Highlights

• Strong order intake – BNOK 5.7
  • Book/bill : 1.34

• Record high order backlog – BNOK 21.1

• KM continues with very strong performance
  • 12 % revenue growth vs Q2-13, strong margins and high order intake

• KDS has a strong quarter and important contract wins

• KPS has good order intake but lower revenues and margins

• KOGT has a weak H1 2014, comprehensive recovery plan implemented
Financial status Q2 - 2014

**Operating revenues**

- Q2 revenues MNOK 4,263
  - 4% growth from Q2 2013
- Strong 12% revenue growth in KM vs Q2-13
- 14% underlying revenue growth in KDS
  - Q2 positively influenced by JSM Phase III contract
- 45% revenue reduction in KPS in the quarter
- Challenging situation for KOGT
  - 11% revenue reduction
Financial status Q2 - 2014

EBITDA

• Q2 strongly influenced by KM and KDS
• Improved margins in KM
• Improvement in KDS due to JSM and solid project execution
• Margins in KPS coming down
• Negative EBITDA in KOGT due to restructuring cost and overcapacity
  – MNOK 19 costs related to restructuring/one-offs
• “Other” influenced by approx. MNOK 30 costs related to “one-offs”
Financial status H1 - 2014

Operating revenues and EBITDA – per Segment

• H1 revenues MNOK 8,204
  – 0.9 % growth total growth
    • adjusted for K-SAT 2.4 %
  – 14.9 % growth in KM
  – 6.0 % growth in KDS
  – -44.8 % in KPS
  – 0.3 % in KOGT

• H1 EBITDA MNOK 901 (MNOK 1,013)
  – KM and KDS reports significantly improved EBITDA vs H1 2013
  – Margin reduction in KPS
  – Negative EBITDA in KOGT due to one-offs, project mix and cost issues – total one-offs approx. MNOK 19
  – “Other” influenced by approx. MNOK 45 “one-offs”
Financial status Q2 2014

Quarterly trends in orders

Backlog of orders

New orders per quarter

After sales and framework agreements not converted into delivery contracts are not included in the backlog

New orders Q2 2014

25 000
20 000
15 000
10 000
5 000
0

Q1 Q2 Q3 Q4

2012  2013  2014

17 687  17 687  16 739
10 788  10 788  13 543
15 687  15 687  16 234  21 096

2014  2015  2016=>

32%  35%  33%

2 594  198  2 019  899  5 714

KM  KOGT  KDS  KPS  KOG Group
Financial status Q2 2014

Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>Q2-14</th>
<th>Q4-13</th>
<th>Q2-13</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and short-term deposits</td>
<td>3,775</td>
<td>3,272</td>
<td>2,630</td>
<td>2,509</td>
</tr>
<tr>
<td>Working capital</td>
<td>3,620</td>
<td>3,319</td>
<td>3,140</td>
<td>3,528</td>
</tr>
<tr>
<td>Net interest bearing debt</td>
<td>(2,934)</td>
<td>(1,935)</td>
<td>(1,319)</td>
<td>(1,198)</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>35.8%</td>
<td>38.2%</td>
<td>36.4%</td>
<td>38.6%</td>
</tr>
<tr>
<td>Return on Capital Employed (ROCE)*</td>
<td>19.5%</td>
<td>21.5%</td>
<td>23.2%</td>
<td>26.6%</td>
</tr>
</tbody>
</table>

KONGSBERG has unused credit lines of NOK 1.5 billion

*Average capital employed, quarterly ROCE based on last twelve months
Business Area Status
Kongsberg Maritime

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

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

<table>
<thead>
<tr>
<th>(MNOK)</th>
<th>Q2-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>2,359</td>
</tr>
<tr>
<td>EBITDA</td>
<td>366</td>
</tr>
<tr>
<td>Order income</td>
<td>2,594</td>
</tr>
<tr>
<td>Order Backlog</td>
<td>8,121</td>
</tr>
</tbody>
</table>

**Record high order backlog – strong order intake in all segments**

- Above BNOK 3 offshore order intake in H1 2014
- Merchant marine YTD order intake up 90% year-on-year
- Subsea YTD order intake up 45% year-on-year

**12% revenue growth and solid operations**

- Cost focus and operational improvements
- Competitiveness through further globalization
- Continuing life-cycle development

**Strong position in a highly competitive market**

- Cost pressure within the whole sector drives new technology and improved execution models
- The exploration of the “sea universe” drives satellite-, AUV-, sensor- and robot technologies
- Merchant marine new-building market is improving, strong OPEX focus
Kongsberg Maritime
Selected vessels that will get KONGSBERG onboard
Kongsberg Defence Systems

**Delivery programs on track and JSM phase III secured**
- NASAMS to Finland and Coastal Artillery to Poland progressing as planned
- Delivery of NSM to Norway on track
- JSM phase III development contract secured

**Several ongoing market campaigns and innovative new offering**
- Significant prospects for sale of NASAMS and missiles to both new and existing clients
- Strong international position within defence communications and naval command and control systems
- Launched next generation ground based air defence command and control capability

**Defence budgets bottoming out**
- Consensus from defence analysts is that the overall defence budgets are bottoming out in 2014
- Increasing global security challenges drive new requirements within defence and security

<table>
<thead>
<tr>
<th>(MNO)</th>
<th>Q2-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>1,291</td>
</tr>
<tr>
<td>EBITDA</td>
<td>147</td>
</tr>
<tr>
<td>Order income</td>
<td>2,019</td>
</tr>
<tr>
<td>Order Backlog</td>
<td>9,203</td>
</tr>
</tbody>
</table>
Kongsberg Defence Systems

*Missiles – an important contributor in the past and in the future...*

<table>
<thead>
<tr>
<th>Penguin</th>
<th>World’s leading anti-ship missile on naval helicopters</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>Can be launched from ships and helicopters</td>
</tr>
<tr>
<td></td>
<td>Sold to 9 countries</td>
</tr>
<tr>
<td></td>
<td>Last contract so far in November 2013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NSM</th>
<th>The only fifth generation precision strike missile in existence as per today</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>Can be launched from a variety of platforms against a variety of targets</td>
</tr>
<tr>
<td></td>
<td>First sale 2007 (Norway), first international sale (Poland) in 2008</td>
</tr>
<tr>
<td></td>
<td>Successful demonstration at RIMPAC</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>JSM</th>
<th>Designed for both Anti Surface Warfare and Land Target missions in open sea, littoral and over land</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>Can be carried externally and internally in the bomb bay of the F-35</td>
</tr>
<tr>
<td></td>
<td>Phase III development contract signed to complete development of the missile</td>
</tr>
</tbody>
</table>

Raytheon and KONGSBERG have formed a teaming agreement to provide new solutions for the Offensive Anti-Surface Warfare (OASuW) mission in USA.

US Navy is considering cost-effective solutions for next-generation OASuW systems.

Raytheon and KONGSBERG have collaborated successfully in the global market for ground-based air defence systems for several years.
Good order intake but lower revenues and declining margins in 2014
- Second highest quarterly order intake since 2011 mainly driven by CROWS
- Deliveries in 2014 are on contracts signed under a new price regime
- Deliveries of new systems declining but life cycle business is growing

Strong potential within both new and existing offerings
- Medium Caliber Remote Weapon Stations attracts great attention
- Strong interest for product portfolio from new regions
- Ongoing demonstrations and test firings

World leading position in a geographically changing market
- KPS is without doubt the world #1 supplier of remote weapon stations
- The market outside the USA is growing
- Focus turned more towards reset and repairs in the USA
Kongsberg Oil & Gas Technologies

KOGT is a business area under development and with unique technology solutions. The business area is currently facing some challenges. H2 will see improved performance.

### Challenging start to the year – actions taken
- Overcapacity due to project cancellations and postponements
- Recovery actions already initiated in early Q1
  - Improve competitiveness, reduce costs
- Actions will result in improved H2 2014 earnings

### Attractive technology positioning
- Significant technology development program
- Commercial success on several software core solutions
- Well positioned in several subsea technology segments

### More challenging market conditions
- General reduction in oil companies’ exploration and development activity
- Several new projects postponed or put on hold
- Opportunities for new solutions and execution models

<table>
<thead>
<tr>
<th>(MNOK)</th>
<th>Q2-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td>247</td>
</tr>
<tr>
<td>EBITDA</td>
<td>(42)</td>
</tr>
<tr>
<td>Order income</td>
<td>198</td>
</tr>
<tr>
<td>Order backlog</td>
<td>514</td>
</tr>
</tbody>
</table>
Talents look to KONGSBERG!

• 1,350 applications for 150 summer jobs
• Specific projects from start to finish
  – Creating technology to be utilized in existing or future products and services
• A win-win for KONGSBERG and the students
• A contribution from KONGSBERG to reduce the student drop-out ratio
2014 Outlook

• Kongsberg Maritime
  – Continued high level of activity
  – The merchant marine market has improved

• Kongsberg Defence Systems
  – Several important long-term opportunities
  – Strong backlog provides a robust business platform

• Kongsberg Protech Systems
  – Leading global position
  – Activities slower than in 2013 and underlying margins declining

• Kongsberg Oil & Gas Technologies
  – Lower activity and restructuring impacts 2014 negatively
  – Well positioned in key areas in the industry

See quarterly report for full text
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