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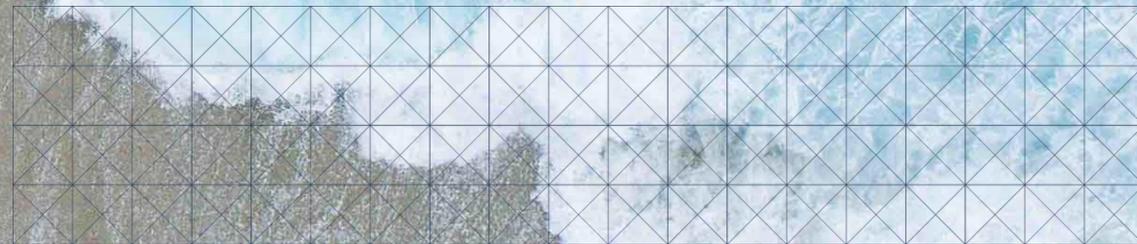
THE ACQUISITION OF RRCM

A global leader from bridge to propeller

02/11/2018

Geir Håøy

CEO and President KONGSBERG





KONGSBERG



204 years of
determination and
innovation

A partner of
strategic
importance to
customers and
nations

OUR
UNIQUENESS



Extreme solutions
for extreme
conditions

Team Norway
Hands-on
execution



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About the acquisition

Overview

- Kongsberg Gruppen acquires Rolls-Royce Commercial Marine (“RRCM”) and further strengthens its position as a global technology leader in the maritime industry
- RRCM to become an integrated part of Kongsberg Maritime
- Enterprise value of GBP 500 million
- Acquisition to be financed through a combination of rights issue and issuance of bonds
- Closing of the transaction is expected to take place in Q1 2019 and is subject to regulatory approval

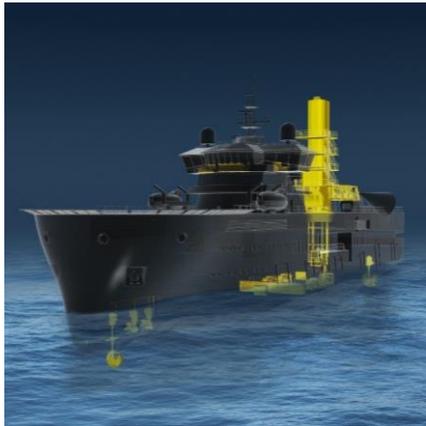




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The acquisition is according to Group Strategy

KONGSBERG is a Technology Power House with a common core



MARITIME

Expand scope from our leading positions



DEFENCE

Increase market penetration with a modern product portfolio



TECHNOLOGY OPPORTUNITIES

Drive our competitive technology base for new positions

Growth and value creation – spin off between civil and defence – positioning for future opportunities

A man in a dark suit and glasses is speaking to a group of people in a factory setting. The background features large windows and industrial equipment. A sign on the wall reads "KONECRANES" and "10.0 t I + II".

A unique opportunity

In lead of transforming the maritime industry

Timing is right

The upside is significant



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Rolls-Royce Commercial Marine is a world leading technology company

World leader in vessel design, complex system integration, and supply support of power and propulsion equipment and deck machinery



Operates a global service network and 24/7 support via more than 700 service engineers. Also operates advanced training facilities



A thought leader in the emerging area of ship intelligence, including remote and autonomous vessels, and demonstrating offerings in this field



3,600 employees, serves more than 4,000 customers, operating 25,000 vessels with an installed base of some 100,000 products



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Highly complementary

Increasing our strategic importance with customers and partners



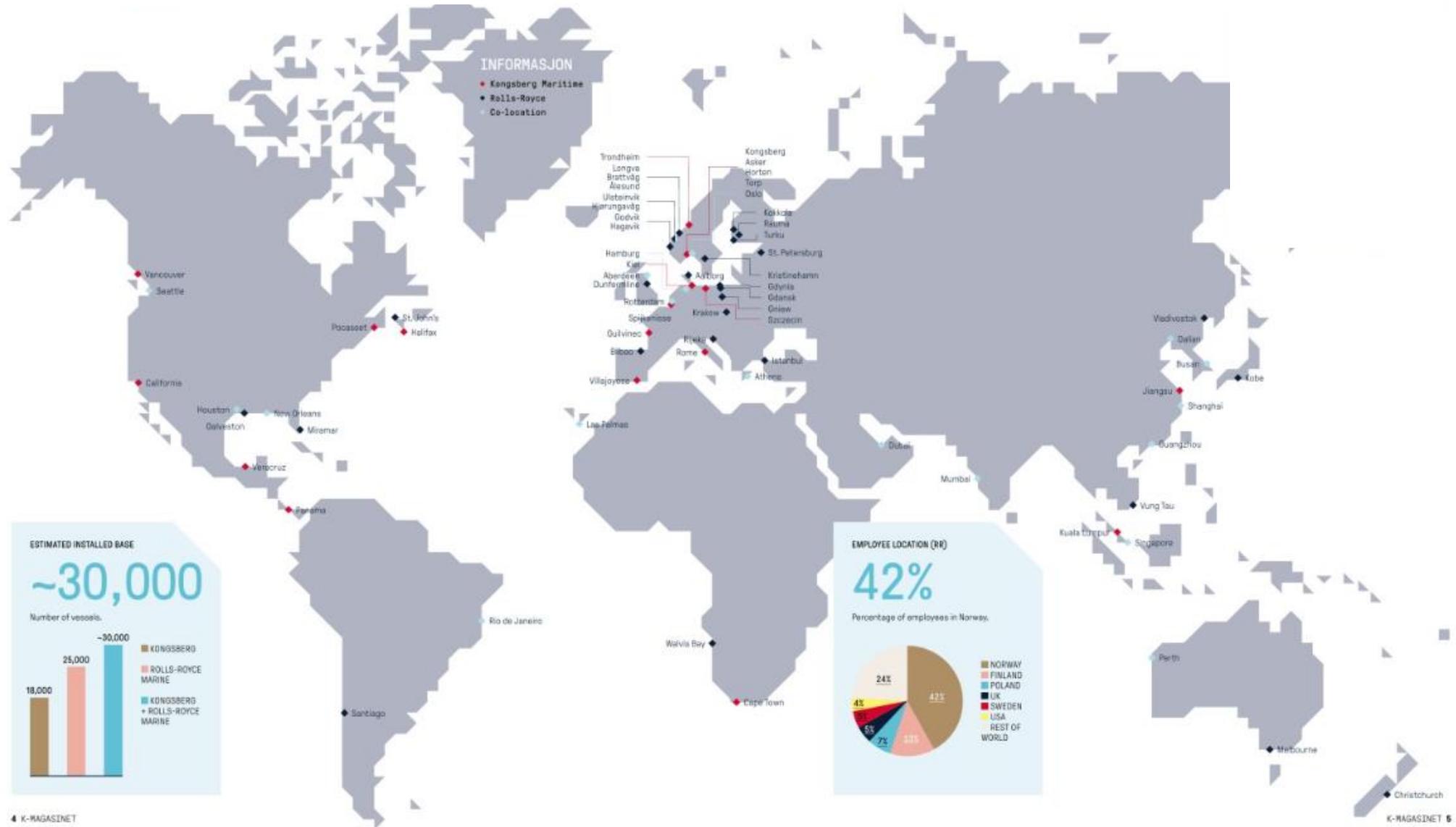
(1) Bergen Engines is not a part of the acquisition

The combination of KM and RRCM will have a “full picture” offering across mission critical marine systems - enabler for improved system integration



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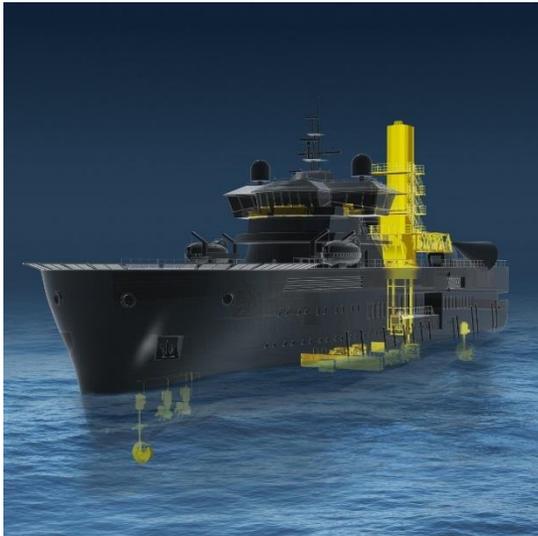
World Class global network





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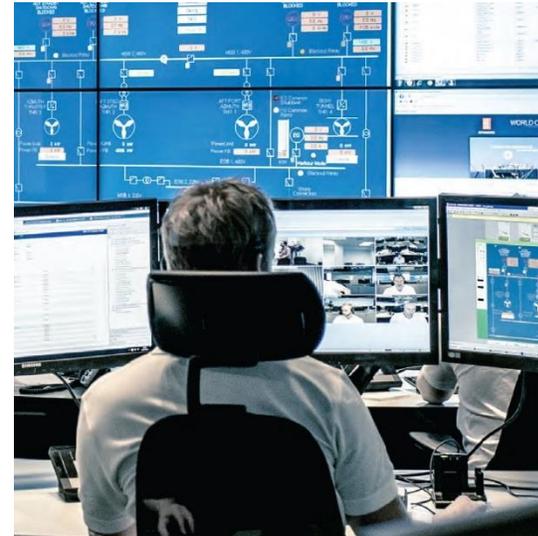
Shaping the maritime future



INTEGRATED SOLUTIONS



DIGITALIZATION



REMOTE SERVICES



AUTONOMY



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Creating a global leader – from bridge to propeller

Highly complementary portfolios



- A broad range of complementary World Class maritime products
- Allowing for seamlessly integrated solutions throughout the vessel
- A strategic partner for improving efficiency and operational capabilities of the vessels

World class global network



- A strong global sales- and service network across 34 countries
- Global reach, local presence – wherever the customers are
- Servicing a combined installed base of approximately 30,000 vessels

Shaping the maritime future



- Combining the best of the maritime industry's leading engineering capabilities
- Industry leadership in today's as well as future technologies such as digitalization, remote operations and autonomy

Increased competitiveness



- Complementarity enables scale
- Synergies allow for more efficient operations
- An even more robust and competitive organization

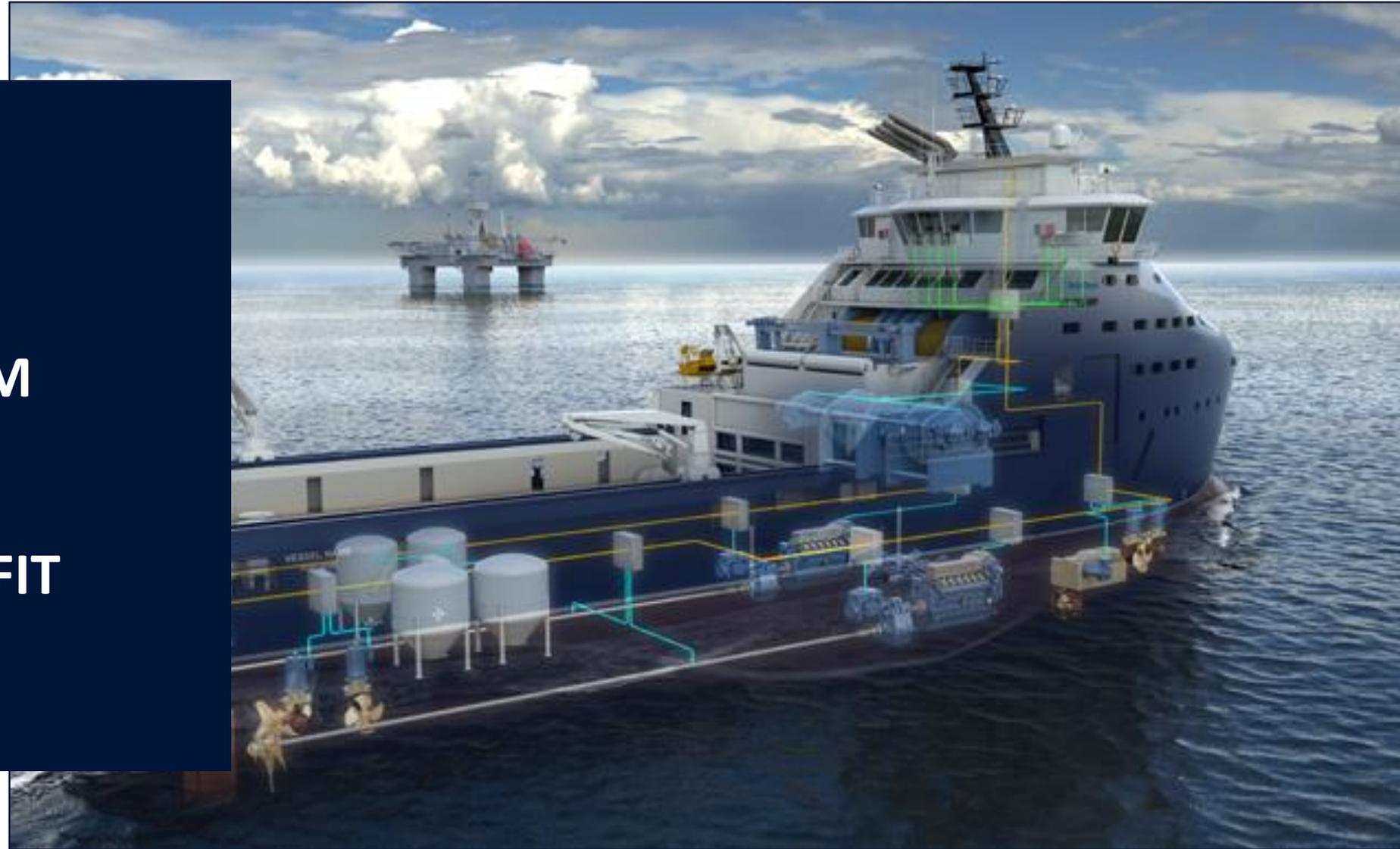


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KM + RRCM

=

A PERFECT FIT





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Transaction Considerations

Gyrid Skalleberg Ingerø
CFO KONGSERG



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Strong balance sheet

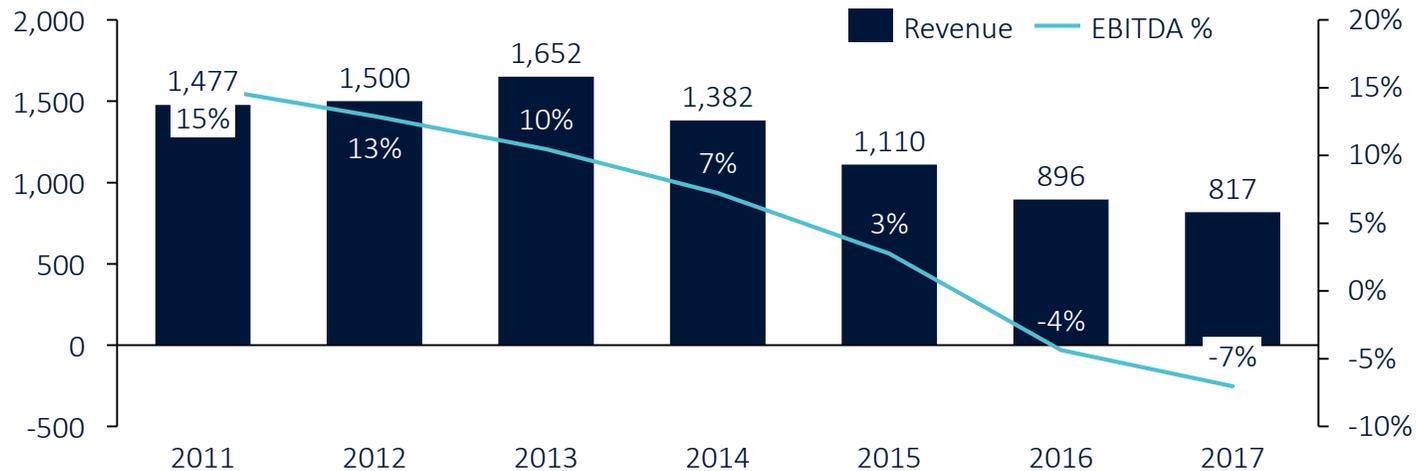
	Q3 2018	Q2 2018	2017
Gross interest bearing debt	3 326	3 337	3 340
Cash and short-term deposits	2 990	2 630	2 956
Net interest bearing debt	336	707	384
Equity ratio	35.5 %	35.1 %	35.6 %
ROACE	10.8 %	9.4 %	9.1 %



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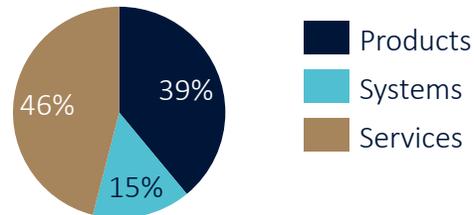
Rolls-Royce Commercial Marine key financials

Key financial information (GBPm)

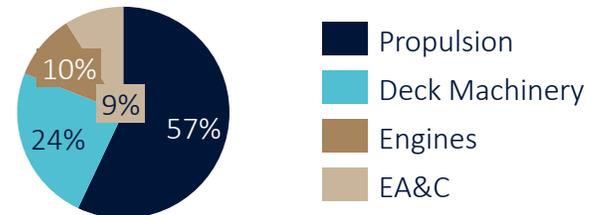


2017 revenue split⁽¹⁾

By stream



By offering (original equipment and services)





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Significant cost and revenue synergy potential

Overview of synergies

- Expected annual run-rate cost synergies in excess of NOK 500 million
- Synergies expected to reach run-rate by 2022, with approximately 75% achieved by end of 2020⁽¹⁾
- Implementation and integration costs of approximately NOK 450 million
- Revenue synergies from cross-sales and broader scope on aftermarket sales

(1) Based on full-year effect

Key areas of potential cost synergies

Estimated annual run-rate synergies:



Site co-locations and streamlining of production

NOK 200m



Consolidation of R&D spending and prioritization of total R&D efforts

NOK 100m



Sales synergies, general, administrative functions and procurement

NOK 200m



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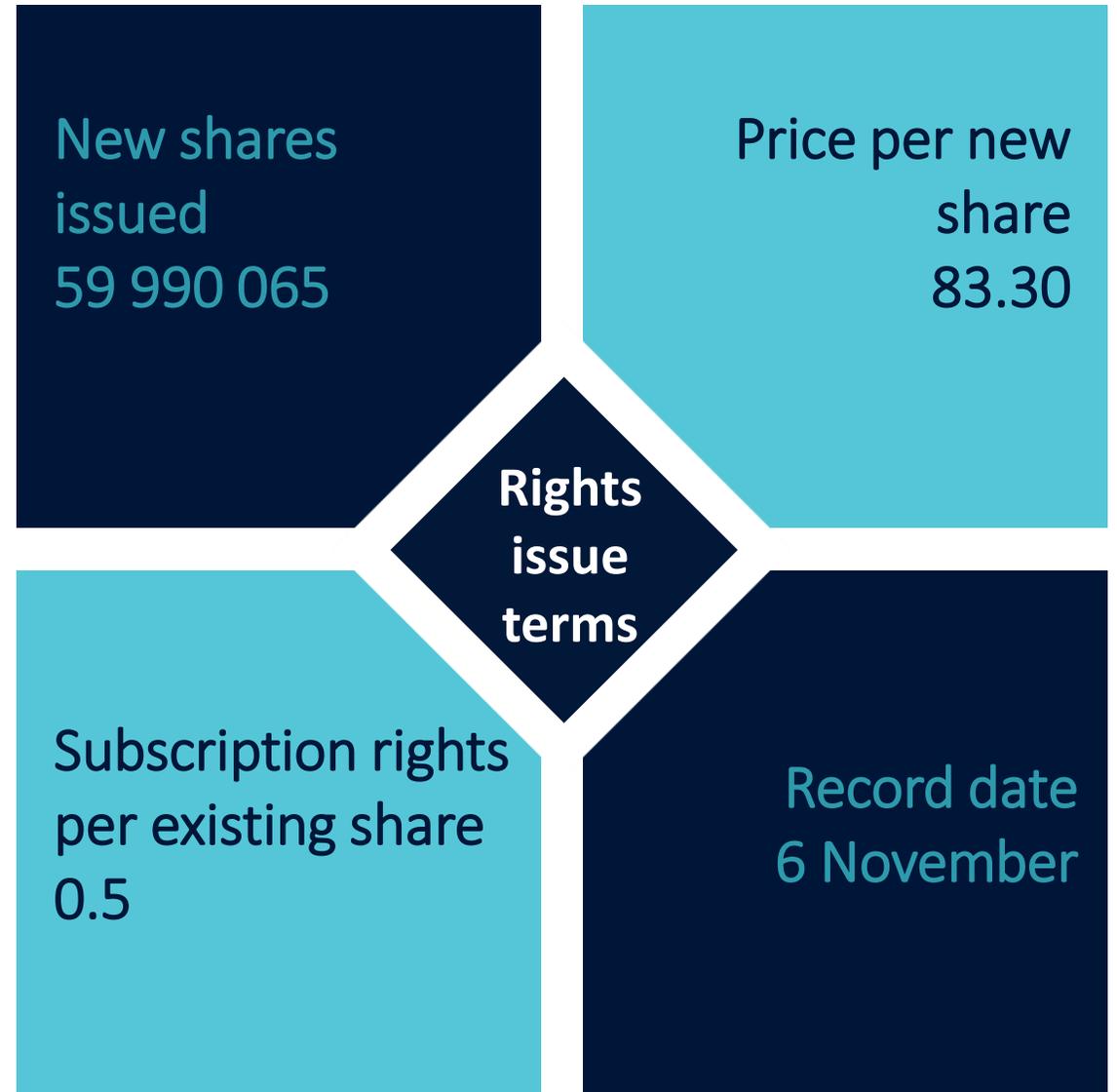
Transaction details

- The transaction and turn-around costs will be funded through
 - NOK 5 billion rights issue
 - Additional bond financing
- Norwegian Government committed to subscribe for their pro rata share, i.e. 50.01% in the right issue
 - Remaining 50% is underwritten by a group of shareholders (19.9%) and a syndicate consisting of DNB and Danske Bank (30.1%)
- The transaction is subject to regulatory approvals and other customary closing conditions
- The parties expect to close the transaction in the first quarter of 2019 or early in the second quarter of 2019



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Rights issue terms





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Thank you

