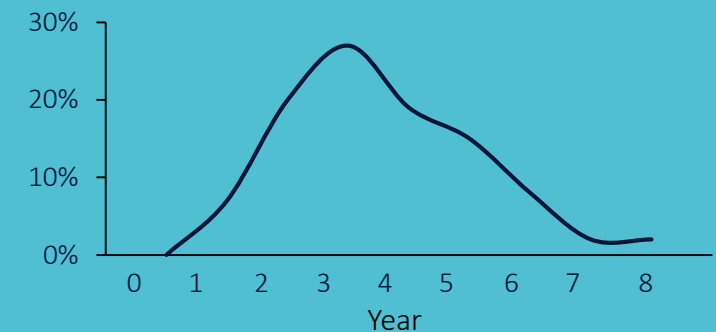
Order intake and Revenues - KDA (MNOK)



Order backlog (KDA)



Average distribution (+/- 3 years) of revenues in major KDA contracts





KONGSBERG

Top line growth

Our journey towards 2022



CMD | 2019

Revenues (BNOK)

30+

14

8

2018

Commercial
Marine

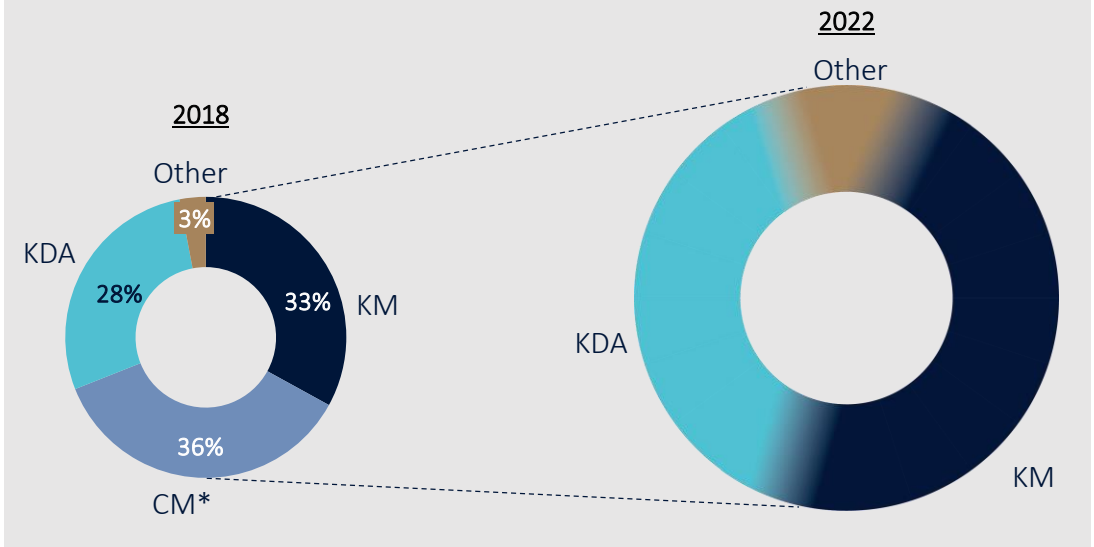
Defence Growth

Maritime Growth

2022

- Positioned and ready for growth
 - The «New» Kongsberg Maritime
 - Well positioned for underlying growth within defence

Revenue split by business area

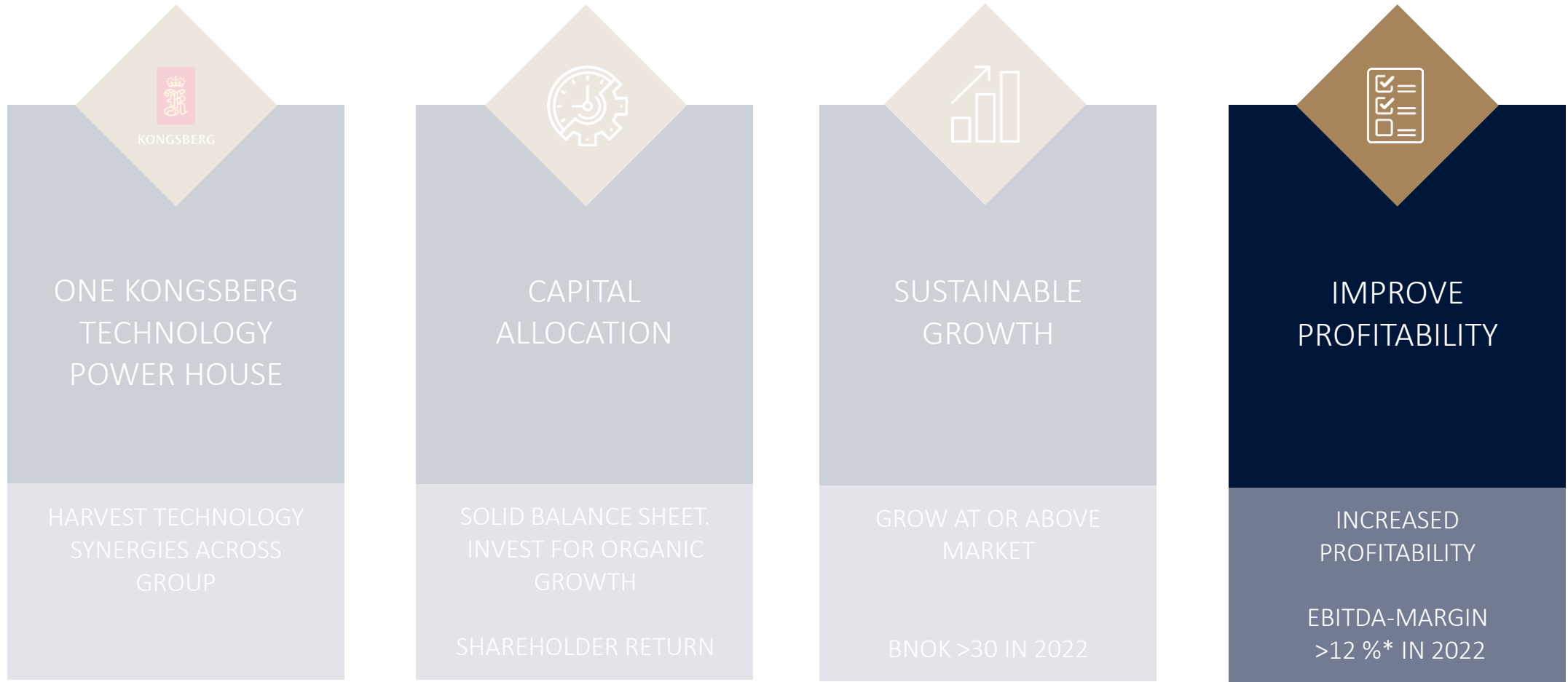




KONGSBERG

Key drivers for value creation

CMD | 2019





KONGSBERG

Increased profitability

Our journey towards 2022

KONGSBERG 2022
EBITDA-margin
>12%*

CMD | 2019

	KONGSBERG MARITIME	KONGSBERG DEFENCE & AEROSPACE	KONGSBERG DIGITAL
1. Deliver synergies	Deliver Commercial Marine synergies	Capitalise on Kongsberg Aviation & Maintenance Services and Patria in the Maintenance, Repairs and Overhaul market	Capitalise on cross business synergies
2. Increase profitability	Efficiency focus and product harmonisation	Benefits of scale	Capitalise on innovations
3. Growth	Increase market share and position for new markets	Secure new markets	Turn recent investments into growing sales

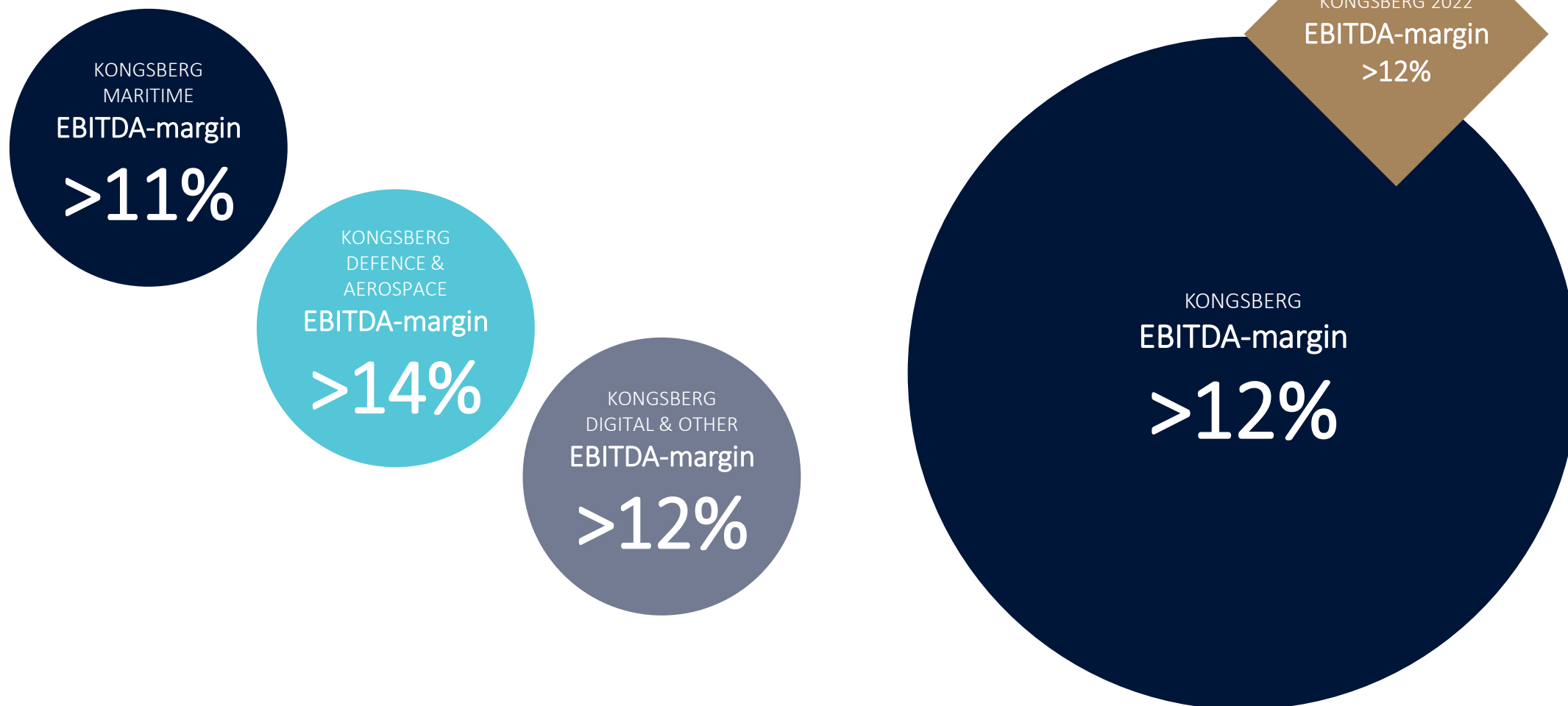


KONGSBERG

Profitability ambitions (excluding IFRS16)

Our journey towards 2022

CMD | 2019



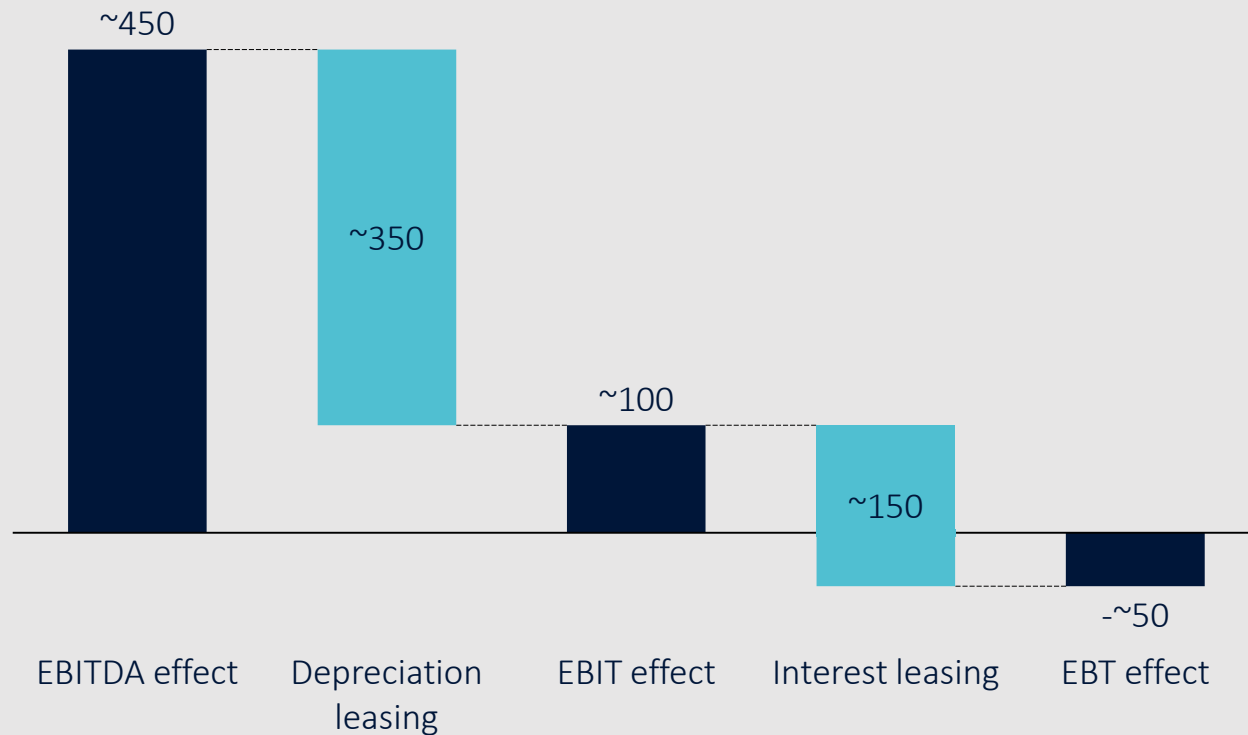


KONGSBERG

IFRS16 adjustments

CMD | 2019

Est. full year effects from IFRS16 adjustments (MNOK)

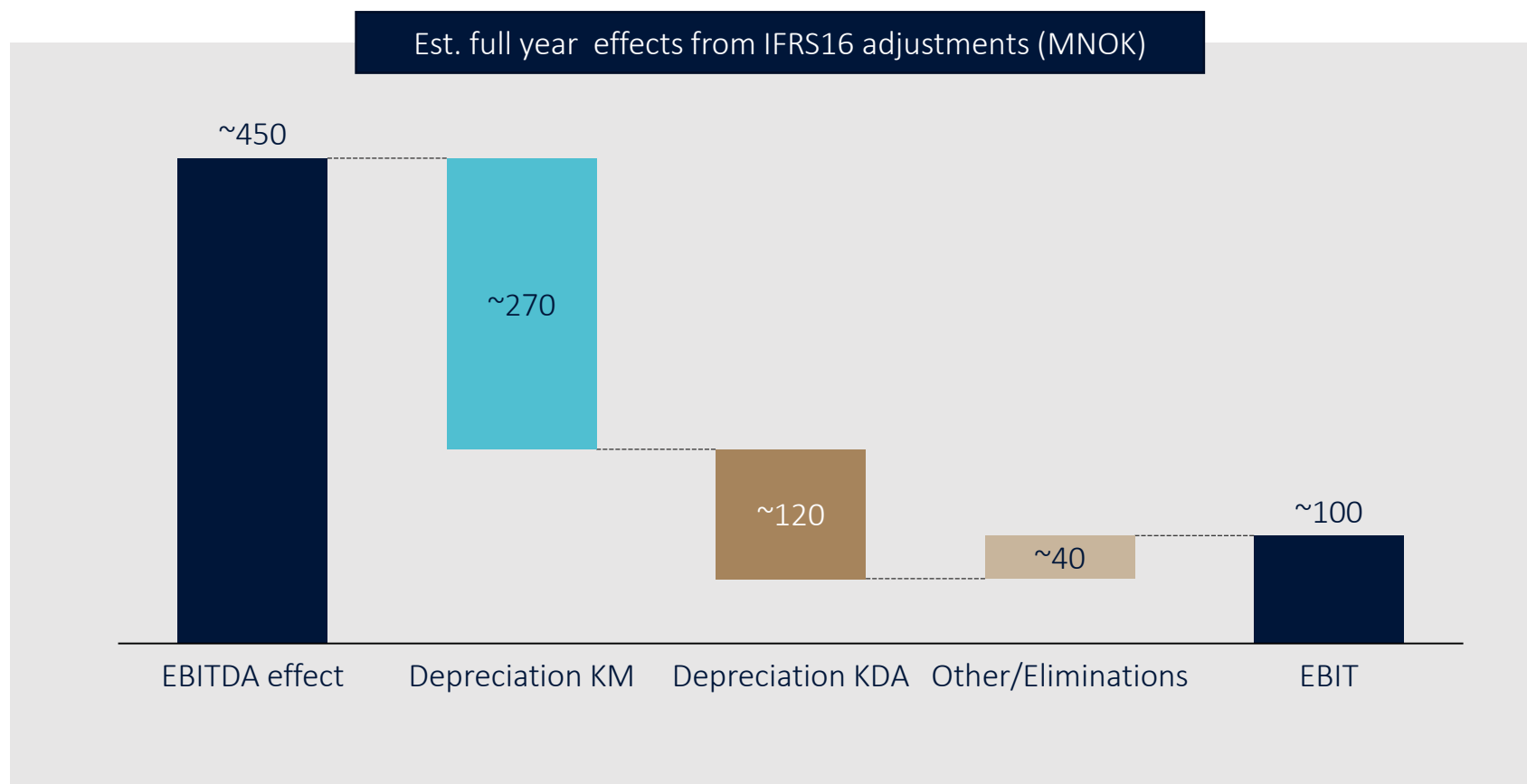


- EBITDA -and depreciation effects estimated to be ~equal in the period towards 2022
- Effects from *interest leasing* will gradually decrease in the period, hence long term effect on EBT will be ~0 towards 2022

IFRS16 adjustments continue

Depreciation per business area

CMD | 2019



*Other includes Group, KDI, property and eliminations



KONGSBERG

Estimated tax impact

Effective and payable tax rate until 2022

CMD | 2019

Tax positions

- Increased profits → Increased taxes → Accelerated use of tax positions
- KONGSBERG carries approx. BNOK 3.5 of losses carry forward
- Offshore taxes will not be impacted

Payable taxes

- Improved cash flow as deferred tax assets are utilised
- Improvement to correlate with losses utilised multiplied by statutory rate.

Effective taxes

- Approx. BNOK 2 of losses have not been capitalised in KONGSBERG
- Upon utilisation effective tax rate should come lower than statutory rate

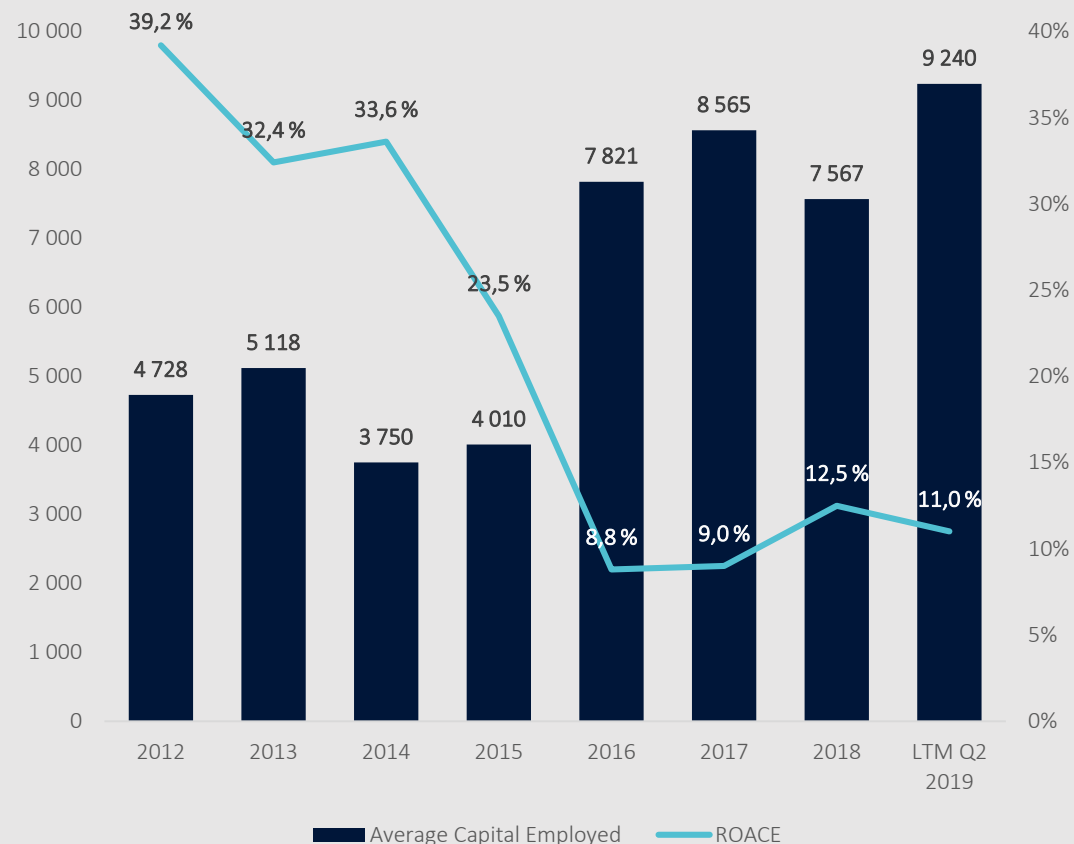


KONGSBERG

Approaching turning point on ROACE

CMD | 2019

Average Capital Employed (MNOK) and ROACE (%)



- Patria investment and Commercial Marine (CM) acquisition increasing capital employed.
 - The turnaround of CM is in the early stages



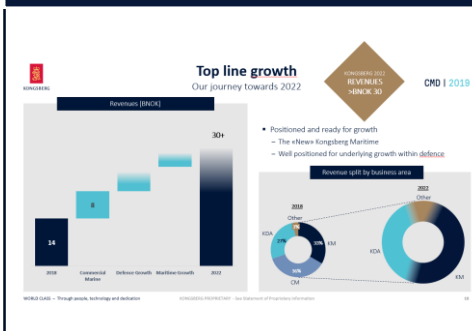
KONGSBERG

Roadmap 2019-2022

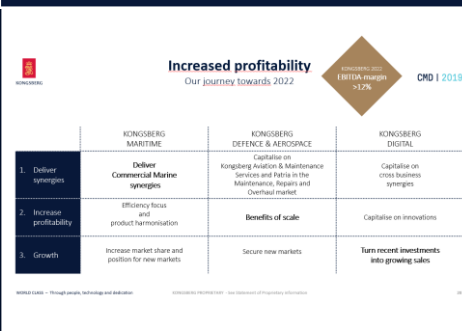
CMD | 2019

Manage the current & invest for the future

Solid growth



Improved profitability



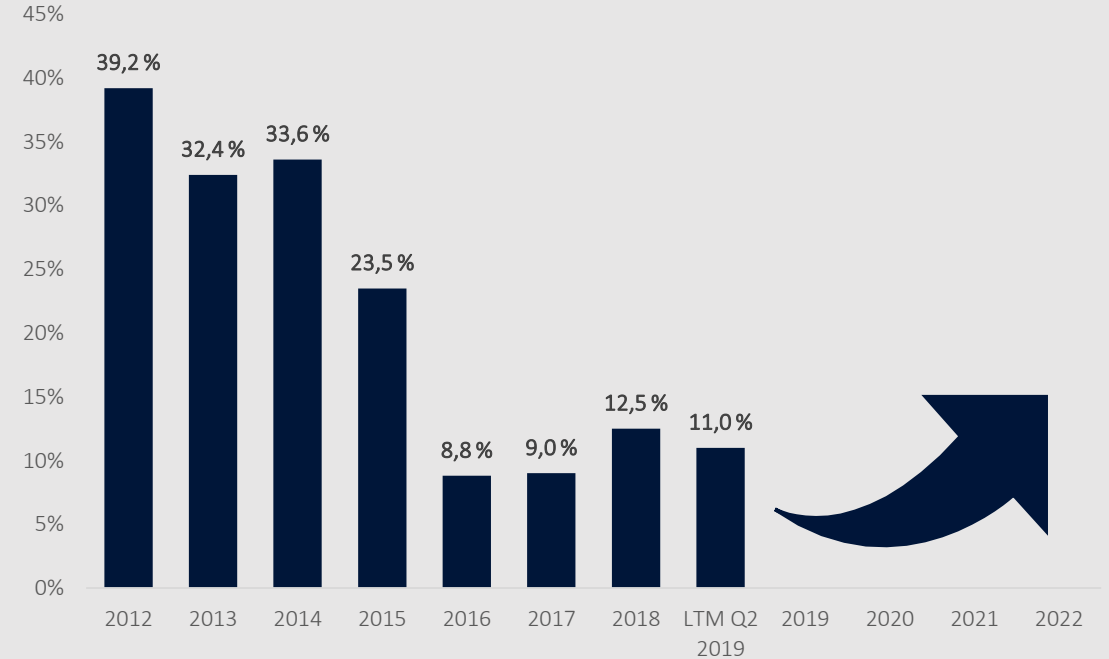
1. Solid balance sheet

2. Invest for organic growth

3. Shareholder remuneration

4. Portfolio management

Improved ROACE





KONGSBERG

KONGSBERG 2022

>BNOK 30 revenues with solid improvement in profitability

CMD | 2019

Revenues

KONGSBERG has a solid basis for growth going forward

KONGSBERG 2022
REVENUES
>BNOK 30

Profitability

Scale, synergies and improved efficiency
→ improved profitability

KONGSBERG 2022
EBITDA-margin
>12%*

Shareholder return

Dividend policy 40-50%, special dividends and /or buy backs to be considered

KONGSBERG
2019-2022
40-50% of net
profit



KONGSBERG

CAPITAL MARKETS DAY 2019