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KONGSBERG GRUPPEN ASA

Walter Qvam, President & CEO
Hans-Jørgen Wibstad, EVP & CFO

CMD 2015
CAPITAL MARKETS DAY
AGENDA

INTRODUCTION – THIS IS KONGSBERG

FINANCIAL STATUS

AMBITIONS

INNOVATION

SUMMARY
PROVIDING ADVANCED SOLUTIONS FOR EXTREME PERFORMANCE UNDER EXTREME CONDITIONS
INVOLVED IN THE WORLD’S MOST TECHNOLOGY INTENSIVE INDUSTRIES
RAPIDLY ADAPTING TO CHANGES AND OPPORTUNITIES
INVOLVED IN STRATEGIC AREAS, OFTEN OF NATIONAL INTEREST
HIGHLY SKILLED, DEDICATED AND HARD WORKING EMPLOYEES
CORPORATE SOCIAL RESPONSIBILITY

We will further expand our international presence. This implies a continued high focus on compliance and corporate social responsibility.
A GENUINE BELIEF IN THAT OUR STRONG, VALUE BASED CULTURE DRIVES OUR PERFORMANCE
GLOBAL REACH WITH MORE THAN 100 OFFICES AND A LARGE NUMBER OF GLOBAL ALLIANCE PARTNERS
BUSINESS AREAS

KONGSBERG MARITIME

Global market leader within both offshore and merchant marine applications

- Dynamic positioning
- “Full picture” integrated automation and control systems
- Hydro acoustic technologies
- Solutions for sustainable fisheries
- Autonomous underwater vehicles, underwater robotics

KONGSBERG OIL & GAS TECHNOLOGIES

Attractive technology positions within selected oil & gas niches

- Drilling and production management S/W solutions
- Subsea structures & engineering

KONGSBERG DEFENCE SYSTEMS

Modern product portfolio in growing defence and aerospace niches

- Missiles
- Air defence
- Command & control systems for land and naval applications
- Advanced composites manufacture for F-35
- Space equipment, satellite services and surveillance

KONGSBERG PROTECH SYSTEMS

Unrivalled global market leader in remote weapon stations

- PROTECTOR RWS M151/M153
- MCT-30 medium caliber turret
- Other specialized remote weapon stations
DIVERSITY DELIVERS
- a core element in our strategic thinking
20-40 YEARS PROFITABLE PRODUCT LIFE CYCLE AFTER INITIAL DEVELOPMENT

DEVELOPMENT
- Customer orientated product development

INTERNATIONAL SALES
- High customer loyalty
- High market share

LIFE CYCLE SUPPORT
- Global Customer Support
- Provides recurring revenue stream

OFFSHORE & MARITIME

DEFENCE
- Funded partly by the Norwegian government
- Industry partnerships
- Strong relationship with the Norwegian armed forces

NATIONAL IMPLEMENTATION
- High customer loyalty
- High market share

INTERNATIONAL SALES AND UPGRADES
- International sales and upgrades at market price
- Mid life and major upgrades 2-3 times in life cycle
- Profitable product life cycle for up to 40 years after initial development

LIFE CYCLE SUPPORT
Sustainment for the lifetime of the product
DEVELOPMENT SINCE CMD 2014

OIL & GAS
MARITIME
PROTECH SYSTEMS
DEFENCE SYSTEMS

BRENT CRUDE OIL PRICE, USD/bbl

GLOBAL DEFENCE PROCUREMENT, USD billion

AGENDA

INTRODUCTION – THIS IS KONGSBERG
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SUMMARY
OVERALL GROWTH AND MARGINS STRONGLY INFLUENCED BY SIGNIFICANT KPS VOLUME REDUCTION

**REVENUES**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>15,128</td>
</tr>
<tr>
<td>2012</td>
<td>15,652</td>
</tr>
<tr>
<td>2013</td>
<td>16,323</td>
</tr>
<tr>
<td>2014</td>
<td>16,613</td>
</tr>
<tr>
<td>2015*</td>
<td>16,883</td>
</tr>
</tbody>
</table>

**CAGR 2011-2015**: KM 11.1%, KDS 2.2%, KPS -21.6%, KOGT 13.5%, KOG 2.8%

**YoY 2014-2015**: KM 5.2%, KDS -0.7%, KPS 1.1%, KOGT -13.9%, KOG 1.6%

**EBITDA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2,385</td>
</tr>
<tr>
<td>2012</td>
<td>2,294</td>
</tr>
<tr>
<td>2013</td>
<td>2,142</td>
</tr>
<tr>
<td>2014</td>
<td>2,060</td>
</tr>
<tr>
<td>2015*</td>
<td>1,836</td>
</tr>
</tbody>
</table>

**CAGR 2011-2015**: KDS 2.2%, KPS -21.6%, KOGT 13.5%, KOG 2.8%

* Last 12 months
SOLID BACKLOG – GOOD VISIBILITY

Life-cycle business and framework agreements not converted into delivery contracts are not included in the backlog.
STRONG BALANCE SHEET

KONGSBERG aims to maintain a strong balance sheet

- Investment grade debt rating, securing access to attractive debt markets
- Enables us to take advantage of attractive acquisition opportunities
- Long-term customer relationships – a strong balance sheet is a competitive factor

Capital structure is assessed on an ongoing basis

EQUITY RATIO

LEVERAGE RATIO

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SUPPORTING A FLUCTUATING CASH FLOW

KONGSBERG has a highly fluctuating cash flow, primarily due to payment terms in certain types of projects.
CURRENCY EFFECTS

KONGSBERG hedges all contracts in foreign currencies and a portion of anticipated future order intake

Hedging strategy:
• Minimize P/L fluctuations due to currency effects
• Result predictability in business areas/projects

TEMPORARY EFFECTS DUE TO HEDGING

| PROGNOSIS | EQUITY | Fair value of hedging portfolio continuously adjusted against equity |
| PROGNOSIS/PROJECTS | BALANCE SHEET | Balance sheet fluctuates due to change in fair value of current assets and liabilities |
| PROGNOSIS/PROJECTS | CASH | Temporary cash in- or outflow depending on currency rate at the time of hedge-rollover |

<table>
<thead>
<tr>
<th>Due in:</th>
<th>2015</th>
<th>2016 -&gt;</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>361</td>
<td>531</td>
<td>892</td>
</tr>
<tr>
<td>USD</td>
<td>2 259</td>
<td>5 450</td>
<td>7 709</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2 620</td>
<td>5 981</td>
<td>8 601</td>
</tr>
</tbody>
</table>
**DIVIDEND**

"Dividends shall over time constitute between 40 and 50 per cent of the company’s ordinary net profit after tax, future capital requirements taken into account"

<table>
<thead>
<tr>
<th>Year</th>
<th>Ordinary</th>
<th>Extraordinary</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>29.3 %</td>
<td>30.1 %</td>
<td>41.5 %</td>
</tr>
<tr>
<td>2010</td>
<td>31.7 %</td>
<td>51.3 %</td>
<td>42.7 %</td>
</tr>
<tr>
<td>2011</td>
<td>34.4 %</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DIVIDEND PAYOUT FY 2014**

<table>
<thead>
<tr>
<th></th>
<th>DIVIDEND</th>
<th>PAYOUT RATIO</th>
<th>*EXCL. IMPAIRM.</th>
</tr>
</thead>
<tbody>
<tr>
<td>ORDINARY</td>
<td>4.25</td>
<td>58.4 %</td>
<td>42.7 %</td>
</tr>
<tr>
<td>EXTRAORDINARY</td>
<td>5.00</td>
<td>68.7 %</td>
<td>50.3 %</td>
</tr>
<tr>
<td>TOTAL</td>
<td>9.25</td>
<td>127.1 %</td>
<td>93.0 %</td>
</tr>
</tbody>
</table>
STRONG FINANCIAL POSITION

KEY FIGURES

- **NORWAY**
  - Revenues: 23%
  - EBITDA: 1.8
  - Order Intake: 16.9
  - Order Backlog: 21.1

- **INTERNATIONAL**
  - Revenues: 77%
  - EBITDA Margin: 10.9%
  - Order Intake: 16.9

**Revenues (BNOK)**
- Last 12 months: 16.9

**Balance Sheet & Rating**
- **Equity Ratio**: 0.30
- **Leverage Ratio**: -0.71
- **Credit Rating**: BBB+

**Share Performance Last 12 Months**

---

1 Last 12 months
2 Net interest bearing debt (NIBD) divided by last twelve months EBITDA. NIBD equals long-term interest-bearing loans minus cash and cash equivalents
3 Shadow ratings (average of DNB, Nordea and SEB)
AGENDA

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SUMMARY
ADAPTING TO CHANGING MARKETS AND TECHNOLOGIES

DEFENCE
Global security challenges
Increasing defence spending
KONGSBERG has a well positioned product portfolio

MERCHANT MARINE
High demand in the merchant marine market
Strong OPEX focus in the industry
KONGSBERG has attractive solutions and increasing market share

OFFSHORE, OIL & GAS
Weak market with low investment levels in the near term
Cost pressure will drive new technology and new execution models
KONGSBERG offers cost efficient solutions

SPACE & SURVEILLANCE
Strong foothold in several niches
KONGSBERG is Norway’s largest space company

SUBSEA TECHNOLOGY
Increasing demand for KONGSBERG’s leading underwater technology solutions

INDUSTRIAL DIGITALIZATION
Significant changes and opportunities related to digitalization
ADAPTING TO CHANGING MARKETS – PURSUING SIGNIFICANT OPPORTUNITIES

**MARITIME**
- Preparing for a more challenging offshore market
- Further developing market positions
- Launching new technology applications
- Further developing life cycle services

**DEFENCE SYSTEMS**
- Executing large programs
- Pursuing several major potential contracts
- Developing and launching new technology applications

**PROTECH SYSTEMS**
- Further pursuing several major new contract campaigns
- Intensifying R&D investments for the next growth curve
- Securing and expanding market position

**OIL & GAS TECHNOLOGIES**
- Adapting to challenging market
- Securing operations
- Developing platform for future growth
AMBITIONS REVISITED

AMBITIONS 2013 - 2015

GROWTH
CAGR 1.7%

ONGOING CONSOLIDATION PHASE

• Oil & Gas/Maritime consolidation
• Defence orders build-up
• New opportunities/segments

EBITA-MARGIN
AVG. 10.0%

INCREASED MARGIN PRESSURE

• Volume
• Contracts
• Markets

RETURN ON CAPITAL
AVG. 17.4%

ROACE HAS FOLLOWED EBITA DEVELOPMENT

DELTAONE

• Process innovation
• Sourcing
• Sharing best practices

10% AVERAGE
ANNUAL GROWTH

5% organic, expected to strengthen over the period

Minimum 5% acquired growth

DOUBLE-DIGIT
EBITA MARGIN

AMBITIONS
2016 - 2020

MAINTAIN A HIGH
ROCE

New initiatives evaluated against 10-15% ROCE

NOK 1 BILLION
ANNUAL IMPROVEMENTS

Will be realized by end 2016

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REVENUE DEVELOPMENT NEXT FIVE YEARS


DEFENCE
- PROJECT EXECUTION • ORDERS BUILD UP
- ADAPTING TO CHANGING MARKETS

MARITIME
- EXECUTION • ADAPTATION • R&D

FURTHER GROWTH AND WIDER DEPLOYMENT • F-35, MCT-30, NSM, NASAMS, JSM...
LARGE OPPORTUNITIES, WIDER SCOPE, STRONG ALLIANCES, NEW APPLICATIONS
LARGER SCOPE • NEW TECHNOLOGY APPLICATIONS • DIGITALIZATION • NEW GROWTH PLATFORMS
STATUS DELTAONE

All business areas are expecting to meet targets by year end 2016

• Process innovation
• Sourcing
• Sharing best practices
INTRODUCTION – THIS IS KONGSBERG
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STATUS AMBITIONS FROM CMD 2013
INNOVATION
SUMMARY
A unique history and a strong culture. An industrial pioneer since 1814.

200 YEARS OF INNOVATIVE HISTORY

- High focus on R&D
- Continuous pipeline of innovations
- Incremental and disruptive
- Diversity delivers
OUR INNOVATION PIPELINE PHILOSOPHY ENSURES FUTURE GROWTH

NEW INNOVATIONS LAUNCHED AT REGULAR INTERVALS

CONTINUOUS REVENUE GROWTH
OUR INNOVATION PIPELINE PHILOSOPHY ENSURES FUTURE GROWTH

NEW INNOVATIONS LAUNCHED AT REGULAR INTERVALS

MISSILE
DYNAMIC POSITIONING/HYDRO ACOUSTICS
SONARS/ECHOSOUNCERS
AIR DEFENCE
SHIP AUTOMATION
REMOTE WEAPON STATION
SPACE SERVICES & TECHNOLOGY
WELL ADVISOR LEDAFLOW
REMOTE TOWER
F-35 PRODUCTION
K-MASTER
TACTICAL RADIO
PRODUCTION
K-MASTER
KONGSBERG

CONTINUOUS REVENUE GROWTH
CONTRACTED FUTURE REVENUE POTENTIAL
OUR INNOVATION PIPELINE PHILOSOPHY ENSURES FUTURE GROWTH

NEW INNOVATIONS LAUNCHED AT REGULAR INTERVALS

CONTINUOUS REVENUE GROWTH

CONTRACTED FUTURE REVENUE POTENTIAL

UNDER DEVELOPMENT WITH PARTNERS
TAKING ON MORE SYSTEMS-, SOLUTIONS- AND PRIME RESPONSIBILITIES

CORE CAPABILITIES

Integrating sensors and software

Supporting human decision making, precision, safety, security

Cybernetics, software, signal processing and system engineering

Project and supplier management
KEY OPPORTUNITY AREAS
- focuses Group long term innovation efforts

OCEAN SPACE
Leveraging our’s and Norway’s unique position to take a leading role in exploring innovative opportunities in the ocean space

SMART COMMUNITIES
KONGSBERG technologies enabling and protecting the intelligent – but vulnerable – society. Optimizing, securing and protecting critical interests, such as supply-, distribution- and consumption of resources
OPPORTUNITIES IN DIGITALIZATION

INTERNET

SENSOR NETWORKS

SENSORS

INTERNET OF THINGS

RFID

INTERNET OF KNOWLEDGE

INTELLIGENT TAGS
OUR R&D FOCUS REFLECTS OUR BELIEF IN TECHNOLOGY LEADERSHIP

- Continuous investments in product development
- Internally and customer financed
- Total product development constitutes around 10 per cent of operating revenues over time
- R&D activity in 2016 planned at same level as 2015
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WHERE WE ARE

KONGSBERG
An international technology corporation with market leading positions within defence, offshore, maritime and oil & gas niches

We develop and deliver advanced systems and technology for people working under extreme conditions

Our solutions ensure efficiency, safety, security and high performance in operations ranging from deep sea to outer space.

We have a strong financial position that gives operational predictability and represents a fundament for further growth

GROWTH
Innovation
*We spend approx. 10 per cent of our revenues on product development every year*

Business Development
*We acquire 3-5 bolt-on companies each year*

WHERE WE ARE HEADING

KONGSBERG
We further develop our platform through our defined growth strategies:

• Defence – primarily expanding customer base
• Maritime – primarily expanding offering base
  • Oil & Gas – securing operations
  • Increased leverage of international alliances
  • Growth and prudence leadership focus

GROWTH
Innovation pipeline
*We continue our current innovation process, focusing on development of technology, business model, internal and external processes, alliances and competencies. We position KONGSBERG for the digital industrial shift*

Business Development
*Continue current practice and in addition we follow opportunities resulting from market restructuring and repricing*
DEFENCE

KONGSBERG DEFENCE SYSTEMS
- good profitability and large opportunities

KONGSBERG PROTECH SYSTEMS
- world leading market position
MERCHAND MARINE, OFFSHORE AND OIL & GAS

KONGSBERG MARITIME
- solid performance in cyclical markets

KONGSBERG OIL & GAS TECHNOLOGIES
- challenging markets but high potential over time