



KONSGBERG

# 3<sup>RD</sup> QUARTER 2016

INVESTOR PRESENTATION | 28 OCTOBER 2016

Geir Håøy, President and CEO  
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# A CHALLENGING QUARTER FOR KONGSBERG



- 14% lower revenues on group level, mainly due to the very weak offshore market
- Write downs in KM of backlog, inventory, currency hedges and other items leads to significant negative EBITDA impact of MNOK 354
- KM's adaptations to the weak market continues
  - MNOK 45 restructuring costs in Q3
  - Improving future competitiveness through reduced cost base
  - New integrated concept launched in Q3
- The defence segment has stable activity level



# FINANCIAL STATUS



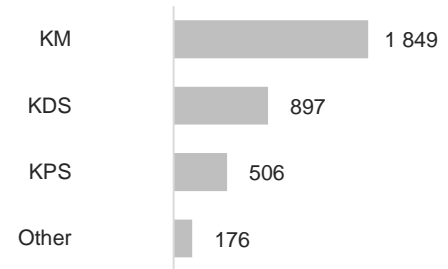
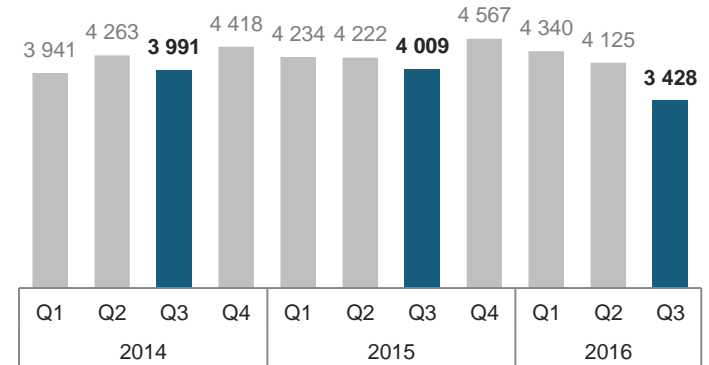
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# REVENUES Q3

Q3 revenues down 14%, offshore downturn impacting revenues

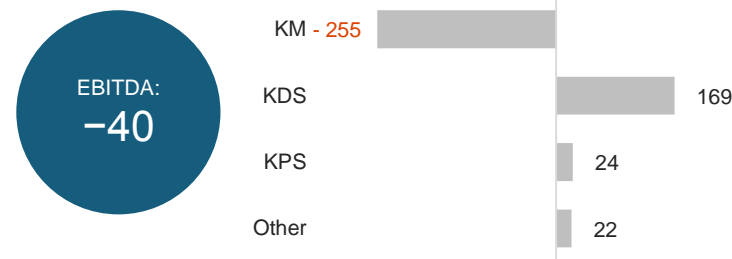
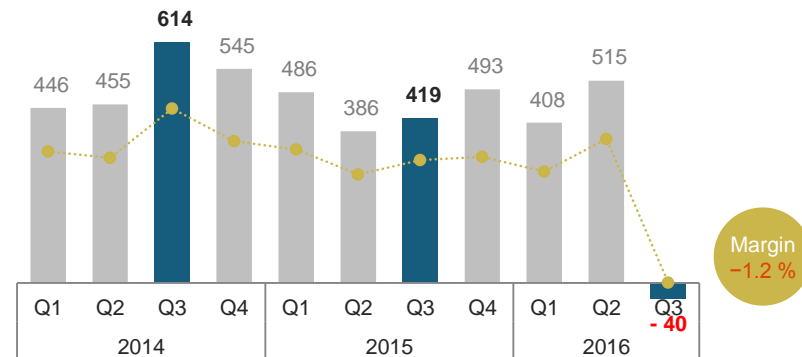
- KM revenues down 26% compared to Q3 2015, offshore down ~30 %
  - Non-offshore related Subsea solid
  - Merchant Marine somewhat slower
- KDS revenues on par with Q3 2015
- KPS revenues up from Q3 2015, driven by deliveries of new RWS's



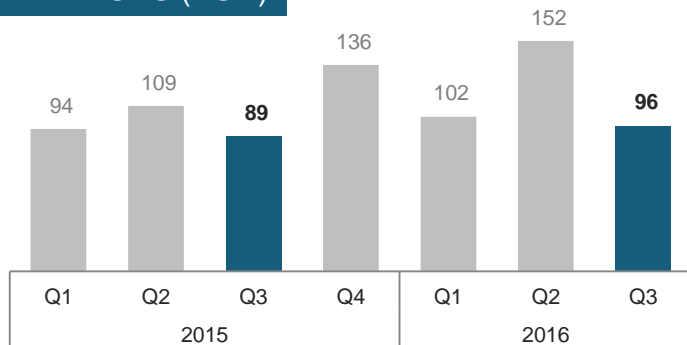
# EBITDA Q3

EBITDA in Q3 heavily impacted by write-downs and restructuring in KM

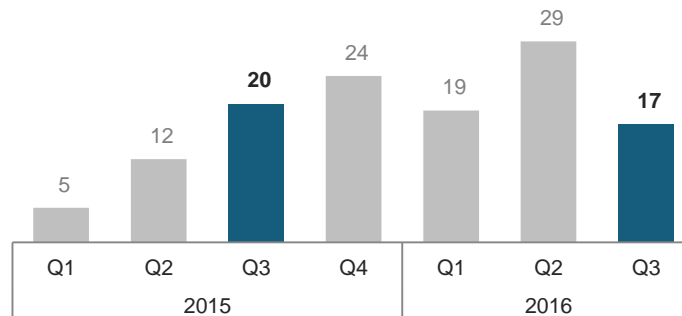
- Reported EBITDA MNOK -40
  - Write-downs of MNOK 354 in KM: Inventory (150), Currency (130), Other assets, including receivables, (74)
  - MNOK 45 in restructuring costs in KM
- EBITDA margin excluding non-recurring 10.5%
- Good profitability in KDS, 18.8% EBITDA-margin including profit from Patria (MNOK 20), 16.6% stand alone
- Low, but positive EBITDA in KPS



## REVENUES (EUR)



## EBITDA (EUR)



BRIDGE FROM EBITDA TO KOG'S SHARE OF NET PROFIT	1.7. – 30.9.	
	EUR	NOK
EBITDA	17	
Financial items, taxes, depreciation and amortisation	-7	
Earnings after tax	10	
KONGSBERG's share (49.9%) <sup>1)</sup>		39
Amortisation of excess value after tax		-19
<b>Share of net income recognized in KDS for the period</b>		<b>20</b>

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

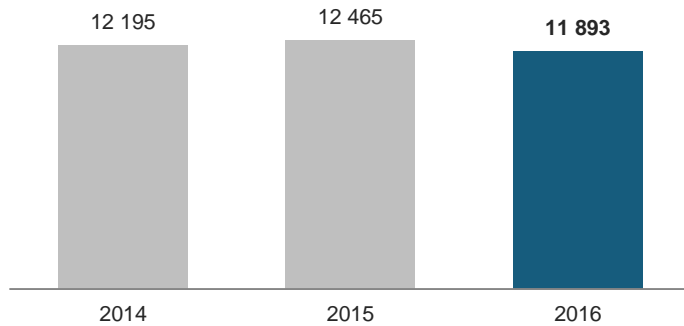
# NON-RECURRING ITEMS Q3

	KM	KDS	KPS	OTHER	GROUP
Write-down inventory	-150				-150
Write-down currency hedges	-130				-130
Write-down other assets	-74				-74
Restructuring costs	-45				-45
<b>Total<sup>1</sup></b>	<b>-399</b>				<b>-399</b>

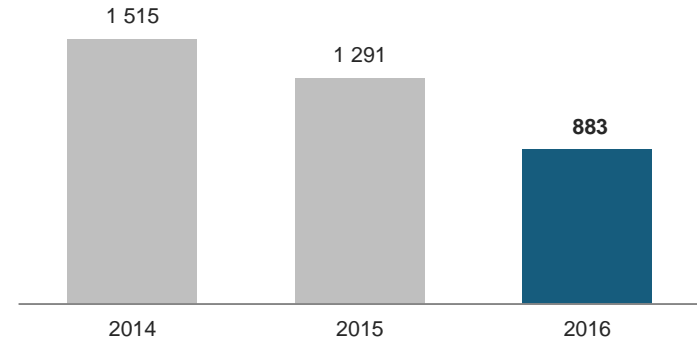
1) List is not exhaustive

# REVENUES & EBITDA YTD

## REVENUES Q3 YTD



## EBITDA Q3 YTD







# NON-RECURRING ITEMS YTD

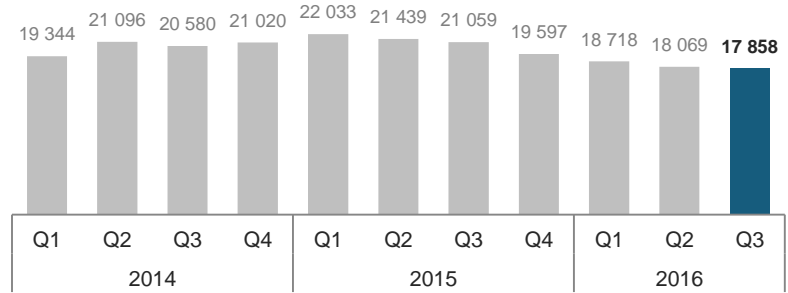
	KM	KDS	KPS	OTHER	GROUP
Write-down inventory	-150				-150
Write-down currency hedges	-130				-130
Write-down other assets	-74				-74
Restructuring costs	-83			-20	-103
Sale of shares in KBC				+54	+54
Customer clarifications			+38		+38
<b>Total<sup>1</sup></b>	<b>-437</b>	<b>-</b>	<b>+38</b>	<b>+34</b>	<b>-365</b>

1) List is not exhaustive

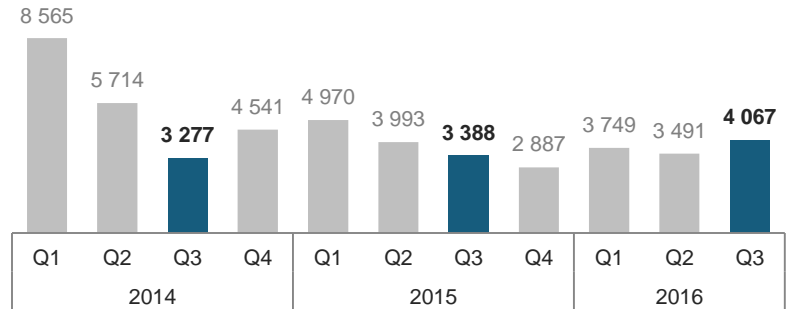


# ORDERS Q3

- Book to bill 1,19 in Q3
  - 1,06 in KM
  - 1,69 in KDS
- Year to date order intake BNOK 11.3 vs. 12.4 at Q3 2015
- MNOK 660 write-down of KM's backlog in Q3
  - Primarily offshore related orders
  - Still some uncertainty in parts of the order backlog



Backlog:  
**17 858**



New orders:  
**4 067**

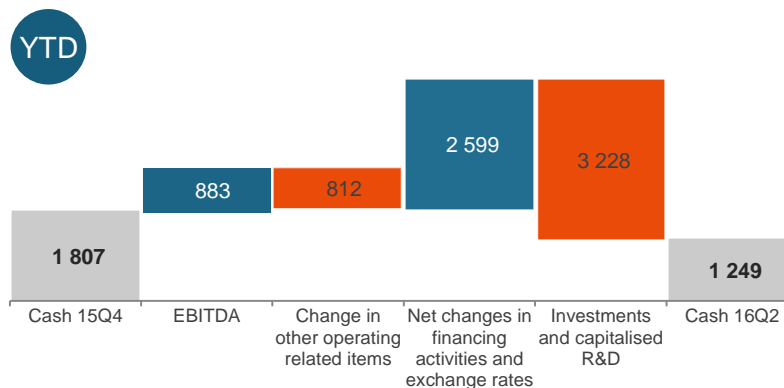
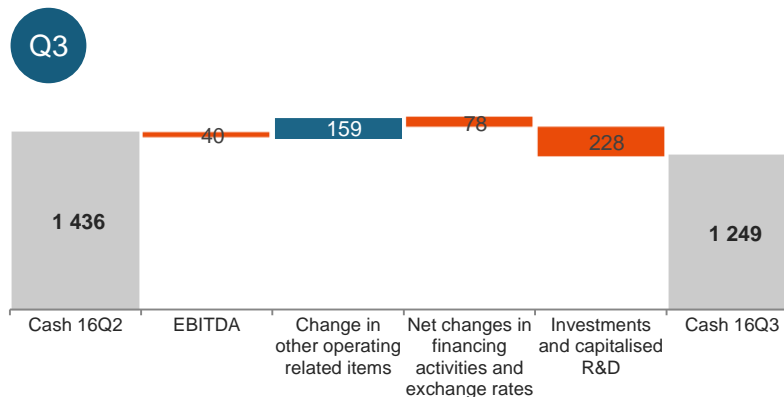
# CASH FLOW Q3 AND YTD



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## Negative cash flow in Q3 MNOK 187

- Project execution in KDS draws on substantial prepayments received in 2014
- Other normal working capital fluctuations



	Q3 2016	Q2 2016	Q4 2015
Gross interest bearing debt	4 031	4 103	866
Cash and short-term deposits	1 249	1 436	1 807
Net interest bearing debt	2 782	2 667	-941
Equity ratio	31.3%	30.7%	32.0%
ROACE*	6.1%	12.3%	13.5%

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

# BUSINESS UPDATE



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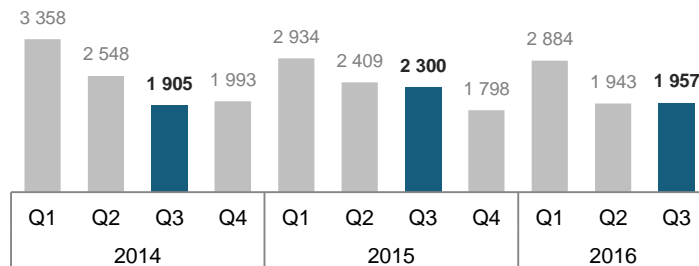


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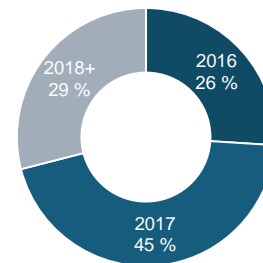
# KONGSBERG MARITIME

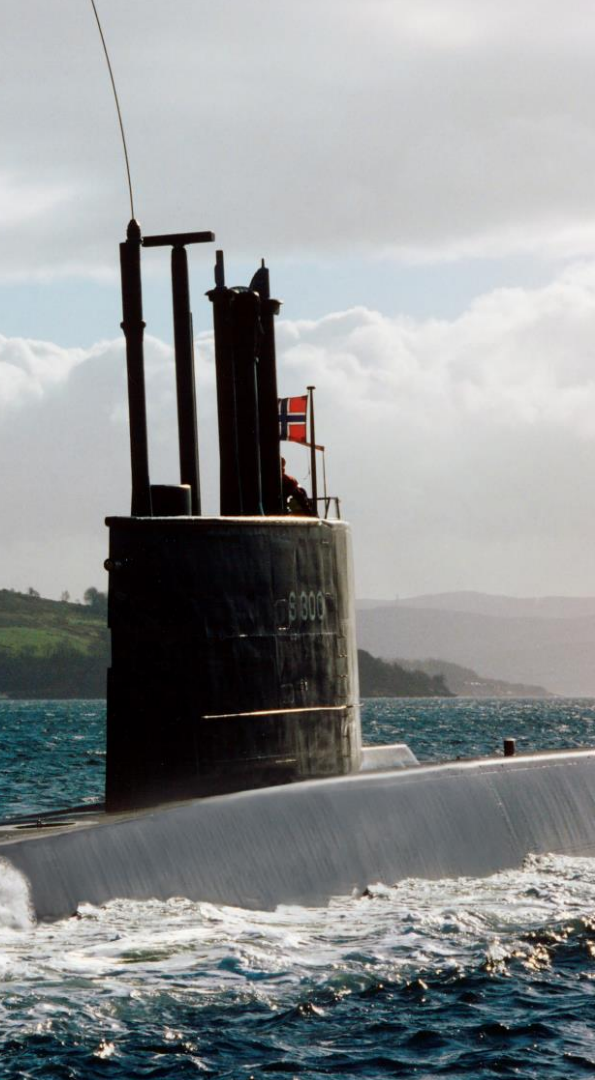
- KM book/bill 1.06 in Q3 – solid order intake from EIT/EPC segment
- Offshore related activities declining, adaptation continues
  - Reducing head-count by year-end with ~800 since Q2 2015
  - Cost base improved with MNOK 500 from 2016 to 2017
- High activity level in non-offshore related parts of Subsea
- Low contracting in Merchant Marine in Q3
- Investing in future KM – increasing our footprint

## NEW ORDERS:



## BACKLOG DELIVERY:

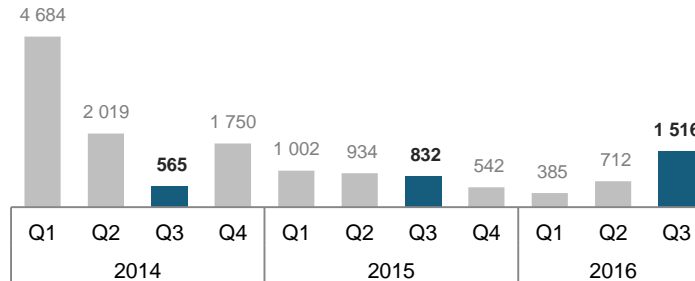




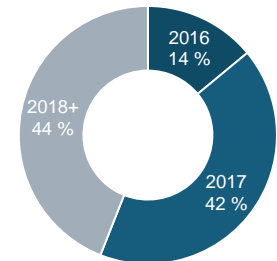
# KONGSBERG DEFENCE SYSTEMS

- The large delivery projects are progressing as planned
- Strong order intake in Q3, mainly driven by Space & Surveillance and Defence Communications
- Increasing production in the F-35 program
- KDS's solutions well positioned in current defence markets, opportunities within core segments expected to be concluded over the next 12 months

## NEW ORDERS:



## BACKLOG DELIVERY:

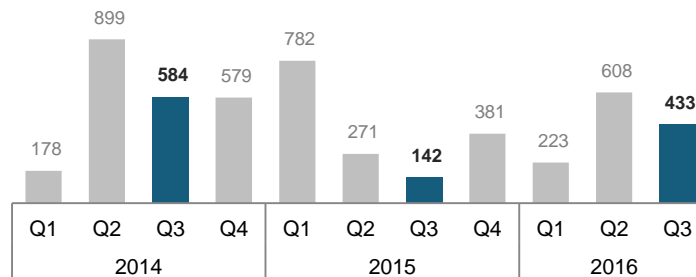




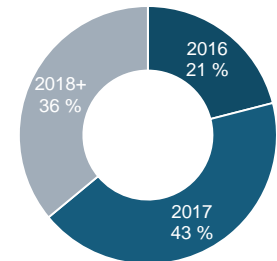
# KONGSBERG PROTECH SYSTEMS

- Delivery of RWS to eight different customers in Q3
- Executing the first MCT-30 Stryker program as planned
  - First system delivered to customer in September
- Further MCT-30 and RWS opportunities being pursued

NEW ORDERS:



BACKLOG DELIVERY:





# PATRIA

## 7% growth in revenues from 2015

- High market activity, especially within the armoured vehicles business
- Good execution of armoured vehicle projects influences profits in the quarter

## Experts in military maintenance – accounting for ~75% of group revenues

- Maintenance of a wide range of equipment for the Finnish Army and Navy
- Structural inspections, repairs and modifications on the Finnish F-18s
- Maintenance of jet turbine engines and diesel engines for customers in several countries
- Helicopter maintenance for the Finnish, Norwegian and Swedish defence forces – on location in all three countries





# CAPITAL MARKETS DAY 2016



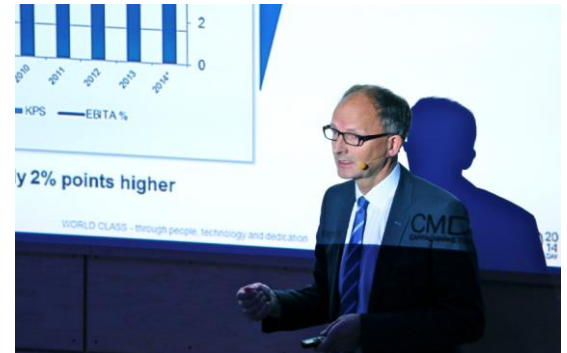
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**Date:** 17 November 2016

**Place:** «Sjømilitære Samfund», Horten, Norway

- Meet and listen to KONGSBERG's senior management
- Get the latest update on
  - Ambitions
  - Technology
  - Opportunities ahead
- This year with extra focus on the Horten businesses
  - Subsea
  - Merchant Marine
  - Space & Surveillance

More information and registration on [www.kongsberg.com/ir](http://www.kongsberg.com/ir)



# OUTLOOK



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# 2016 OUTLOOK

## KONGSBERG MARITIME

- Significant drop in contracting in the offshore vessel market
- Weakened order situation within the traditional merchant marine segment
- Revenues lower than same period last year and weak margin level expected in Q4
- Still some uncertainty in parts of the order backlog

## KONGSBERG DEFENCE SYSTEMS

- Strong position in selected niches and several important opportunities in a generally strengthened defence market
- Revenues in rest of 2016 is expected to be on a par with or somewhat higher than same period last year
- Revenues in Patria in Q4 is expected to increase

## KONGSBERG PROTECH SYSTEMS

- Global leader in remote weapon systems with a well positioned product portfolio, including the medium caliber turret
- Revenues in Q4 expected to be on a par with same period last year

## OTHER

- Kongsberg Digital (KDI) established on 1 July 2016 as part of the strategy for developing the next generation of digitalised products and services
- Main focus for KDI in 2016 and 2017 to build and develop the business –KDI's profit contribution in this period is expected to be not significant

*See quarterly report for full text*

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# WORLD CLASS

THROUGH PEOPLE, TECHNOLOGY AND DEDICATION