2014 – Celebrations, challenges and opportunities

The first year of our next 200
- Celebrations, challenges and opportunities
- Major contracts
- Improved positions
- Innovative thinking

The next 20 will determine the next 200

Oil & Gas demand & supply changes

Oil companies take actions:
- Phase #1: Protect cash – cut cost
- Phase #2: Oil price shock – stop fields

Oil Services move into shakeout
- M&A opportunities

Climate change issues climbing on agenda

A changing geopolitical climate
- Russia take over Crimea, UN, US, EU reacts
- Middle East
  ISIL advance and terrify

Defence politics and security again a priority
An eventful year
Highlights

• Another good year
  – Revenue growth, strong cash flow and record high order intake

• Significantly strengthened position within defence industry

• KM and KDS, representing more than 80 % of revenues, have strong performance

• A solid Q4, but a more mixed underlying picture

• Record high dividend proposal: NOK 9.25 / share
Financial status Q4 - 2014

Operating revenues

- Solid Q4 revenues, on par with underlying Q4 2013
- KM with a strong 15.7% revenue growth compared with Q4-13
- KDS on par with underlying Q4-13
- Revenues in KPS stabilizing
- KOGT impacted by challenging market
Financial status Q4 - 2014

**EBITDA**

- Good quarter in KM influenced by accruals and one-offs
- KDS continues to deliver strong EBITDA-margins
- KPS EBITDA positively influenced by reduced provisions, underlying break-even
- KOGT faced additional MNOK 25 costs related to restructuring
  - MNOK 300 impairment of goodwill
- Others impacted by MNOK 61 profits from property sales
Financial status 2014

Operating revenues and EBITDA – per Segment

- 1.8% growth in revenues
  - 3.4% adjusted for KSAT
  - Solid 12.4% EBITDA-margin
- KM grew 17.4% to record high BNOK 9.7 with strong 14.9% EBITDA-margin
- KDS delivers a solid year with record high margins
- KPS revenue decline to MNOK 1,566, good margins due to reduced provisions
- KOGT had a disappointing year with negative results. Several actions implemented
Financial status 2014

New orders – per business area 2014

- KM: 10,038
- KOGT: 802
- KDS: 9,018
- KPS: 2,240
- KOG Group: 22,097

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06/02/2015

WORLD CLASS - through people, technology and dedication
Financial status 2014

Order backlog

Backlog of orders

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>5</td>
<td>50</td>
<td>75</td>
</tr>
<tr>
<td>Q2</td>
<td>10</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Q3</td>
<td>15</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>Q4</td>
<td>20</td>
<td>30</td>
<td>35</td>
</tr>
</tbody>
</table>

New orders per quarter

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>2041</td>
<td>168</td>
<td>1750</td>
</tr>
<tr>
<td>Q2</td>
<td>579</td>
<td>4538</td>
<td></td>
</tr>
</tbody>
</table>

New orders Q4 2014

<table>
<thead>
<tr>
<th>Division</th>
<th>KM</th>
<th>KOGT</th>
<th>KDS</th>
<th>KPS</th>
<th>KOG Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>2041</td>
<td>168</td>
<td>1750</td>
<td>579</td>
<td>4538</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

After sales and framework agreements not converted into delivery contracts are not included in the backlog.
Financial status Q4 2014

Cash Flow

<table>
<thead>
<tr>
<th>Cash IB</th>
<th>EBITDA Q4</th>
<th>Change in other operating related items</th>
<th>Investments</th>
<th>Net changes in financing activities and exchange rates</th>
<th>Cash UB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4-14</td>
<td>3 900</td>
<td>545</td>
<td>267</td>
<td>139</td>
<td>107</td>
</tr>
<tr>
<td>4 424</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cash IB 01.01.2014</th>
<th>EBITDA 2014</th>
<th>Change in other operating related items</th>
<th>Investments</th>
<th>Net changes in financing activities and exchange rates</th>
<th>Cash UB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4-14</td>
<td>3 272</td>
<td>2 060</td>
<td>255</td>
<td>211</td>
<td>952</td>
</tr>
<tr>
<td>2014</td>
<td>4 424</td>
<td>0</td>
<td>0</td>
<td></td>
<td>0</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Q4-14</th>
<th>Q3-14</th>
<th>Q2-14</th>
<th>Q4-13</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term deposits</td>
<td>4 424</td>
<td>3 900</td>
<td>3 775</td>
<td>3 272</td>
<td>2 509</td>
</tr>
<tr>
<td>Working capital</td>
<td>3 274</td>
<td>3 980</td>
<td>3 620</td>
<td>3 319</td>
<td>3 528</td>
</tr>
<tr>
<td>Net interest bearing debt</td>
<td>(3 551)</td>
<td>(3 045)</td>
<td>(2 934)</td>
<td>(1 935)</td>
<td>(1 198)</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>31.0%</td>
<td>36.4%</td>
<td>35.8%</td>
<td>38.2%</td>
<td>38.6%</td>
</tr>
<tr>
<td>Return on Capital Employed (ROCE)*</td>
<td>16.4%</td>
<td>20.5%</td>
<td>19.5%</td>
<td>21.5%</td>
<td>26.6%</td>
</tr>
</tbody>
</table>

*Average capital employed, quarterly ROCE based on last twelve months

KONGSBERG has unused credit lines of NOK 1.5 billion
Financial status Q4 2014

Dividend

Historical pay-out ratio
(dividend per share/ earnings per share)

<table>
<thead>
<tr>
<th>Year</th>
<th>Ordinary Dividend</th>
<th>Extraordinary Dividend</th>
<th>Total Dividend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>29.3%</td>
<td>0%</td>
<td>29.3%</td>
</tr>
<tr>
<td>2010</td>
<td>30.1%</td>
<td>0%</td>
<td>30.1%</td>
</tr>
<tr>
<td>2011</td>
<td>31.4%</td>
<td>0%</td>
<td>31.4%</td>
</tr>
<tr>
<td>2012</td>
<td>33.9%</td>
<td>0%</td>
<td>33.9%</td>
</tr>
<tr>
<td>2013</td>
<td>41.5%</td>
<td>0%</td>
<td>41.5%</td>
</tr>
<tr>
<td>2014</td>
<td>42.7%</td>
<td>0%</td>
<td>42.7%</td>
</tr>
<tr>
<td>2014*</td>
<td>50.0%</td>
<td>0%</td>
<td>50.0%</td>
</tr>
<tr>
<td>Pay-out ratio excl. impairment</td>
<td>4.25</td>
<td>42.7%</td>
<td>58.4%</td>
</tr>
<tr>
<td>Pay-out ratio</td>
<td>5.00</td>
<td>50.3%</td>
<td>68.7%</td>
</tr>
</tbody>
</table>

• Extraordinary dividend
  • Strong balance sheet at year-end 2014
  • Balance sheet to support growth strategy
  • Total pay-out MNOK 1,110
    • MNOK 510 ordinary dividend
    • MNOK 600 extraordinary dividend
Business Area Status
Kongsberg Maritime

KM has a high level of activity, a strong order backlog, a true global organization and a bundled, modern and competitive product portfolio.

KM has very strong market positions in the global shipping and offshore markets.

**2014 – Record high activity level, EBITDA and order intake**
- 17.4% revenue growth, all divisions well above last year on revenues
- MNOK 1,441 EBITDA, 14.9% EBITDA-margin
- Strong order intake in a competitive market, confirmation of market leading positions

**Strong backlog of orders gives visibility in a more uncertain market**
- Order backlog increased with 14.5% in 2014
  - All divisions increased order intake compared to 2013
  - Good visibility for high activity in 2015 within offshore, fewer orders expected
  - Solid outlook, especially for gas tankers and other advanced merchant marine vessels
  - KM’s subsea market looks strong especially within underwater mapping and AUV

**Diversified exposure and a further developed and proven business model**
- Diversified product portfolio with strong and maintained market shares
- Strong and long relationships with clients and partners
  - Investing in technology development
  - Focus on life cycle business

<table>
<thead>
<tr>
<th>(MNOK)</th>
<th>Q4-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>2,546</td>
</tr>
<tr>
<td>EBITDA</td>
<td>275</td>
</tr>
<tr>
<td>Order intake</td>
<td>2,041</td>
</tr>
<tr>
<td>Order Backlog</td>
<td>7,480</td>
</tr>
</tbody>
</table>
Kongsberg Defence Systems

KDS has a strong backlog of orders. In 2014 a new major NASAMS contract was signed and JSM phase III secured.

KDS has a modern defence portfolio and is well positioned to meet the evolving international security challenges.

2014 – Solid revenues, record high EBITDA-margin and several large contract wins

- Strong execution of delivery program
  - Record high EBITDA-margin
  - BNOK 9.0 order intake including the largest so far, a BNOK 3.7 NASAMS-contract
  - JSM Phase III secured
  - Coastal Artillery phase II to Poland

Strong position within selected niches in a changing defence market

- Market leading positions within missiles, air defence, defence communications and naval command & control
- Defence market drop bottoming out
  - Spending increases in many western nations

Excellent test results and new partnership improves prospects

- NSM successfully demonstrated at RIMPAC and test fired from Littoral Combat Ship
  - Teaming agreement for on JSM signed with Raytheon
    - Improves position and increases likelihood of missile success in the USA
- Significant prospects for sale of NASAMS and missiles to both new and existing clients

(MNOK) Q4-14
- Operating revenues: 1 181
- EBITDA: 162
- Order intake: 1 750
- Order Backlog: 9 471
The leading global market position and an increasingly broader product portfolio puts KONGSBERG in good position to meet the future requirements.

### 2014 – Lower revenues and declined EBITDA, but growing order backlog

- Continued strong book/bill in Q4, 1.42
- Book/bill of 1.43 in 2014 added up to a MNOK 3,523 backlog of orders at year-end.
- Deliveries of new systems declining but life cycle business is growing
- 2014 deliveries dominated by CROWS III and Nordic

### Preparing for the next growth cycle – High marketing activity and strong R&D efforts

- Several ongoing market campaigns, both for traditional RWS and the new MCRWS
- Bid for major MCRWS-program delivered in H2 2014
- Investing in market introduction

- Strong R&D efforts both on further development of the existing portfolio and on new products
- Higher than expected R&D costs in two projects impacts margins in 2014

### World leading position and strong potential in a geographically changing market

- KPS is the world #1 supplier of remote weapon stations
- The market outside the USA is growing

<table>
<thead>
<tr>
<th>(MNOK)</th>
<th>Q4-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>407</td>
</tr>
<tr>
<td>EBITDA</td>
<td>142</td>
</tr>
<tr>
<td>Order intake</td>
<td>579</td>
</tr>
<tr>
<td>Order Backlog</td>
<td>3,523</td>
</tr>
</tbody>
</table>
Kongsberg Oil & Gas Technologies

KOGT is a business area under development and with unique technology solutions.
The business area is currently facing some challenges - several actions implemented.

2014 – A challenging year

- Revenues declined both in Q4 and in 2014 in total
  - MNOK 99 negative EBITDA impacted by MNOK 45 in restructuring cost
  - MNOK 300 goodwill impairment

KOGT enters 2015 with a cost base more adapted to the current market situation.

Challenging market conditions, lower demand

- General reduction in oil companies’ exploration and development activity
  - Several new projects postponed or put on hold

Major drop in oil-price during H2 2014 further increased the challenging market situation.

Attractive technology positioning

- KONGSBERG’s solutions meet cost reduction requirements in the industry
  - Significant technology development programs
  - Commercial success on several core software solutions

<table>
<thead>
<tr>
<th>(MNOK)</th>
<th>Q4-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>228</td>
</tr>
<tr>
<td>EBITDA</td>
<td>(54)</td>
</tr>
<tr>
<td>Order intake</td>
<td>168</td>
</tr>
<tr>
<td>Order backlog</td>
<td>396</td>
</tr>
</tbody>
</table>
“Diversity Delivers”
- a core element in our strategic thinking
Guy Kawasaki......

JUMP

TO THE NEXT

CURVE
2015 Outlook

• Kongsberg Maritime
  – Continued high level of activity
  – Slower contracting of new vessels in the offshore market, good outlook for advanced merchant and subsea

• Kongsberg Defence Systems
  – Strengthened position and several important long-term opportunities
  – Strong backlog provides a robust business platform

• Kongsberg Protech Systems
  – Well positioned to meet anticipated future demand
  – Activity expected to increase in 2015

• Kongsberg Oil & Gas Technologies
  – Challenging market conditions in the oil & gas market
  – A modern product portfolio is expected to provide long term opportunities, but revenues are expected to decline in 2015

See quarterly report for full text
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