



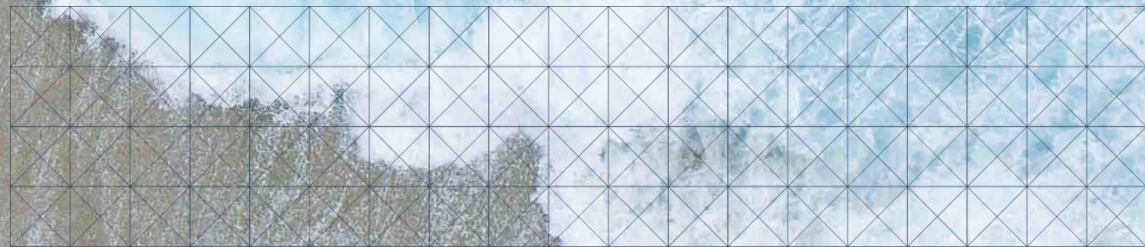
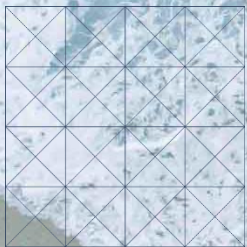
KONGSBERG

KONGSBERG GRUPPEN ASA

Acquisition of Rolls- Royce Commercial Marine

July 6, 2018

Investor Presentation





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Overview of Transaction





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Summary of transaction

- Kongsberg Gruppen (“KONGSBERG”) has entered into an agreement to acquire Rolls-Royce Commercial Marine (“RRCM”) to further strengthen its position as a global technology leader in the maritime industry
- RRCM to become an integrated part of Kongsberg Maritime (“KM”)
- 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

Introduction





KONGSBERG

Taking a global leading position

Strengthens Kongsberg Maritime as an integrator and global technology leader



- Unique ability to provide and integrate the maritime products and solutions of tomorrow
- Leader in areas such as digital solutions, autonomy and remote services
- Strengthening the Nordic base for technology and know-how

Highly complementary portfolios of leading products of strategic importance to customers



- Well established portfolio of products in strong demand within their market segments
- Leading position in several key product segments
- Modern and scalable portfolios that together cover all key product and vessel segments

Enhanced position to capitalize on industry trends and dynamics



- Positive shift in underlying market drivers and signs of recovery for a number of vessel segments
- Maritime industry is undergoing significant change, leading to a new competitive landscape
- Intensified focus on operational efficiency and accelerated pace of technology development

A new strong global presence to better meet the needs of customers and end-users



- Increased scope and scale will create significant benefits for KONGSBERG's customers
- Large combined installed base of approximately 30,000 vessels and unique global service network
- Stronger position to establish partnerships

Significant cost and revenue synergy potential



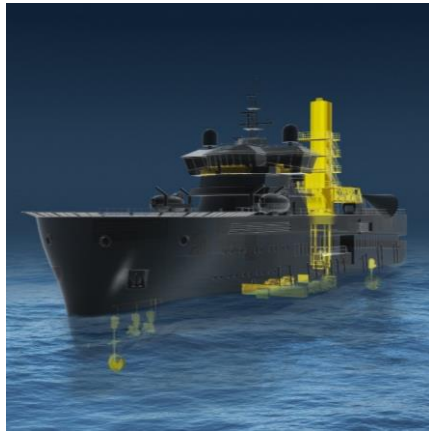
- Expected annual run-rate cost synergies in excess of NOK 500 million through infrastructure optimization and streamlining
- Significant potential for revenue synergies through cross-sales, integrated packages and services



KONGSBERG

Realizing our growth ambitions

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 – synergies between civil and defence – positioning for future opportunities



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Introduction to Rolls-Royce Commercial Marine



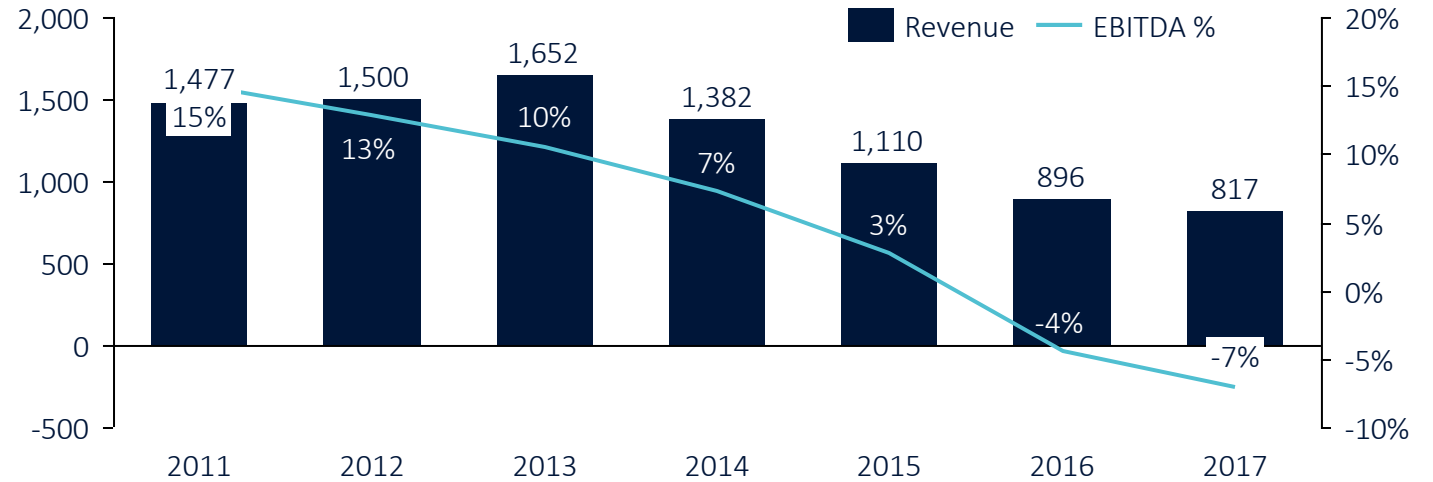
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Leading producer of marine-based products serving a multitude of vessel types

Rolls-Royce Commercial Marine at a glance

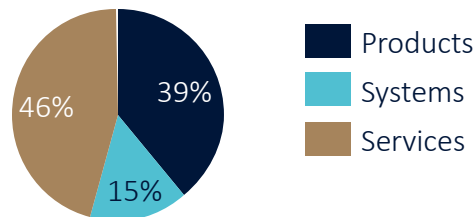
- A world leader in vessel design, complex system integration, and supply / support of power and propulsion equipment and deck machinery
- A thought leader in the emerging area of ship intelligence, including remote and autonomous vessels
- Operates a global service network, focused on local customer support, spares distribution and 24/7 technical support, via more than 700 service engineers
 - Also operates advanced customer training facilities in Norway, Singapore and Brazil
- Serves more than 4,000 customers with over 25,000 vessels
- Installed base of some 100,000 products

Key financial information (GBPm)

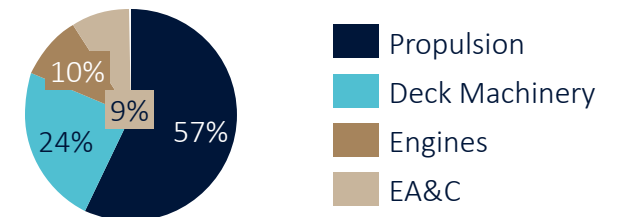


2017 revenue split⁽¹⁾

By stream



By offering (original equipment and services)



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The financial information has been derived from Rolls-Royce's consolidated financial statements. The information represents carve-out financial information prepared by Rolls-Royce management and is not audited. 2011 to 2014 data is illustrative based on the published accounts and making high level adjustments.

(1) Revenue split based on revenue before eliminations



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Broad range of specialized and mission critical products and systems

Products				Systems			Services	Ship Intelligence
Propulsion	Engines ⁽¹⁾	Deck Machinery	Motion Control	Ship Design / Platforms	Electrical, Automation & Control (EA&C)		Aftermarket	Digital
 Azimuth thrusters	 Marine Gas and Diesel Engines (Bergen)	 Offshore and Merchant Winches	 Steering Gear	 Cruise	 LV Power Electrics	 Automation & Control	<i>Extensive Services network support across portfolio</i> 	 Health Management
 Tunnel thrusters	 Marine Gensets (Bergen)	 Safer Deck Equipment	 Rudders	 Offshore	 Marine Energy Storage	 Dynamic Positioning		 Energy Management
 Pods	 Marine Gensets (Bergen)	 Cranes	 Stabilisers	 Fishing		 Unified Bridge		 Intelligent Awareness
 Waterjets		 LARS		 Special Purpose				 Remote & Autonomous Vessels
 Propellers				 Merchant				
 Reduction Gears								

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(1) Bergen Engines is not a part of the acquisition. Sales, service and marketing agreement with Rolls-Royce to be concluded



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Extensive offering supporting a wide range of vessel types

Offshore: Products installed on ~7,000 sailing vessels

- Leading position in azimuth thrusters, specialized deck machinery, systems integration, and aftermarket support for offshore vessels
- Leading technical capability demonstrated through introduction of a variety of new technologies and products ranging from permanent magnetic based propulsion and deck machinery, to fiber rope cranes and integrated bridge control systems

Merchant / Other: Products installed on ~18,000 sailing vessels

- Design and integrated systems for a range of advanced vessel types including cruise, ferries, yachts and special purpose vessels
- Wide range of propulsion and deck machinery solutions for tugs, workboats and cargo vessels
- Leader in clean and efficient solutions including LNG and hybrid propulsion systems, and energy storage



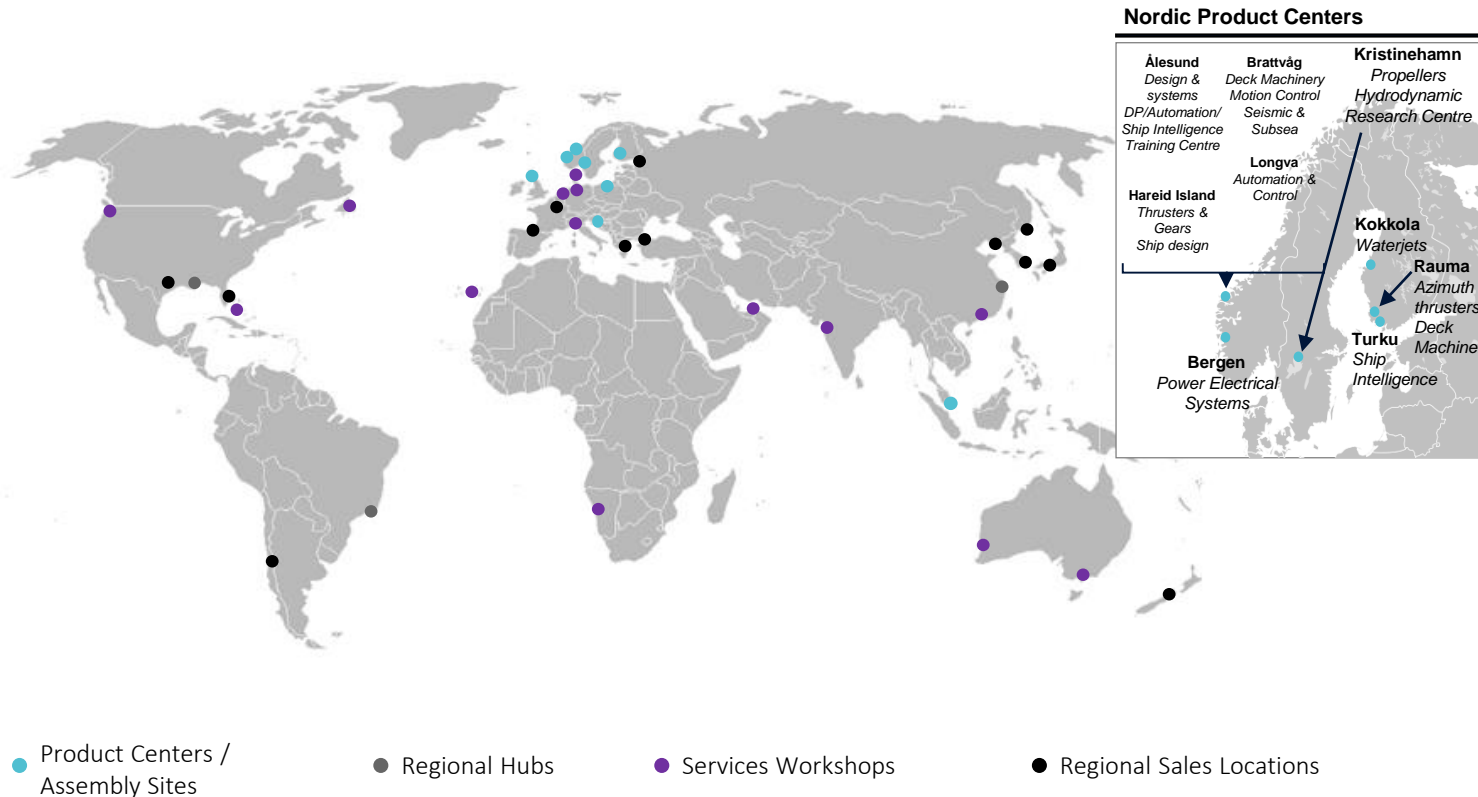


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Global sales force supported by an integrated service organization

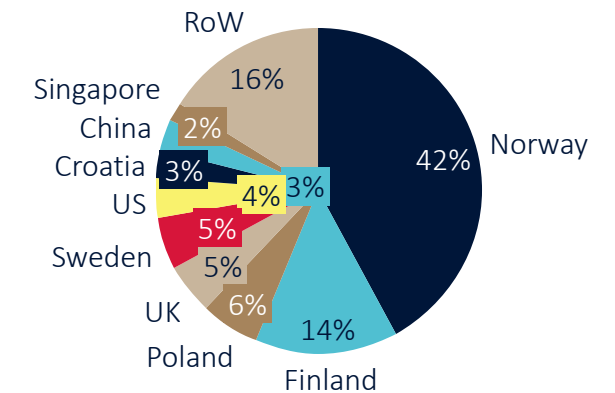
RRCM global network of facilities

Employees



- Approximately 3,600 employees across 34 countries
- Regional sales and services: ~1,570 employees in 32 countries globally
- Product centers and HQ: ~1,930 employees across 10 production sites in 5 principal countries

Employees by geography





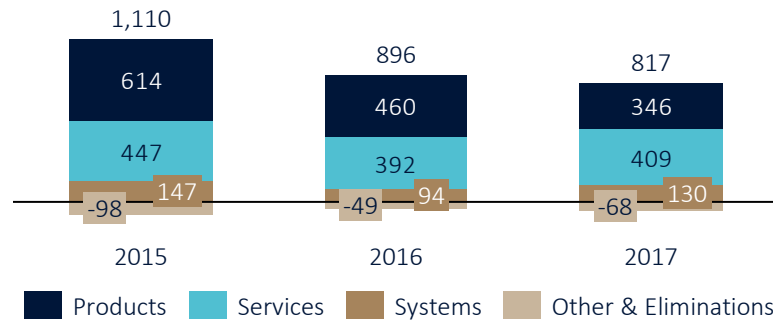
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RRCM key financial information

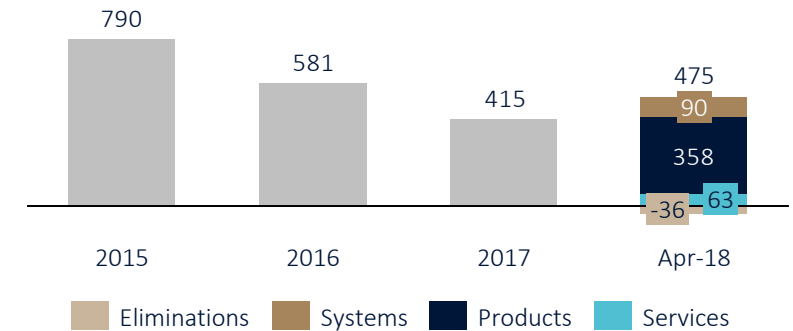
Comments

- Negative financial performance in recent years driven by reduced activity in the offshore market, partly compensated by a modest growth in merchant segments
- EBITDA has in addition been negatively affected by:
 - Standalone adjustments represent the difference between RRCM management's estimated standalone cost base and historical Rolls-Royce corporate cost allocations
 - One-off and other items, such as loss on disposals and restructuring costs
- RRCM has approximately GBP 200 million (gross) of tax loss carry forwards that overlap with KONGSBERG's geographical footprint

Revenue (GBPm)



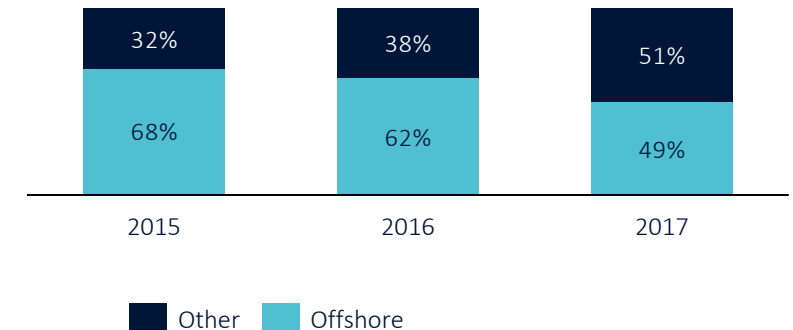
Order backlog (GBPm)



EBITDA (GBPm)

	2015	2016	2017
RRCM Reported EBITDA	31	(39)	(57)
Standalone Adjustment	(24)	21	17
RRCM Standalone EBITDA	7	(18)	(40)
One-off and Other Items	51	3	23
Adjusted EBITDA	58	(15)	(18)

Revenue split by segment



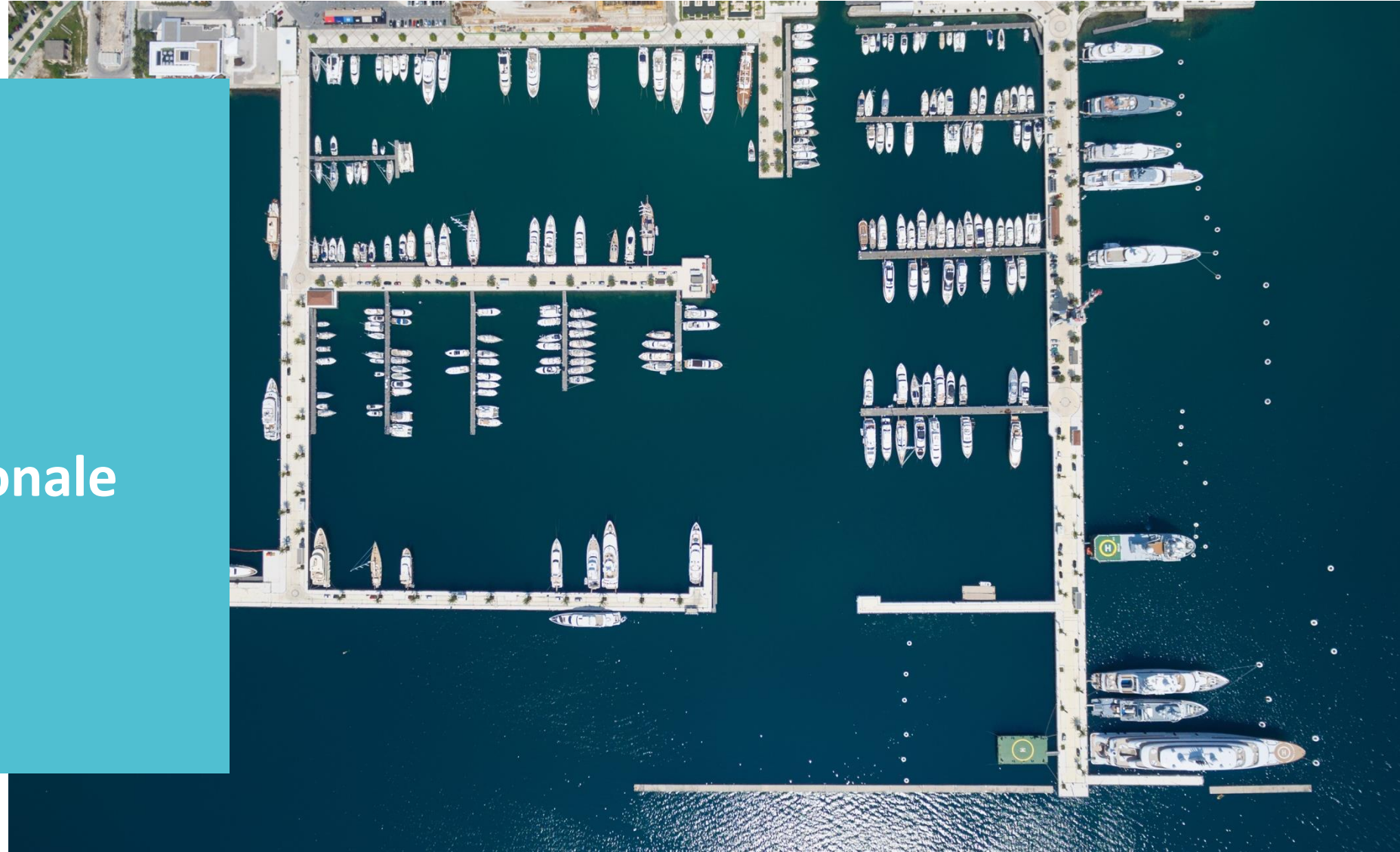
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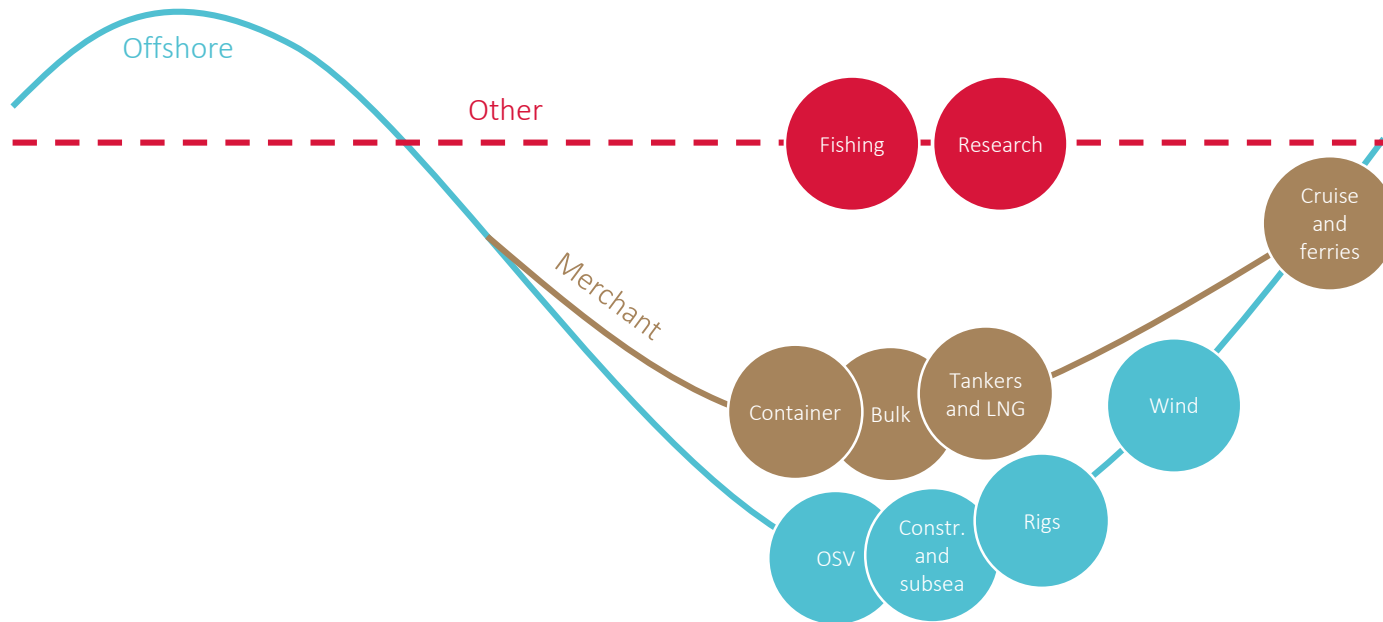
Strategic Rationale





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Well positioned for future market recovery



- Good timing for a maritime acquisition
- Developing competitive strengths through scale and leading products
- Increased volume to support sales and service infrastructure and R&D
- Well positioned for future market recovery

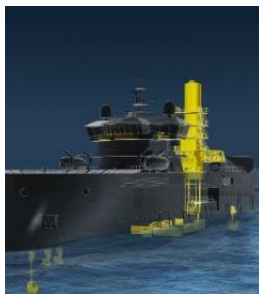


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Strengthens Kongsberg Maritime as an integrator and global technology leader

Executing on our maritime strategy

- Kongsberg Maritime’s strategy is to fully-integrate operations, handling and energy systems (“bridge to propulsion”) in order to make advanced ship operations more efficient, productive and operable
- Acquisition of RRCM will significantly increase Kongsberg Maritime’s integration capabilities and further solidify the position as a technology leader in the industry
 - Ability to market integrated packages with a wider product scope as a concept
 - Migration of installed base to remote platform
 - Shared R&D on new vessel technologies, such as autonomy



Integrated solutions



Digitalization



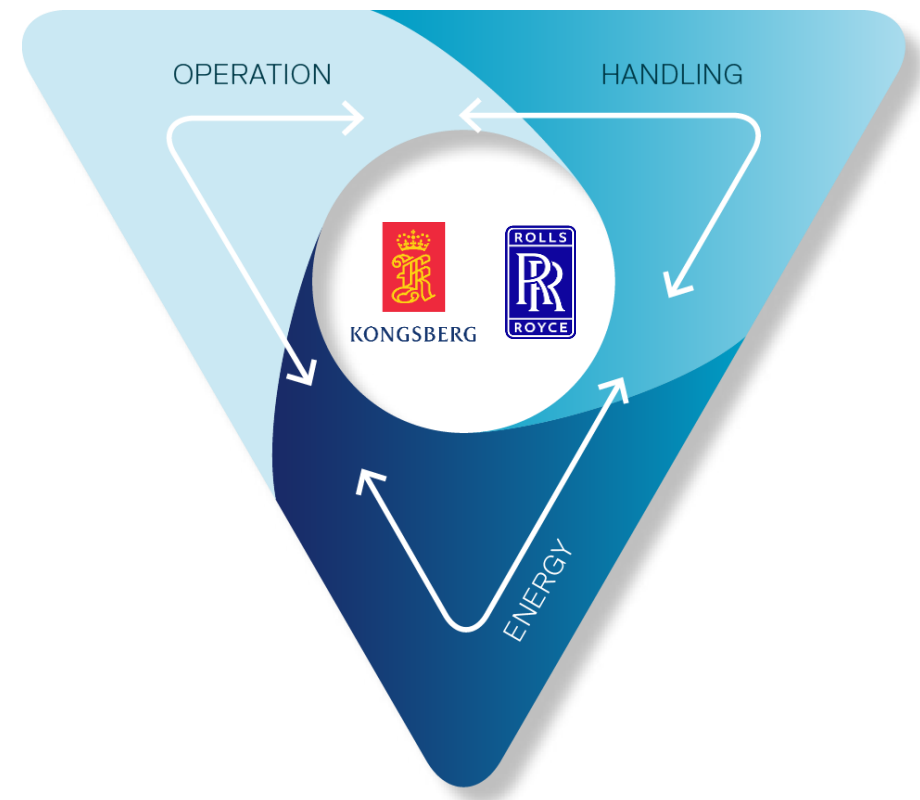
Remote services



Autonomy

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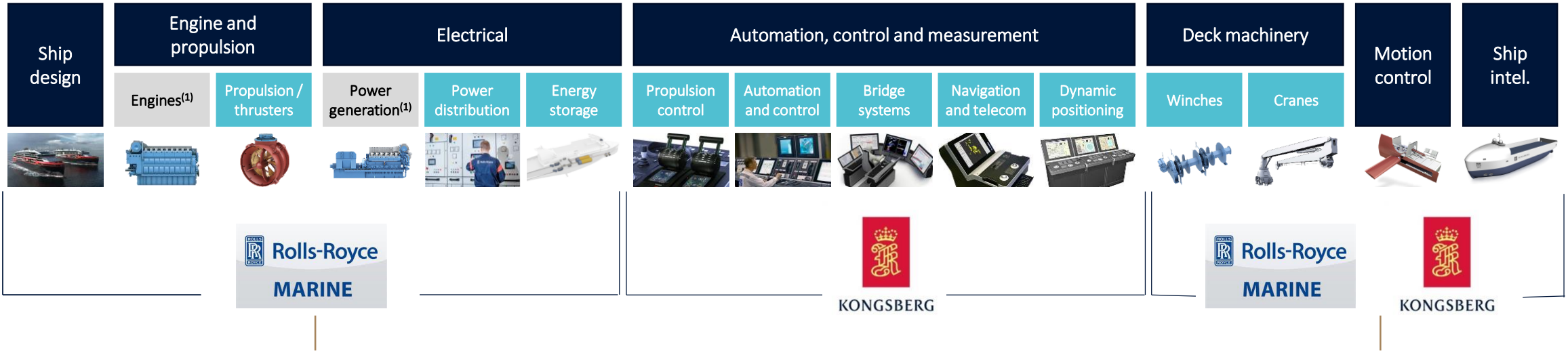
Contribution to Kongsberg’s Triangle strategy





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Highly complementary portfolios of leading products



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

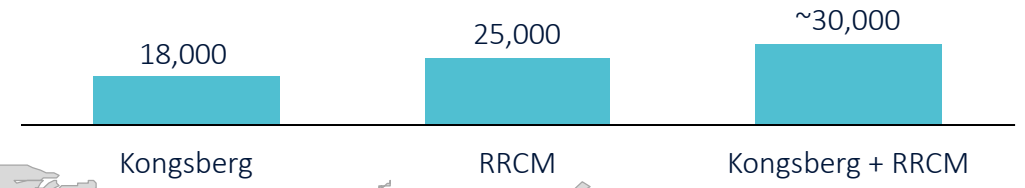


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Strengthening global presence

- ◆ *KM international site*
- *Co-locations*
- **KM production site**
- **RRCM production site**
- **RRCM international site**

Estimated installed base (number of vessels)





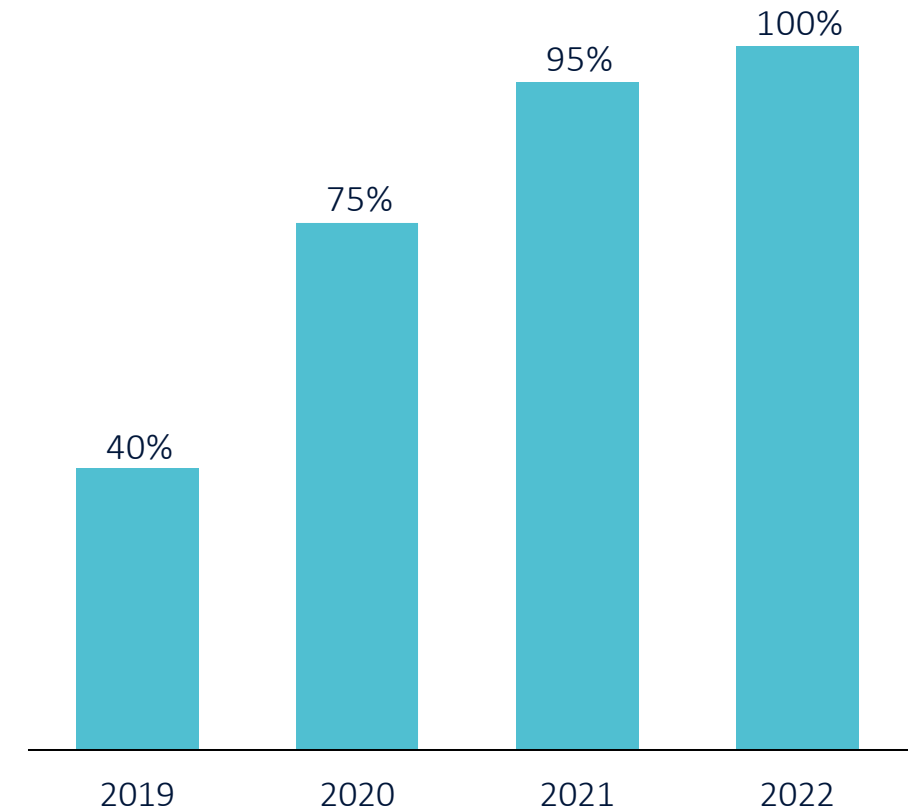
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Significant cost and revenue synergy potential

Overview of synergies

- Expected annual run-rate cost synergies in excess of NOK 500 million through infrastructure optimization and streamlining
 - 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
- Key areas of potential cost synergies include
 - Optimization of global site networks and site co-location
 - Optimization of production footprint
 - Corporate overhead
 - Optimization of R&D spending
- Also significant potential for revenue synergies from cross-sales, sale of more integrated packages and broader scope on aftermarket sales through combined installed base

Estimated phasing of run-rate cost synergies⁽¹⁾





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Transaction Considerations



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Transaction and financing considerations

Transaction

- Enterprise value of GBP 500 million
 - Proceeds to Rolls-Royce Plc is subject to certain net debt and working capital adjustments at the time of closing
- Acquisition financed through a combination of new equity and debt
 - In addition to financing the acquisition, proceeds will be used to cover expected turn-around costs

Financing considerations

- NOK 5 billion rights issue
 - The following existing shareholders have committed to underwrite their pro-rata shareholding:
 - Ministry of Trade, Industry and Fisheries (50.00%)
 - Folketrygdfondet (6.53%)
 - Danske Capital Norge (3.10%)
 - MP Pensjon (3.07%)
 - Shares controlled by Erik Must (2.74%)
 - Ulfoss Invest AS (2.14%)
 - Balance of the rights issue is fully underwritten by Danske Bank and DNB
 - Joint Global Coordinators for the rights issue: Arctic Securities, Danske Bank and DNB
- Up to NOK 2 billion bond issue(s)
 - Bridge to bond to be provided by Nordea
 - Joint Global Coordinators for the bond issue: Arctic Securities and Nordea



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Key milestones towards closing of the transaction





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A unique
opportunity
for
KONGSBERG

The upside is
significant

In lead of
transforming
the maritime
industry

Timing is
right



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