CMD 2013 - Kongsberg Oil & Gas Technologies

President & EVP Pål Helsing
Fundamental cost and efficiency challenges in the O&G industry

Example from the Norwegian Continental Shelf

**Subsea tie-back costs**

Cost inflation index

- 288 Subsea Production System
- Other categories

**Development wells per rig year**

Avg no of wells drilled per full rig year, all rig types

- 2002-2013
  - 2003: 80
  - 2005: 110
  - 2007: 140
  - 2009: 170
  - 2011: 200
  - 2013: 288

- 2002-2012
  - 2002: 12
  - 2004: 11
  - 2006: 10
  - 2008: 9
  - 2010: 8
  - 2012: 7
THE INTEGRATED EDGE

HARDWARE, SOFTWARE AND SERVICES IN ONE INTEGRATED WHOLE

By integrating best-in-class hardware with real-time process and decision-making support software alongside engineering and service capabilities, we create optimal solution performance.
Subsea

- Revenue 772* MNOK
- 748* employees
- 18 offices in 8 countries

Drilling

- Subsea products, Software and Solutions
- Drilling Software and Solutions

* YTD Q3 2013 figures
Providing market-leading products and services

**Divisions**

- **Software and services**
  - Software for Safe and Efficient Drilling Operations
  - Flow Modeling Software
  - Environmental Monitoring Solutions
  - Drilling Rig Management Solutions

- **Subsea**
  - Concept Engineering and Solution Design
  - EPC Projects
  - Subsea Products
  - Products and Services for Operational Support

**Share of KOGT revenues**

- Subsea: 51.3%
- Software: 48.7%
Offering complete solutions

**Strategy**

- Leveraging KONGSBERG technology base and oil & gas domain expertise
- Developing industry leading technologies together with technology leading Oil Companies
- Delivering technologies into services and solutions
- Engineering close to all major hubs
- 24/7 world wide service and support

Resulting in:

- Cost effective field development and efficient operations for our customers
- Close customer relations
- Global market channels for our products

Robust and growing positions in a consolidated market
A global business system ensuring access to key markets

North Sea, Gulf of Mexico, Brazil and Australia

Revenue split, 2012, MNOK

Employee split, 2012, # employees

Norway

International

702

365

337

365

383

Kongsberg Oil & Gas Technologies offices

SOURCE: KONGSBERG data
## Supporting the overall ambition of the Group

### Current status

- **Revenue of MNOK 772** YTD Q3 2013 compared to 519 YTD Q3 2012 (+49%)
- **EBITDA of MNOK 24** YTD Q3 2013 compared to 49 YTD Q3 2012 (-51%)
- **Q3 2013 order backlog of MNOK 855**, up from 293 at year-end 2012
- **Book to bill YTD 2013 of 1.55**

### Recent news and developments

- Advali acquisition
- Nemo acquisition
- Established in Brazil
- Strengthening customer base for key software solutions
- Award of Statoil Polarled
Supporting the overall ambition of the Group

Highlights
- Acquisition of ApplyNemo
- Backlog within Subsea increased from 132 MNOK to 622 NOK
- Backlog within Software and Services increase from 155mNOK to 230 mNOK

Key EBITDA drivers last year
- Achieving critical mass in all segments
- Optimized operation
- Commercializing products
  - Increased subsea product sale (Thor)
  - Increased software product sale (SiteCom, LedaFlow, RiserManager and RigManager)
Global offshore E&P spending - expected growth 7% annually toward 2017

Global offshore E&P spending
2007-2017
BUSD/year

CAGR '07-'12: 9.7 %
CAGR '12-'17: 7.1 %

MMO 5.1% (8.1%)
Subsea 15.8% (8.1%)
Prod. Facilities 8.1% (9.5%)
Drilling 4.4% (12.7%)
Seismic 6.0% (5.6%)

Source: Rystad, INTSOK Annual Report 2014-2017
Solutions for efficient and reliable drilling operations

**KONGSBERG - The Integrated Edge**

- The industry has so far not been able to address the significant cost of NPT

- KONGSBERG is well positioned through our software solutions: SiteCom, Well Advisor, RiserManager and RigManager program suites

- Clients include BP, Statoil, Chevron, CNOOC, Petronas and a high number of rig owners

- Large potential for upselling more advanced decision support software

**Our market: “waste” within drilling spend**

**Non Productive Time (NPT) within drilling**

- **Industry average:** ~30%

- **Sub-Salt Deep-water**
  - (38 wellbores)
  - 16% Downhole problems
  - 12% Equipment problems
  - 10% Weather problems

- **Deep-water**
  - (66 wellbores)
  - 9% Downhole problems
  - 7% Equipment problems
  - 6% Weather problems

- **Shallow water**
  - (239 wellbores)
  - 17% Downhole problems
  - 6% Equipment problems
  - 5% Weather problems

**Categories of NPT**

- Downhole problems
- Equipment problems
- Weather problems

**Statistics**

- Shallow water: 28%
- Deep-water: 23%
- Sub-Salt Deep-water: 10%
Steady growth within subsea

KONGSBERG - The Integrated Edge

- Increasing number of subsea wells and pipeline length
- Development of smaller and remote fields calls for new fit for purpose solutions and contracting models
- KONGSBERG has enabling technologies to reduce development cost
- KONGSBERG has got the know-how to integrate with 3rd party contractors
- KONGSBERG is providing The Integrated Edge

Source: IHS Global Limited
Continuing to broaden product and service range through innovation

### Recent innovations

**Subsea Storage Unit**
- Solution for storage of utilities or produced liquids under water

**Subsea monitoring solutions**
- Equipment integrity monitoring solutions
- Flow metering solutions
- Pipeline pigging solutions

**Well Advisor**
- Drilling decision support consoles for efficient and reliable drilling operations

### Impact

- Reduced CAPEX and OPEX, increased field design flexibility
- Reduced CAPEX and OPEX
- Reduced NPT, increase safety
Continuously improvements through tailored improvement programs

Recent innovations

- Refine our project execution models for EPC projects
- Software development
- Sourcing and manufacturing strategy
- Enhancing our India engineering operation for software development, engineering services and global customer support
- Continued high focus on Opex cost throughout the whole organization

Impact

- Reduced project cost
- Reduced development/project cost
- Reduced project cost
The strategy is built on securing existing market positions and broadening into new markets

Where we are today

Drilling
- Strong niche product
- Robust global customer base
- Ongoing product development in partnership with major IOC’s

Subsea
- Strong position engineering in Norway and increasing international footprint
- Well positioned for EPC projects in Norway
- Ongoing product development in partnership with major IOC’s

Where we want to go

Drilling
- Consolidating our leading position
- Adding value to our installed base through new add-on products
- Strengthening our position within solutions for Drill Rig Management

Subsea
- Increase our international footprint
- Adding products to our offering
- Increased footprint towards fields in operation (Brown fields)