KONGSBERG DEFENCE SYSTEMS

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EVP Group Business Development

CMD 2016
CAPITAL MARKETS DAY

Photo: Forsvaret
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AGENDA

THIS IS KONGSBERG DEFENCE SYSTEMS

PATRIA OWNERSHIP

ACHIEVEMENTS

THE DEFENCE MARKET AND OPPORTUNITIES AHEAD

KEY TAKEAWAYS
Integrated Defence Systems
Missile Systems
Space & Surveillance
Aerostructures
Defence Communication
Patria

29 offices in 17 countries
1,823 employees
Revenues LTM 4.2 BNOK
Order backlog 8.1 BNOK
International success in selected niches

KONGSBERG DEFENCE SYSTEMS

A modern portfolio positioned for further growth
STABLE ACTIVITY LEVEL LAST FEW YEARS
VERY STRONG MARGINS IN 2015 AND 2016*

Revenues

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values</td>
<td>4,446</td>
<td>4,313</td>
<td>4,276</td>
<td>4,149</td>
<td>4,225</td>
</tr>
</tbody>
</table>

EBITDA

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Values</td>
<td>478</td>
<td>520</td>
<td>530</td>
<td>695</td>
<td>811</td>
</tr>
</tbody>
</table>

* Last 12 months

Revenues 2012 and 2013 adjusted for KSAT
STRONG ORDER BACKLOG – GOOD VISIBILITY
MIXED PICTURE WITHIN THE BUSINESS AREA

Life-cycle business and framework agreements not converted into delivery contracts are not included in the backlog.
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KEY TAKEAWAYS
KONGSBERG’S 49.9% OWNERSHIP IN PATRIA SEALS A UNIQUE AND REAL CROSS BORDER PARTNERSHIP

- Consolidation with national control
- Supported by national governments
- Interests of the stakeholders of the three companies are aligned
- Fully business driven transaction
## STRONG INDIVIDUAL COMPANIES FORMING A PARTNERSHIP

### WORLD-CLASS PROVIDER OF:

- Air defence
- Remote weapon stations
- Strike missiles
- Naval combat systems
- Tactical communication
- F-35 aerostructures

### KEY MARKETS:

- Nordic
- USA
- Poland
- GCC

### WORLD-CLASS PROVIDER OF:

- Armored vehicles
- Maintenance
- Aviation
- Mortar systems

### KEY MARKETS:

- Nordic
- Poland
- Eastern Europe
- GCC

### WORLD-CLASS PROVIDER OF:

- Full range of high performance ammunition
- Space and missile products
- Shoulder fired systems
- Industrial demilitarization

### KEY MARKETS:

- Nordic
- USA
- Europe
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KEY TAKEAWAYS
UPGRADE CONTRACT ULA CLASS

This upgrade program extends the lifetime of the ULA class submarines until the Next Generation Submarines are introduced.

Contract value
220 MNOK
SUCCESSFUL JOINT NORWEGIAN-POLISH NSM FIREX

- Two successful firings from the Polish coastal defence system – demonstrating that NSM is in operation in Poland
- Three highly advanced firings from Norwegian navy vessels, including demonstration of land target capability
- Demonstrating the unique capabilities of NSM for a number of important guests
NSM US CAMPAIGN

- Continue to build on the partnership with Raytheon to position NSM for the LCS/FF in the US
- Establishing US production line for NSM
- Increasing US footprint with “Made in America”
JSM FLIGHT TEST PROGRAM ONGOING
ADDED F-35 SCOPE IN CONTRACT

MLG – Main Landing Gear in contract

1 BNOK total value for the lifespan of F-35
F-35 – RAMPING TO PEAK PRODUCTION RATE

Denmark decision to buy 27 F-35 June 2016
### Status i de ulike kjøpernasjonene

<table>
<thead>
<tr>
<th>Partnerasjonene</th>
<th>Totalt: 3167</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NO</strong></td>
<td>52</td>
</tr>
<tr>
<td>Fire første levert og i drift, fullmakt til 28 fly</td>
<td></td>
</tr>
<tr>
<td><strong>Aus</strong></td>
<td>100</td>
</tr>
<tr>
<td>To første levert og i drift, totalt 72 fly bekreftet så langt – plan om 100 ligger fast</td>
<td></td>
</tr>
<tr>
<td><strong>Tyrkia</strong></td>
<td>100</td>
</tr>
<tr>
<td>To besluttet kjøpt, forventer start av hovedanskaffelse i 2019-2020</td>
<td></td>
</tr>
<tr>
<td><strong>Italia</strong></td>
<td>90</td>
</tr>
<tr>
<td>Redusert plan - lokal produksjon har startet (FACO) med første fly levert</td>
<td></td>
</tr>
<tr>
<td><strong>USA</strong></td>
<td>2443</td>
</tr>
<tr>
<td>Har fått levert over 160 trenings- og testfly</td>
<td></td>
</tr>
<tr>
<td><strong>UK</strong></td>
<td>138</td>
</tr>
<tr>
<td>Fått levert fem fly, flere i produksjon</td>
<td></td>
</tr>
<tr>
<td><strong>NL</strong></td>
<td>37</td>
</tr>
<tr>
<td>Har fått levert 2 testfly, har nå tatt en endelig beslutning om flytype</td>
<td></td>
</tr>
<tr>
<td><strong>Can</strong></td>
<td>65</td>
</tr>
<tr>
<td>Fortsatt medlemmer av programmet, er nå ventet at de vil gjennomføre en konkurranse før et endelig valg av flytype</td>
<td></td>
</tr>
<tr>
<td><strong>DK</strong></td>
<td>27</td>
</tr>
<tr>
<td>Har nå endelig bekreftet valg av F-35, og har gått inn for en anskaffelse av 27 fly med leveranse fra 2021</td>
<td></td>
</tr>
<tr>
<td><strong>Israel</strong></td>
<td>33</td>
</tr>
<tr>
<td>Ventet at dette vil følges av ytterligere ordrer</td>
<td></td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td>42</td>
</tr>
<tr>
<td>Lokal produksjon, potensiale for flere hundre fly</td>
<td></td>
</tr>
<tr>
<td><strong>Sør Korea</strong></td>
<td>40</td>
</tr>
<tr>
<td>F-35 formelt valgt, potensiale for ytterligere 20 fly</td>
<td></td>
</tr>
<tr>
<td><strong>Singapore</strong></td>
<td>(--)</td>
</tr>
<tr>
<td>Singapore - F-35 foretrukket, men ikke formelt valgt</td>
<td></td>
</tr>
</tbody>
</table>

**Leveransene har startet til åtte land – seks partnerland og to FMS-land**

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EXPANDING MAINTENANCE AND SUSTAINMENT ACTIVITIES

Sea King
NH90
AW101
NINOX – REMOTE TOWER SYSTEM

- Airport 1 of 15 (“Røst”) – installation mid 2017
- Demo set-up at OSL (large airport)
- Focusing on possibilities on specific airports in US & Europe
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PATRIA OWNERSHIP
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THE DEFENCE MARKET AND OPPORTUNITIES AHEAD
KEY TAKEAWAYS
MODEST GROWTH IN GLOBAL DEFENCE MARKET

RoW
- 374 (2011)
- 340 (2012)
- 321 (2013)
- 320 (2014)
- 320 (2015)
- 340 (2016)
- 340 (2017)
- 350 (2018)
- 354 (2019)
- 356 (2020)

EUR/USA
- 79% (2011)
- 76% (2012)
- 72% (2013)
- 71% (2014)
- 73% (2015)
- 75% (2016)
- 73% (2017)
- 72% (2018)
- 71% (2019)
- 69% (2020)

INCREASING GLOBAL FOCUS ON DEFENSE

- Minimum acceptance for losses of own forces
- Advanced countries with new high intensity threats
- Europe’s migration crisis
- More A2/AD, air-sea battle challenges
- Need for full-scale capabilities
- More C4ISR, space and cyber warfare
- Maintain counter-insurgency capabilities
- «Boots-on-the-ground» is once again reality

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THE DEFENCE CUSTOMERS NEED A NEW DYNAMIC

UNSUSTAINABLE COST SPIRAL

DECLINING ARMED FORCES

GLOBAL SECURITY CHALLENGES

# of warships cut in more than half last 40 years by US, Russia and UK
EUROPEAN DEFENCE INDUSTRY NEEDS TO RESTRUCTURE AND CONSOLIDATE

EUROPE IS FRAGMENTED

DECLINING TECHNOLOGY POSITION

- US spends 7 times more on R&D compared to Europe
- Asia has recently overtaken Europe in R&D spending

FIERCER COMPETITION

- US competing more aggressively in the international market
- Asian defence industry emerging from lower cost and improving technology
IT HAS BEGUN

EUROPEAN COUNTRIES JOIN FORCES

EUROPEAN DEFENCE INDUSTRY CONSOLIDATING

Consolidation Ahead:
Europe's Defense Industry Verge on a Historic Market-Led Transformation

Source: The Netherlands EU Presidency 2016 website (english.eu2016.nl)
NEW NORWEGIAN SUBMARINES

KONGSBERG SEEKS A LONG TERM INDUSTRIAL SOLUTION:

• Long term co-operation on Combat Systems
• Co-operation on missiles
• Develop new weapons

POTENTIAL CO-OPERATING NATIONS:

• Poland
• Netherlands
• Germany

DOWNSELECTED SUPPLIERS:

ThyssenKrupp

DCNS
PROMISING OPPORTUNITIES VS. THE LONG TERM PLAN IN NORWAY

• F-35
• NASAMS and Long Range Air Defence
• New Submarines
• Coast Guard Vessels
• Mine Counter Measures
• Air Surveillance Radars
• Maritime Reconnaissance Aircraft
• Support, maintenance and services

Early warning/intelligence, command and control, firepower, base protection, LCC
OPPORTUNITIES AHEAD

- NEW NORWEGIAN SUBMARINES
- JSM OPERATIONAL ON F-35
- POTENTIAL FOR NEW NASAMS CONTRACTS
- INTERNATIONAL SALE OF NSM
- F-35 DELIVERIES AT FULL RATE
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KEY TAKEAWAYS
KEY TAKEAWAYS

• Increased EBITDA-margin
• Ownership in Patria
• F-35 ramp-up with additional scope
• Increased helicopter maintenance
• Current naval contracts bridge to Next Submarine program in Norway
• Well positioned for air defence and missile contracts next 12 months
• JSM follow plan for integration in F-35