



KONGSBERG

QUARTERLY REPORT

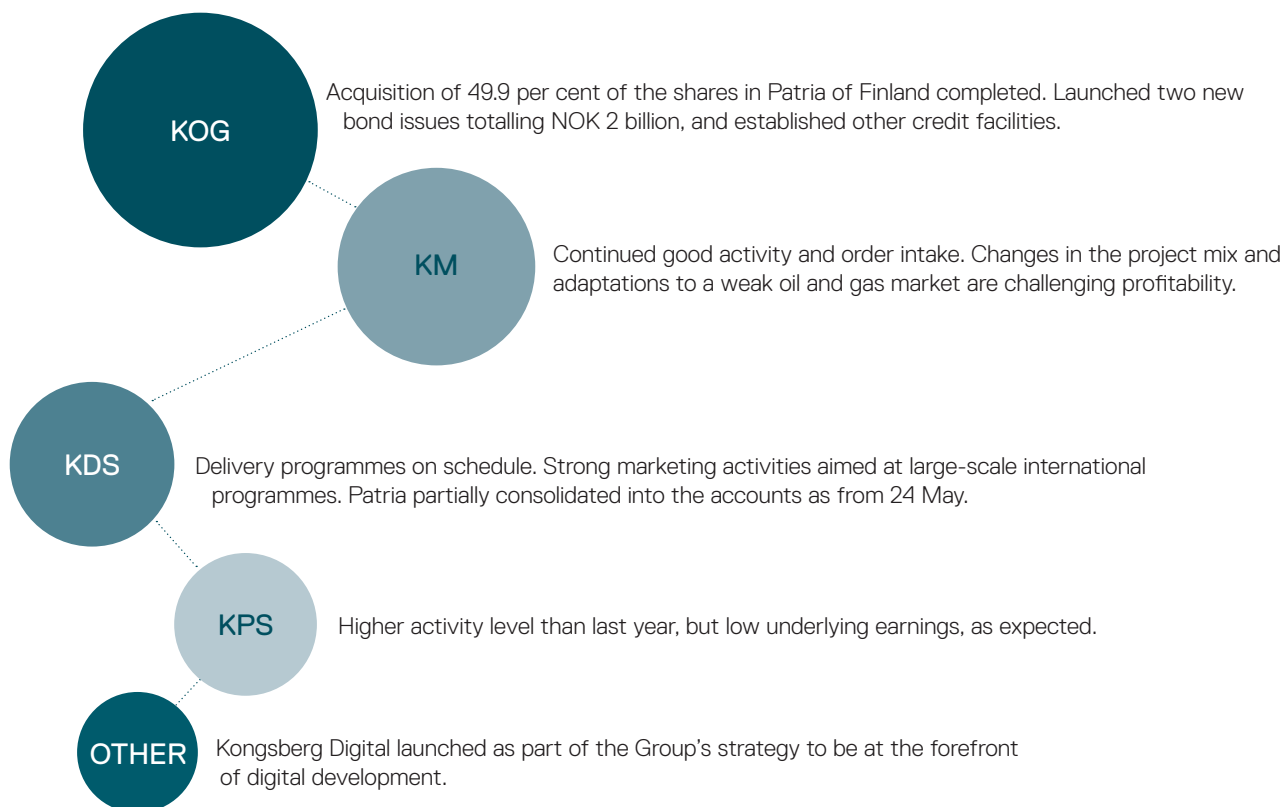
**2ND QUARTER
1ST HALF 2016**



Despite demanding markets for some parts of KONGSBERG, we are reporting a good Q2. As expected, the situation in the offshore market affects us, calling for the organisation to adapt further. Meanwhile, we see that our strategy of extending the scope of deliveries made by our offshore-related and maritime operations is successful. The defence areas are delivering according to plan, and we see great opportunities for the future. Patria's development is satisfactory.

Geir Håøy, President & CEO

HIGHLIGHTS



KEY FIGURES

	1.4. - 30.6.		1.1. - 30.6.		
MNOK	2016	2015	2016	2015	2015
Operating revenues	4 125	4 222	8 465	8 456	17 032
EBITDA	515	386	923	872	1 784
EBITDA (%)	12.5	9.1	10.9	10.3	10.5
EBIT	383	259	666	619	944
EBIT (%)	9.3	6.1	7.9	7.3	5.5
Earnings before tax	364	254	663	632	944
Earnings after tax	306	193	533	473	755
EPS (NOK)	2.54	1.58	4.44	3.89	6.23
New orders	3 491	3 993	7 240	8 963	15 238

	30.6.	31.3.	31.12.
MNOK	2016	2016	2015
Equity ratio (%)	30.7	35.7	32.0
Net interest-bearing debt	2 667	(504)	(941)
Working capital ¹⁾	3 980	3 471	2 749
ROACE (%) ²⁾	12.3	12.3	13.5
Order backlog	18 069	18 718	19 597
No. of employees	7 417	7 648	7 688

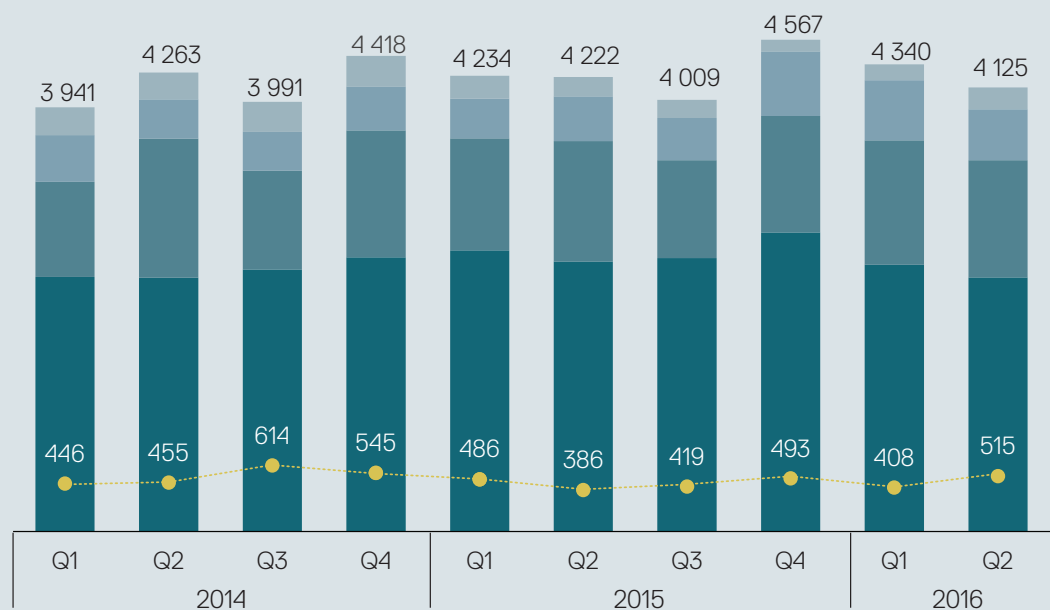
¹⁾ Current assets minus current liabilities

²⁾ 12 month rolling EBIT divided by 12 month average equity plus interest bearing debt

OPERATING REVENUES & EBITDA

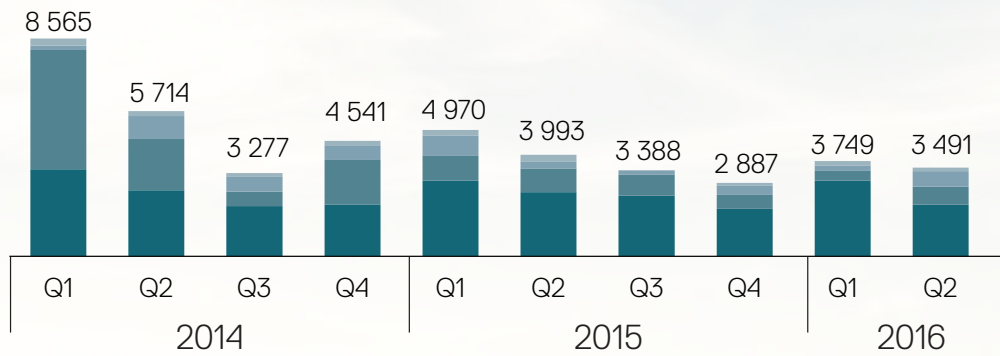
● KM ● KDS ● KPS ● OTHER

● EBITDA



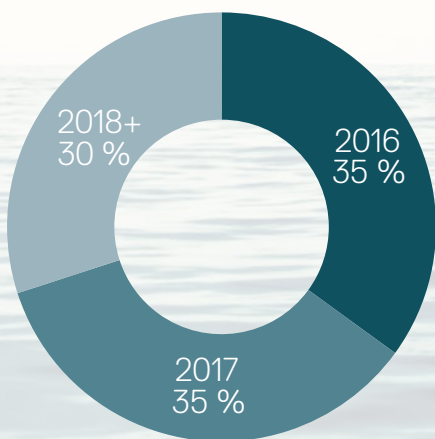
NEW ORDERS & ORDER BACKLOG

● KM
 ● KDS
 ● KPS
 ● OTHER
 ● Order backlog

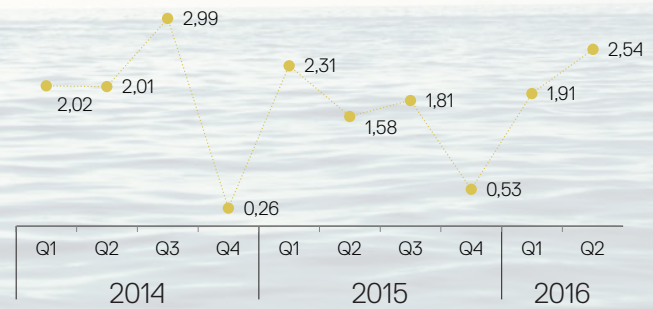


ORDER BACKLOG

Breakdown by delivery dates



EPS



PERFORMANCE, MARKET AND ORDERS

In Q2 2016, the Group earned operating revenues of MNOK 4,125, down 2.3 per cent from Q2 2015. The reduction was largely due to the oil- and offshore-related segments of the Group. The EBITDA margin was 12.5 per cent. The result was adversely influenced by MNOK 12 in restructuring costs at KOGT and KM, and positively influenced by MNOK 54 under "Other activities" related to the sale of a shares in the British company KBC Advanced Technologies Ltd. The share of the profit from Patria after the closing date on 24 May 2016, MNOK 60, has been booked under KDS.

The order intake in Q2 was MNOK 3,491, resulting in a book/bill of 0.85. The order backlog at end quarter added up to MNOK 18,069.

Year-to-date operating revenues in 2016 came to MNOK 8,465, on a par with the first half of 2015. The EBITDA margin was 10.9 per cent. Restructuring costs at KM and KOGT have had a negative impact of MNOK 58 on profits thus far in 2016. Positive one-off effects in the first half of the year were related to the sale of shares in KBC Advanced Technologies Ltd., in addition to MNOK 38 relating to a clarification with a customer at KPS.

CASH FLOW

KONGSBERG had a net increase in bank deposits and cash equivalents in Q2 of MNOK 68, and a net year-to-date reduction of MNOK 371. In Q2, MNOK 510 was paid out in ordinary dividends to the shareholders, and MEUR 283.5 was disbursed for the acquisition of the shares in Patria Oyj. The purchase was financed by a bridge facility of MEUR 290, and the balance had been reduced to MEUR 160 by end quarter. During the quarter, two bond issues were launched, amounting to a total of NOK 2 billion, for the purpose of general corporate funding and to partially refinance the above-mentioned bridge facility. At the same time, there was a buy back of the current bond issue KOG06 amounting to MNOK 243, so that net new bond debt totalled MNOK 1,757. The following table shows net borrowing in Q2:

Million	EUR	NOK
Established bridge facility	290	
Repayment on bridge facility	(130)	
Balance, bridge facility, Q2	160	→ 1 491
Launch of bond issue		2 000
Buy back KOG06		(243)
Other		(9)
Net borrowing in Q2		3 239

In 2014, KONGSBERG received sizeable prepayments on several major projects. The prepayments are spent parallel to the progress on the projects involved, and the cash flow is adversely influenced in 2016 as a result of this. In 2015, there were significant negative temporary cash effects related to currency hedge roll-overs, and the cash flow is expected to recover primarily in 2017 and 2018.

	1.4. - 30.6.		1.1. - 30.6.		
	2016	2015	2016	2015	2015
MNOK	515	386	923	872	1 784
EBITDA	(451)	(53)	(971)	(1 063)	(2 871)
Change in net current assets and other operating related items	64	333	(48)	(191)	(1 087)
Net cash flow from operating activities	64	333	(48)	(191)	(1 087)
Net cash flow from investing activities	(2 757)	(90)	(3 000)	(245)	(499)
Net cash flow used in financing activities	2 762	(1 080)	2 710	(1 113)	(1 139)
Effect of changes in exchange rates on cash and short-term deposits	(1)	(16)	(33)	33	108
Net change in cash and short-term deposits	68	(853)	(371)	(1 516)	(2 617)

BALANCE SHEET

The acquisition of the shares in Patria Oyj was concluded during the quarter, at a final purchase price of MEUR 283.5. In connection with the purchase of the shares, a bridge facility was established in two parts, MEUR 130 and MEUR 160, respectively, of which the first part was repaid in Q2 and the latter part falls due in February 2019.

In May 2016, KONGSBERG launched two new unsecured bond issues on the Norwegian bond market with a total loan amount of NOK 2 billion, consisting of NOK 1 billion as a 5-year floating interest loan at a rate of NIBOR plus 1.25 per cent per annum, and NOK 1 billion as a 10-year fixed interest loan with a coupon rate of 3.20 per cent per annum. The loans are to be used for general corporate funding, as well as to repay the above-mentioned bridge facility of MEUR 130. In connection with the transaction, there were also buybacks of bond issue KOG06 of MNOK 243, so that net new bond debt amounts to MNOK 1,757.

At the end of June, the Group had net interest-bearing liabilities of MNOK 2,667. Long-term interest-bearing debt mainly consists of four bond issues totalling MNOK 2,507, as well as the remainder of the bridge facility of MEUR 160. The Group also has a syndicated drawing facility of NOK 1.5 billion, and overdraft facilities of MNOK 500. These were undrawn at the end of Q2. See also Note 5.

The equity ratio was 30.7 per cent at the end of Q2. Book equity has increased by MNOK 497 so far this year. In Q2, book equity was reduced by MNOK 120. In May, dividends of MNOK 510 were paid to the shareholders.

	30.6.	31.3.	31.12.
MNOK	2016	2016	2015
Equity	6 624	6 744	6 127
Equity ratio (%)	30,7	35,7	32,0
Total assets	21 557	18 901	19 121
Working capital	3 980	3 471	2 749
Gross interest-bearing liabilities	4 103	864	866
Cash and cash equivalents	1 436	1 368	1 807
Net interest-bearing liabilities	2 667	(504)	(941)

CURRENCY

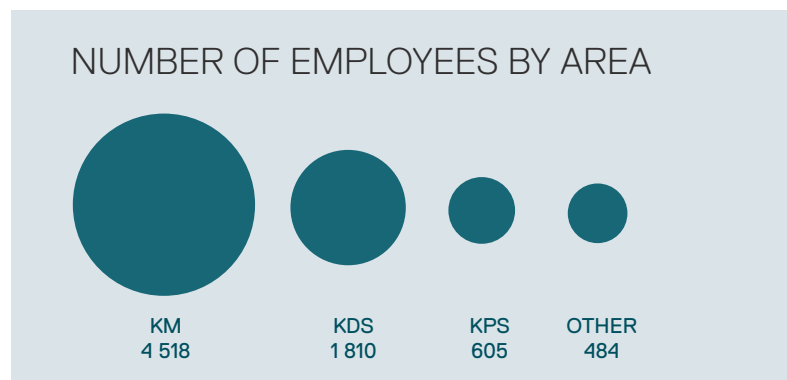
KONGSBERG has a foreign exchange policy, which entails that contractual currency flows are hedged against forward contracts (fair value hedges). Some anticipated new orders are also hedged in accordance with established principles (cash flow hedges). This way the Group seeks to mitigate the effects of currency exchange fluctuations up to two years in advance, see also Note 5. KONGSBERG's corporate policy was amended in 2015, so that anticipated new orders are hedged for shorter periods of time than under the previous policy. The weakening of the Norwegian krone (NOK) is generally positive for KONGSBERG, but the effect will filter through over time, as existing currency contracts expire. At end quarter, the company's currency hedging portfolio contained negative values relative to agreed exchange rates, adversely affecting book equity.

PRODUCT DEVELOPMENT

KONGSBERG maintains constant focus on product development through both equity-financed and customer-financed programmes. In Q2, the Group charged MNOK 259 (MNOK 312) in product development and maintenance costs against income. In addition, MNOK 47 (MNOK 15) was capitalised, mainly in the defence businesses. Total equity-financed product development and maintenance in Q2 came to MNOK 306 (MNOK 327). Thus far this year, MNOK 515 (MNOK 376) in product development and maintenance costs have been charged against income, while MNOK 79 (MNOK 42) have been capitalised. See also Note 6. There is also customer-financed development, either as part of a delivery project or as a specific development assignment. The total costs involved in product development and maintenance are equivalent to roughly 10 per cent of operating revenues over time.

HUMAN RESOURCES

KONGSBERG had 7,417 employees at end quarter, roughly 36 per cent of whom were employed in companies outside Norway. The number of employees decreased by 231 during the quarter, mainly due to downsizing at KM and KOGT. In August, further staff reductions were announced for KM.



OTHER ACTIVITIES

Other activities consist of the activities, which, up until 31 Dec. 2015, were reported under the business area Kongsberg Oil & Gas Technologies (KOGT), as well as of eliminations and external operating revenues for property operations. Sales in the enterprises that previously constituted KOGT were on a par with the last two quarters of 2015.

In July, KONGSBERG signed an agreement with an affiliate of National Oilwell Varco regarding the sale of the Subsea Products area of Kongsberg Oil & Gas Technologies. Closing of the transaction is expected in Q3 2016. The other divisions of KOGT have been integrated into KM and Kongsberg Digital, respectively, as of 1 July 2016.

Kongsberg Digital was formally established on 1 July 2016, and will report under "Other activities" as from Q3.

MNOK 7 in restructuring costs were charged against income in Q2, bringing the year-to-date figure to MNOK 28 in connection with the restructuring of KOGT.

In Q2, the Group sold its shares in the British company KBC Advanced Technologies Ltd. The sale resulted in a gain of MNOK 54.

OTHER MATTERS

The acquisition of Patria Oyj was completed on 24 May 2016

The acquisition of 49.9 per cent of the shares Patria Oyj of Finland was completed on 24 May 2016. The final purchase price was MEUR 283.5. The company is recognised using the equity method, and reports as part of KDS.

New CEO from 6 June 2016

Geir Håøy took over the helm as CEO of Kongsberg Gruppen ASA on 6 June 2016.

The charge of corruption in Romania dismissed 16 August 2016

In February 2014, charges were brought against Kongsberg Gruppen ASA, Kongsberg Defence & Aerospace AS and an employee of Kongsberg Defence & Aerospace AS with allegations of serious corruption related to deliveries of communication equipment to Romania from 2003 to 2008. The National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim) announced on 16 August 2016 that the charges against Kongsberg Gruppen ASA and Kongsberg Defence & Aerospace AS have been dropped. As the charges have been dropped, Kongsberg Gruppen ASA and Kongsberg Defence & Aerospace AS are no longer under investigation or under suspicion of corruption. Økokrim has decided to prosecute a former employee of KONGSBERG with charges of fraud against the company.



	1.4. - 30.6.		1.1. - 30.6.		
MNOK	2016	2015	2016	2015	2015
Revenues	2 360	2 509	4 838	5 120	10 438
EBITDA	235	204	499	556	1 116
EBITDA (%)	10.0	8.1	10.3	10.9	10.7
New orders	2 030	2 526	5 002	5 501	9 756

	30.6.	31.3.	31.12.
MNOK	2016	2016	2015
Order backlog	7 077	7 450	7 245
No. of employees	4 518	4 692	4 726

PERFORMANCE

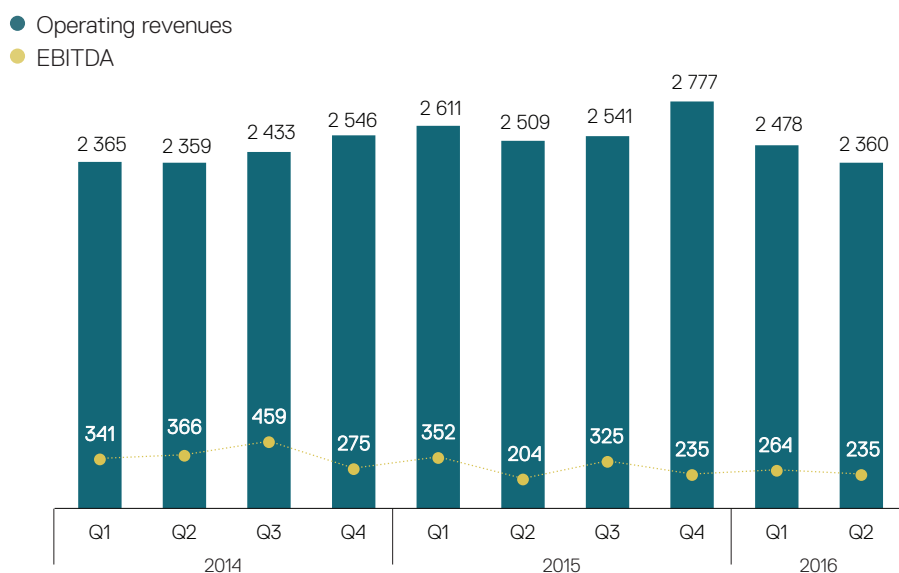
KM had a satisfactory level of activity also in Q2, reporting operating revenues of MNOK 2,360. The EBITDA margin was 10.0 per cent, and was adversely influenced by MNOK 5 related to restructuring costs in offshore activities.

Year-to-date operating revenues came to MNOK 4,838, down 5.5 per cent compared with end-June last year. The EBITDA margin was 10.3 per cent, and was adversely influenced by MNOK 30 in restructuring costs. Adjusted accordingly, the EBITDA margin was 10.9 per cent.

Business is good at Merchant Marine and in the non-offshore-related segments of Subsea, while the pace is slower in KM's offshore-related activities.

In recent quarters, there has been a significant change in the project mixes for Offshore and Subsea alike. This has a negative

OPERATING REVENUES & EBITDA



impact on KM's overall profitability. Subsea has seen a substantial reduction in oil- and gas-related activities, but an increase in other markets, especially in autonomous underwater vehicles and fisheries. At Offshore, there has been a reduction in deliveries with traditionally higher profitability.



MARKET AND ORDERS

New orders came to MNOK 2,030 in Q2. Merchant Marine's influx of new orders was good during the quarter, up roughly 30 per cent from Q2 2015. Subsea and Emerging Business also saw a good influx of new orders, on a par with Q2 2015. In Offshore, new orders in Q2 were substantially lower than in Q2 2015. Thus far in 2016, new orders in the Offshore Division are down 20 per cent year-on-year.

The level of cancellations in Q2 has been lower than in Q1. KM has received cancellations valued at MNOK 110 year-to-date, compared with MNOK 180 at mid-year 2015. Over the past year, there has been an increase in the number of requests from customers asking to postpone deliveries. The Offshore Division's order backlog totalled some NOK 3.9 billion at end-quarter, of which roughly half is for drilling vessels and conventional offshore vessels. The very challenging situation in the oil and gas industry entails greater uncertainty and has an impact on the Offshore Division's profits and the order situation.

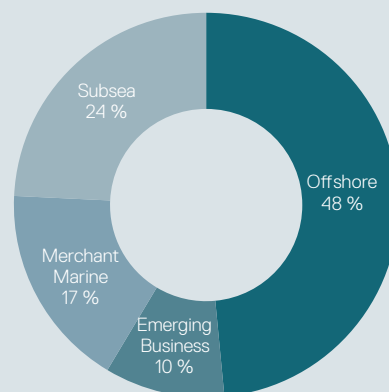
KM's offshore-related businesses have generally seen a change in the contract mix towards products and solutions with lower margins, e.g. EIT/EPC deliveries (Electro, Instrument and Telecom/Engineering, Procurement and Construction). This is a type of delivery under which KM undertakes more overall responsibility and includes more third-party equipment than with a typical "Full Picture" delivery. Thus far in Q3, KM has announced contracts for a total value of more than MNOK 800 for this kind of deliveries.

Subsea has seen an especially good influx of new orders from the fisheries and research markets, as well as in autonomous underwater vehicles. At Merchant Marine, new orders for advanced gas carriers and tankers have been good.

KM's after-market revenues are not included in the business area's backlog. KM has a well-established after-market system that services more than 17,000 vessels carrying KM equipment. The decline in the oil and gas market is increasingly being felt also in this part of the business. During the early half of 2016, after-market activities accounted for more than one quarter of KM's sales.

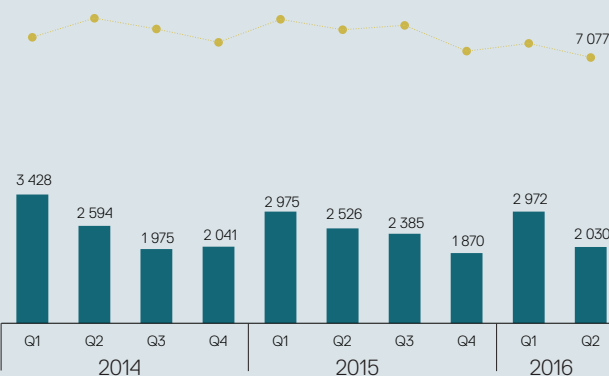
OPERATING REVENUES

YTD by segment



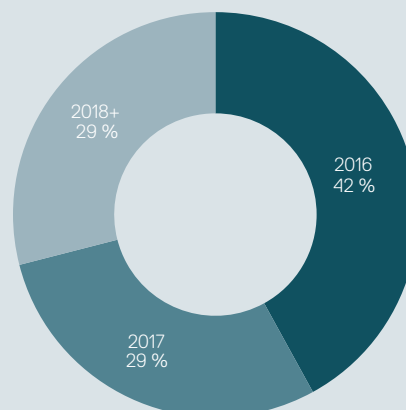
ORDERS

- New orders
- Order backlog



ORDER BACKLOG

Breakdown by delivery dates



	1.4. - 30.6.		1.1. - 30.6.		
MNOK	2016	2015	2016	2015	2015
Revenues	1 089	1 117	2 245	2 158	4 149
EBITDA	217	153	359	281	695
EBITDA (%)	19.9	13.7	16.0	13.0	16.8
New orders	712	934	1 097	1 936	3 310

	30.6.	31.3.	31.12.
MNOK	2016	2016	2015
Order backlog	7 481	7 861	8 622
No. of employees	1 810	1 820	1 729

PERFORMANCE

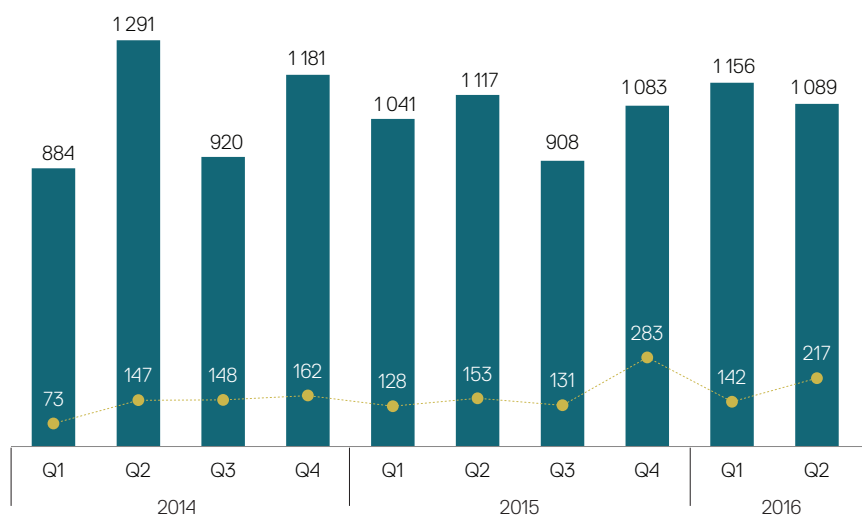
KDS had a good level of activity in Q2 2016, reporting operating revenues of MNOK 1,089, and an EBITDA margin of 19.9 per cent. The EBITDA was MNOK 217, and included MNOK 60 as a share of the profit from Patria. As from 24 May, Patria has reported as part of KDS, and been consolidated using the equity method. The EBITDA margin in KDS without Patria was 14.4 per cent.

Operating revenues totalled MNOK 2,245 at 30 June, up 4.0 per cent from 2015. The EBITDA was MNOK 359, including the share of the profit from Patria.

The major projects are on schedule. Final deliveries were made in Q2 for the NASAMS project contract with Finland, signed in 2009. The development programme for the Joint Strike Missile (JSM) is on schedule. The level of activity is busy and rising at Aerostructures and Space & Surveillance.

OPERATING REVENUES & EBITDA

- Operating revenues
- EBITDA



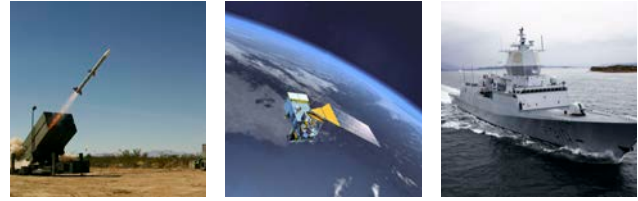
MARKET AND ORDERS

New orders in Q2 were valued at MNOK 712. During the quarter, Kongsberg Norspace concluded a contract valued at MNOK 300 with Airbus Defence and Space for the development and delivery of electronics for the first two Inmarsat 6 satellites. Kongsberg Norspace's deliveries contain leading technology in filtration, frequency generation, amplification, conversion and switching.

KONGSBERG is a supplier to several areas of the European meteorological organisation EUMETSAT's satellite programme MetOp-SG. In April, two contracts were signed with a collective value of MEUR 23.6 for the delivery of satellite components from Space & Surveillance. In Q1, Kongsberg Satellite Services (KSAT) concluded an agreement for the delivery of ground station services for the same programme.

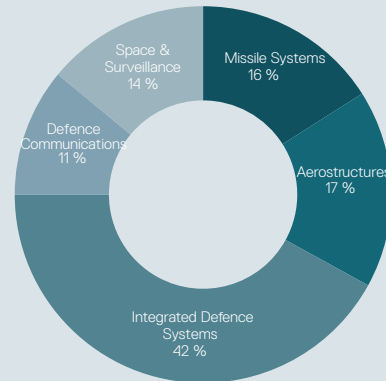
KDS has a product portfolio that is well positioned for future needs and expected market development. There is considerable international interest in KONGSBERG's missiles and air defence systems, and rigorous marketing activities have been aimed at several major programmes. KONGSBERG is the Nordics' largest supplier of equipment and services to the space industry, and business is increasing in this segment.

Fluctuations in new orders are normal in the defence market, which is marked by relatively few but large-scale contracts.



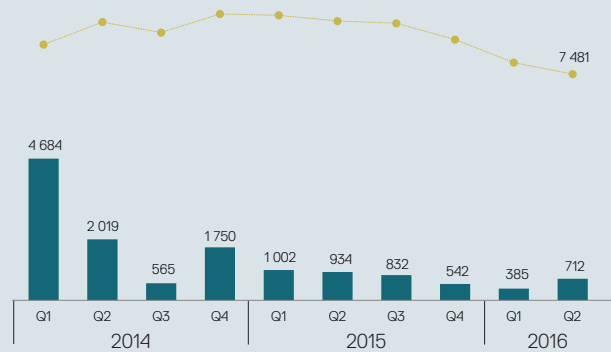
OPERATING REVENUES

YTD by segment



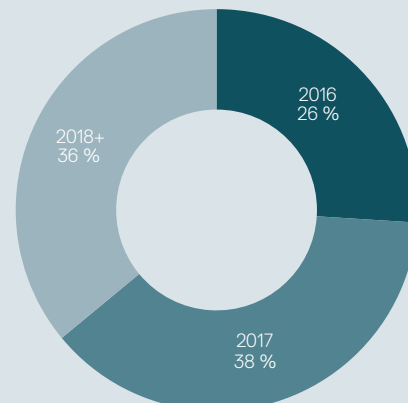
ORDERS

- New orders
- Order backlog



ORDER BACKLOG

Breakdown by delivery dates



	1.4. - 30.6.		1.1. - 30.6.		
MNOK	2016	2015	2016	2015	2015
Revenues	472	416	1 031	785	1 777
EBITDA	20	148	79	162	227
EBITDA (%)	4.2	35.6	7.7	20.6	12.8
New orders	608	271	831	1 053	1 576

	30.6.	31.3.	31.12.
MNOK	2016	2016	2015
Order backlog	3 124	2 989	3 325
No. of employees	605	605	663

PERFORMANCE

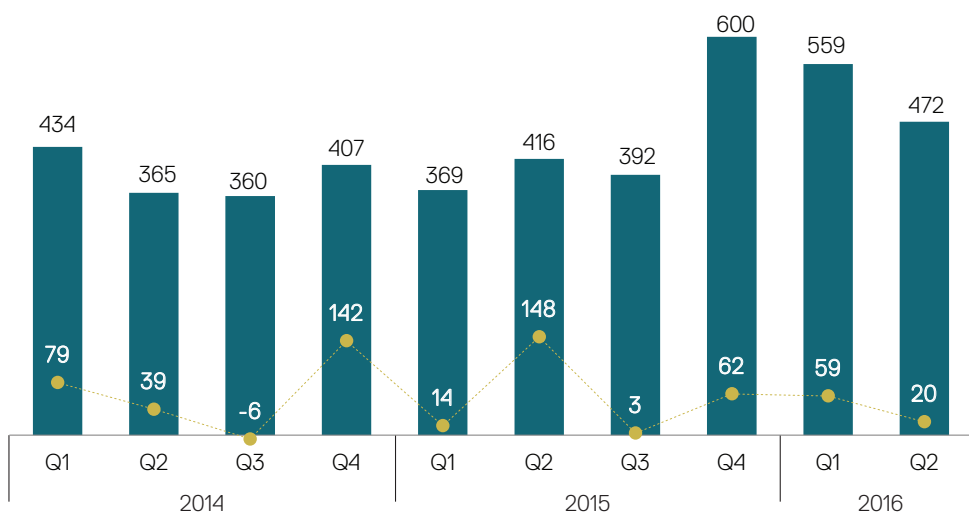
KPS had operating revenues of MNOK 472 and a higher level of activity in Q2 this year than in Q2 last year. This is mainly due to an increase in deliveries of new systems. Deliveries during the quarter have generally been to the Canadian TAPV programme and to the US CROWS programme. The EBITDA margin during the quarter ended at 4.2 per cent.

During Q1, the EBITDA was positively influenced by MNOK 38 associated with clarifications with a customer. Adjusted for one-off effects, the underlying EBITDA margin at mid-year was 4.0 per cent.

As planned, the low underlying EBITDA level is ascribable to the high level of marketing and development activity related not least to the Medium Calibre initiative.

OPERATING REVENUES & EBITDA

- Operating revenues
- EBITDA



MARKET AND ORDERS

New orders in Q2 were valued at MNOK 608. The largest order was a contract worth MNOK 235 with the US Armed Forces to supply a low-profile version of CROWS to for deployment on M1A2 Abrams Main Battle Tanks. The contract is part of the CROWS 3 program.

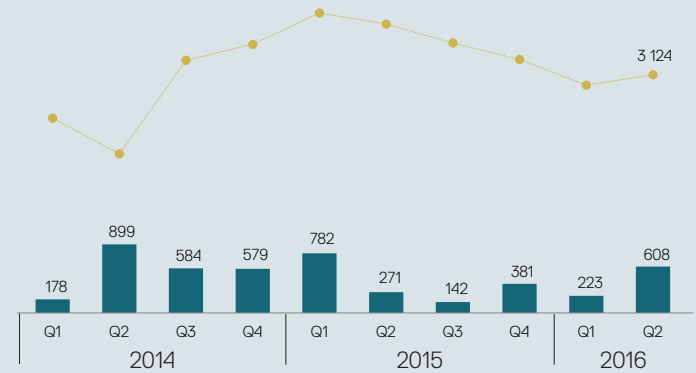
KPS has a backlog of orders valued at MNOK 3,124, roughly one-third of which are scheduled for delivery in 2016. The backlog consists of maintenance orders, upgrades, and new RWS-systems, as well as spare parts. The order backlog related to the MCT-30 was valued at some MNOK 200 at 30 June 2016. New orders related to the MCT-30 for the Stryker programme have now arrived in the form of smaller contracts.

Over the past 15 years, KPS has become the world's leading supplier of remote-controlled weapons systems. More than 18,500 systems have been sold to customers in 17 countries. The US Army is both directly and through vehicle suppliers the largest customer, and in 2016, efforts will be invested in maintaining KPS' position in the USA to ensure CROWS contracts after 2017 as well. Meanwhile, there will be continued focus on growth in the after-market, as well as on the establishment of new positions for RWS outside the USA.



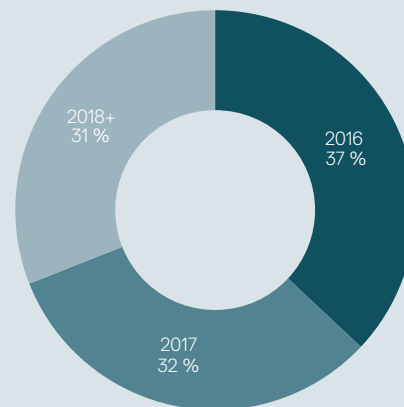
OPERATING REVENUES

YTD by segment



ORDER BACKLOG

Breakdown by delivery dates



PARTIALLY OWNED COMPANIES

PATRIA

Patria is Finland's premier provider of technology solutions and life-cycle support services within defence, security and aviation. The company has an international organisation with some 2,800 employees, and holds 50 per cent of the shares in Nammo. KONGSBERG holds 49,9 per cent of the shares in Patria.



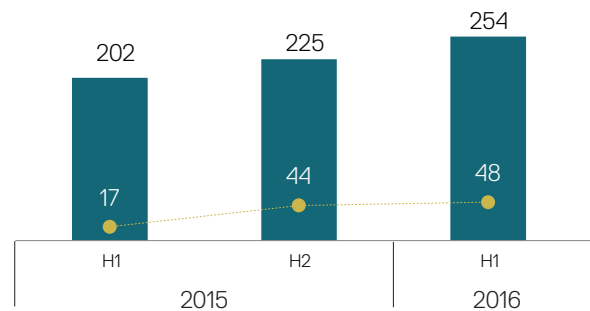
KEY FIGURES

MEUR

	1.1. - 30.6.		
	2016	2015	2015
Operating revenues	254	202	428
EBITDA	48	17	61
EBITDA (%)	18.8	8.4	14.2
Earnings after tax	32	8	38
New orders	150	139	299
Order backlog	974	1104	1056

OPERATING REVENUES AND EBITDA

MEUR



HIGHLIGHTS

- Higher activity and enhanced profitability at mid-year compared with mid-year 2015.
- Signed an important contract with the UAE for the delivery of vehicles.
- A very strong result for June, especially related to vehicle activities.

BRIDGE BETWEEN EBITDA AND KONGSBERG'S SHARE OF THE CONSOLIDATED NET INCOME

Milliones	24.5. - 30.6.	
	EUR	NOK
EBITDA	18	
Financial items, taxes, depreciations and amortisation	(4)	
Earnings after tax	14	
KONGSBERG's share of net income in the period (49,9 %)		65
Amortisation of excess values after tax		(5)
Share of net income recognised in KDS for the period		60

OUTLOOK

Kongsberg Maritime is an important supplier to large parts of the maritime and offshore-related value chains. The offshore market has seen a pronounced decline in orders for new vessels, entailing increased uncertainty and lower activity in this segment. Changes in the project mix in the order book have had a negative impact on the margins. Total restructuring costs in 2016 are estimated to amount to MNOK 120-150. Further cost level adjustments are considered on an ongoing basis in light of the market situation. In KM's non-offshore-related product areas, the level of activity is generally stable or increasing. KM equipment is installed on more than 17,000 vessel. Revenues and margin level in H2 is expected to be lower compared to H2 2015 and H1 2016.

Kongsberg Defence Systems is well positioned in its niches in a generally stronger defence market. This is expected to lead to several contract prospects in the years ahead for missiles, air defence systems, aircraft component production, submarine systems and communications, etc. Revenues in H2 is expected to be higher compared to H2 2015, and on a par with H1 2016. Patria projects growth in operating revenues in the latter half of the year compared to 2015.

Kongsberg Protech Systems is a global leader in remotely controlled weapons systems, and has a well-positioned product portfolio that among others, includes the new medium calibre turret solution that has been selected for the US Stryker vehicles. Revenues is expected to grow somewhat in H2 compared to both H2 2015 and H1 2016.

Kongsberg Digital was established on 1 July 2016 as part of the Group's strategy for developing the next generation of digitalised products and services. From the outset, KDI has a significant portfolio and external revenues from advanced software and simulation products, primarily for the oil & gas and maritime industry and academia.

Kongsberg, 25 August 2016

The Board of Directors of
Kongsberg Gruppen ASA

KEY FIGURES BY QUARTER

KM	2016			2015					2014				
	2016	Q2	Q1	2015	Q4	Q3	Q2	Q1	2014	Q4	Q3	Q2	Q1
MNOK	2016	Q2	Q1	2015	Q4	Q3	Q2	Q1	2014	Q4	Q3	Q2	Q1
Revenues	4 838	2 360	2 478	10 438	2 777	2 541	2 509	2 611	9 703	2 546	2 433	2 359	2 365
EBITDA	499	235	264	1 116	235	325	204	352	1 441	275	459	366	341
EBITDA %	10.3	10.0	10.7	10.7	8.5	12.8	8.1	13.5	14.9	10.8	18.9	15.5	14.4
New orders	5 002	2 030	2 972	9 756	1 870	2 385	2 526	2 975	10 038	2 041	1 975	2 594	3 428
Order backlog	7 077	7 077	7 450	7 245	7 245	7 932	7 815	8 092	7 480	7 480	7 834	8 121	7 615
EBITA	410	191	219	926	183	275	159	309	1 266	225	415	324	302
EBITA %	8.5	8.1	8.8	8.9	6.6	10.8	6.3	11.8	13.0	8.8	17.1	13.7	12.8

KDS	2016			2015					2014				
	2016	Q2	Q1	2015	Q4	Q3	Q2	Q1	2014	Q4	Q3	Q2	Q1
MNOK	2016	Q2	Q1	2015	Q4	Q3	Q2	Q1	2014	Q4	Q3	Q2	Q1
Revenues	2 245	1 089	1 156	4 149	1 083	908	1 117	1 041	4 276	1 181	920	1 291	884
EBITDA	359	217	142	695	283	131	153	128	530	162	148	147	73
EBITDA %	16.0	19.9	12.3	16.8	26.1	14.4	13.7	12.3	12.4	13.7	16.1	11.4	8.3
New orders	1 097	712	385	3 310	542	832	934	1 002	9 018	1 750	565	2 019	4 684
Order backlog	7 481	7 149	7 861	8 622	8 622	9 163	9 238	9 425	9 471	9 471	8 856	9 203	8 460
EBITA	295	184	111	590	260	101	126	103	435	138	124	123	50
EBITA %	13.1	16.9	9.6	14.2	24.0	11.1	11.3	9.9	10.2	11.7	13.5	9.5	5.7

KPS	2016			2015					2014				
	2016	Q2	Q1	2015	Q4	Q3	Q2	Q1	2014	Q4	Q3	Q2	Q1
MNOK	2016	Q2	Q1	2015	Q4	Q3	Q2	Q1	2014	Q4	Q3	Q2	Q1
Revenues	1 031	472	559	1 777	600	392	416	369	1 566	407	360	365	434
EBITDA	79	20	59	227	62	3	148	14	254	142	(6)	39	79
EBITDA %	7.7	4.2	10.6	12.8	10.3	0.8	35.6	3.8	16.2	34.9	(1.7)	10.7	18.2
New orders	831	608	223	1 576	381	142	271	782	2 240	579	584	899	178
Order backlog	3 124	3 124	2 989	3 325	3 325	3 541	3 790	3 935	3 523	3 523	3 315	3 088	2 555
EBITA	60	10	50	177	50	(9)	135	1	201	128	(19)	27	65
EBITA %	5.8	2.1	8.9	10.0	8.3	(2.3)	32.5	0.3	12.8	31.4	(5.3)	7.4	15.0

KOG	2016			2015					2014				
	2016	Q2	Q1	2015	Q4	Q3	Q2	Q1	2014	Q4	Q3	Q2	Q1
MNOK	2016	Q2	Q1	2015	Q4	Q3	Q2	Q1	2014	Q4	Q3	Q2	Q1
Revenues	8 465	4 125	4 340	17 032	4 567	4 009	4 222	4 234	16 613	4 418	3 991	4 263	3 941
EBITDA	923	515	408	1 784	493	419	386	486	2 060	545	614	455	446
EBITDA %	10.9	12.5	9.4	10.5	10.8	10.5	9.1	11.5	12.4	12.3	15.4	10.7	11.3
New orders	7 240	3 491	3 749	15 238	2 887	3 388	3 993	4 970	22 097	4 541	3 277	5 714	8 565
Order backlog	17 736	17 736	18 718	19 597	19 597	21 059	21 439	22 033	21 020	21 020	20 580	21 096	19 344
EBITA	740	422	318	1 405	387	320	299	399	1 718	453	526	373	366
EBITA %	8.7	10.2	7.3	8.2	8.5	8.0	7.1	9.4	10.3	10.3	13.2	8.7	9.3

CONDENSED INCOME STATEMENT FOR THE PERIOD

		1.4. - 30.6.		1.1. - 30.6.		1.1. - 31.12.
MNOK	Note	2016	2015	2016	2015	2015
Revenues	3, 5	4 125	4 222	8 465	8 456	17 032
Operating expenses	6	(3 696)	(3 863)	(7 647)	(7 626)	(15 335)
Share of net income from joint arrangements and associated companies	4	86	27	105	42	87
EBITDA	3, 12	515	386	923	872	1 784
Depreciation		(90)	(87)	(180)	(174)	(362)
Impairment of property, plant and equipment		(3)	-	(3)	-	(17)
EBITA	3, 12	422	299	740	698	1 405
Amortisation		(39)	(40)	(74)	(79)	(161)
Impairment of intangible assets		-	-	-	-	(300)
EBIT	12	383	259	666	619	944
Net financial items		(19)	(5)	(3)	13	-
Earnings before tax (EBT)		364	254	663	632	944
Income tax expense	9	(58)	(61)	(130)	(159)	(189)
Earnings after tax		306	193	533	473	755
<i>Attributable to:</i>						
Equity holders of the parent		305	190	533	467	747
Non-controlling interests		1	3	-	6	8
Earnings per share (EPS)/EPS diluted in NOK		2.54	1.58	4.44	3.89	6.23

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

		1.4. - 30.6.		1.1. - 30.6.		1.1. - 31.12.
MNOK	Note	2016	2015	2016	2015	2015
Earnings after tax		306	193	533	473	755
Other comprehensive income:						
<i>Items to be reclassified to profit or loss in subsequent period:</i>						
Change in fair value, financial instruments:						
- Available-for-sale shares	5	(51)	27	(7)	41	101
- Cashflow hedges (currency futures and interest rate swaps)	5	142	515	836	248	(425)
Tax effect cash flow hedges (currency futures and interest rate swaps)		(35)	(139)	(209)	(67)	80
Translation differences and hedge of net investments (currency)		(22)	(41)	(149)	84	268
Total items to be reclassified to profit or loss in subsequent period		34	362	471	306	24
<i>Items not to be reclassified to profit or loss:</i>						
Actuarial gains/losses pensions		-	-	-	-	254
Income tax on items remaining in equity		-	-	-	-	(69)
Total items not to be reclassified to profit or loss in subsequent period		-	-	-	-	185
Comprehensive income		340	555	1 004	779	964

CONDENSED STATEMENT OF FINANCIAL STATUS

		30.6.	31.3.	31.12.
MNOK	Note	2016	2016	2015
Property, plant and equipment		2 692	2 602	2 542
Intangible assets	6	2 633	2 619	2 655
Shares in joint arrangements and associated companies	4, 10	3 047	385	366
Other non-current assets	5, 10	290	375	340
Total non-current assets		8 662	5 981	5 903
Inventories	10	4 539	4 348	4 136
Trade receivables		2 792	2 758	3 038
Construction contracts in progress, asset	10	2 588	2 816	2 935
Other current assets		1 540	1 630	1 302
Cash and cash equivalents		1 436	1 368	1 807
Total current assets		12 895	12 920	13 218
Total assets		21 557	18 901	19 121
Issued capital		982	982	982
Retained earnings		6 201	6 377	6 298
Fair value of financial instruments		(598)	(653)	(1 194)
Non-controlling interests		39	38	41
Total equity		6 624	6 744	6 127
Long-term interest-bearing loans	5	4 103	864	866
Other non-current liabilities and provisions	2	1 915	1 844	1 659
Total non-current liabilities and provisions		6 018	2 708	2 525
Construction contracts in progress, liabilities		2 801	3 169	2 736
Other current liabilities	2	6 114	6 280	7 733
Total current liabilities and provisions		8 915	9 449	10 469
Total equity, liabilities and provisions		21 557	18 901	19 121
Equity ratio (%)		30.7	35.7	32.0
Net interest-bearing liabilities		2 667	(504)	(941)
Net interest-bearing liabilities/EBITDA (%)		1.45	n/a	n/a

CONDENSED STATEMENT OF CHANGES IN EQUITY

		30.6.	31.3.	31.12.
MNOK		2016	2016	2015
Equity opening balance		6 127	6 127	6 282
Comprehensive income accumulated		1 004	664	964
Dividends		(510)	-	(1 110)
Treasury shares		5	(45)	8
Dividends non-controlling interests		-	-	(2)
Change in non-controlling interests		(2)	(2)	(15)
Equity, closing balance		6 624	6 744	6 127

CONDENSED CASH FLOW STATEMENT

	1.4. - 30.6.		1.1. - 30.6.		1.1. - 31.12.
MNOK	2016	2015	2016	2015	2015
Earnings before interest, tax, depreciation and amortisation	515	386	923	872	1 784
Change in net current assets and other operating related items	(451)	(53)	(971)	(1 063)	(2 871)
Net cash flow from operating activities	64	333	(48)	(191)	(1 087)
Acquisition of property, plant and equipment	(185)	(75)	(374)	(159)	(349)
Acquisition/disposal of subsidiaries and joint arrangement and associated companies	(2 664)	-	(2 686)	(44)	(44)
Net payment for the acquisition/disposal of available-for-sale-shares	139	-	139	-	-
Other investing activities including capitalised internally financed development	(47)	(15)	(79)	(42)	(106)
Net cash flow from investing activities	(2 757)	(90)	(3 000)	(245)	(499)
Net new loans raised	3 248		3 248		
Net interests received (paid)	(10)	3	(17)	6	3
Net payments for the acquisition/disposal of treasury shares	33	24	(12)	(12)	(12)
Transactions with non-controlling interests	-	-	-	-	(23)
Dividends paid to equity holders of the parent	(510)	(1 110)	(510)	(1 110)	(1 110)
- of which dividends from treasury shares	1	3	1	3	3
Net cash flow from financial activities	2 762	(1 080)	2 710	(1 113)	(1 139)
Effect of changes in exchange rates on cash and cash equivalents	(1)	(16)	(33)	33	108
Net change in cash and cash equivalents	68	(853)	(371)	(1 516)	(2 617)
Cash and cash equivalents opening balance	1 368	3 761	1 807	4 424	4 424
Cash and cash equivalents closing balance	1 436	2 908	1 436	2 908	1 807

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

NOTE 1 | GENERAL INFORMATION AND PRINCIPLES

The consolidated Q2 financial statements (interim) cover Kongsberg Gruppen ASA, its subsidiaries and shares in jointly controlled entities and associates included using the equity method.

The interim financial statements have been prepared in accordance with IAS 34 for interim reporting, the Stock Exchange regulations and the supplementary requirements in Norway's Securities Trading Act. The interim financial statements do not include all the information required for a full financial statement and should therefore be read in the light of the consolidated financial statements for 2015. The consolidated financial statements for 2015 comply with the rules in the Norwegian Accounting Act and with international financial reporting standards, as adapted by the EU. KONGSBERG has applied the same accounting policies as are described in the consolidated financial statements for 2015.

The consolidated financial statements for 2015 are available in digital format at www.kongsberg.com.

The interim financial statements have not been audited.

NOTE 2 | ESTIMATES

The preparation of the interim financial statements entails the use of valuations, estimates and assumptions that affect the application of the accounting policies and the amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The material assessments underlying the application of the Group's accounting policies and the main sources of uncertainty are the same as for the consolidated financial statements for 2015.

NOTE 3 | SEGMENT INFORMATION

As from 2016, KOGT is no longer a separate operating segment for reporting purposes; it has been moved to "Other activities". The comparative figures have been adjusted.

	OPERATING REVENUES					EBITDA					EBITA				
	1.4. - 30.6.		1.1. - 30.6.			1.4. - 30.6.		1.1. - 30.6.			1.4. - 30.6.		1.1. - 30.6.		
	2016	2015	2016	2015	2015	2016	2015	2016	2015	2015	2016	2015	2016	2015	2015
MNOK															
KM	2 360	2 509	4 838	5 120	10 438	235	204	499	556	1 116	191	159	410	468	926
KDS	1 089	1 117	2 245	2 158	4 149	217	153	359	281	695	184	126	295	229	590
KPS	472	416	1 031	785	1 777	20	148	79	162	227	10	135	60	136	177
Other	204	180	351	393	668	43	(119)	(14)	(127)	(254)	37	(121)	(25)	(135)	(288)
THE GROUP	4 125	4 222	8 465	8 456	17 032	515	386	923	872	1 784	422	299	740	698	1 405

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

NOTE 4 | SHARES IN JOINT ARRANGEMENTS AND ASSOCIATED COMPANIES

Acquisition of shares in Patria Oyj

On 17 March 2016, KONGSBERG concluded an agreement with the Finnish state for the purchase of 49.9 per cent of the shares in the Finnish company Patria Oyj. The transaction was concluded on 24 May 2016. The final purchase price was MEUR 284.9, including transaction tax and direct costs.

The investment is classified as an associate in which KONGSBERG has a substantial, but not a controlling interest, and it has been recognised using the equity method. KONGSBERG's share of net assets is classified on the statement of financial status on the line "Shares in joint arrangements and associates companies". The investment in Patria is of a strategic nature, and any share of the profit is included in operating profit (EBITDA) on the line "Share of net income from joint arrangements and associated companies."

In determining whether KONGSBERG has considerable influence in Patria, importance is attached to KONGSBERG's stake and its right to board representation in the company.

MNOK	24.5. - 30.6.2016	1.1. - 30.6.2016
Operating revenues in Patria (100 %)	804	2 391
Earnings after tax in Patria (100 %)	130	304
KONGSBERG's share of net income in the period (49,9%)	65	
Amortisation of excess values after tax	(5)	
Share of net income in the period	60	

MNOK (100%)	24.5.2016	30.6.2016
Current assets	2 123	2 279
Non-current assets	2 582	2 545
Current liabilities	(2 337)	(2 346)
Non-current liabilities	(408)	(413)
Net assets	1 960	2 065

Preliminary allocation of excess values:

MNOK	24.5.2016	30.6.2016
KONGSBERG's share of net income in the period (49,9%)	978	1 030
Goodwill	1 458	1 451
Deferred tax	(57)	(56)
Order backlog	149	144
Technology	136	133
Carrying amount of KONGSBERG's share in Patria	2 664	2 702

Specification of movement on the balance sheet item "Shares in joint venture entities and associates" 1.1. - 30 June:

	Owner-ship	Carrying amount 1.1.16	Additions in the period	Dividends received in the period	Share of net income in the period ¹⁾	Comprehensive income in the period	Carrying amount 30.6.16
MNOK							
Patria Oyj	49,9 %		2 664		60	(22)	2 702
Kongsberg Satellite Services AS	50,0 %	317		(60)	38		295
Other		49		(6)	7		50
Sum		366	2 664	(66)	105	(22)	3 047

¹⁾ The profit/loss from companies that are independent taxable entities, such as private companies, is included after amortisation and tax.

NOTE 5 | FINANCIAL INSTRUMENTS

Loans and credit facilities

During the quarter, KONGSBERG has raised new loans totalling MEUR 290, divided between two bridge facilities, for MEUR 130 and MEUR 160, respectively. These new loans are related to the funding of the acquisition of a stake in Patria Oyj (see Note 4), as well as general funding. In May 2016, KONGSBERG launched two new unsecured bond issues on the Norwegian bond market, and in June, the bridge facility of MEUR 130 was repaid. In connection with the issue of the new bond loans, there was a repurchase of parts of the bond issue KOG06 amounting to MNOK 243. During the quarter, a new overdraft facility was established for MNOK 500.

Long-term loans at 30 June 2016:

Amount in MNOK	Due date	Nominal interest rate	30.6.2016		31.12.2015	
			Nominal amount	Carrying amount	Nominal amount	Carrying amount
Bond issue KOG06 - floating interest rate	11.9.17	2.80 %	257	257	500	500
Bond issue KOG07 - fixed interest rate	11.9.19	4.80 %	250	250	250	250
Bond issue KOG08 - floating interest rate ³⁾	2.6.21	2.25 %	1 000	1 000	-	-
Bond issue KOG09 - fixed interest rate	2.6.26	3.20 %	1 000	1 000	-	-
Bridge facility MEUR 160 - floating interest rate ^{2) 4)}	24.2.19	1.95 %	1 491	1 491	-	-
Other long-term loans ⁵⁾			80	80	97	97
Net long-term loans ^{1) 6)}			4 078	4 078	847	847
Credit facility (unused borrowing limit) ⁴⁾	7.4.19		1 500		1 500	
Overdraft facility (unused)			500		-	

¹⁾ The difference between the carrying amount in the statement of financial position and amounts in this note is ascribable to the fair value of the interest swap agreement related to bond issue KOG07, which had a value of MNOK 25 at 30 June 2016.

²⁾ In conjunction with the bridge facility, basis swaps from EUR to NOK totalling MEUR 160 (floating interest rate) have been issued. The due dates for the swaps are in 2017 and 2018, and the fair value was MNOK -4.5 at 30 June 2016.

³⁾ Basis swaps were established from NOK to EUR for a total of MEUR 130 (floating interest rate). The basis swaps are due on 2 June 2021, and their fair value was MNOK 5.6 at 30 June 2016. The basis swaps were established to hedge parts of the investment in Patria Oyj, and the change in fair value is recognised in other comprehensive income.

⁴⁾ The bridge facility has the same covenants regarding financial measures as the credit facility, see Note 20 in the "Annual Report and Sustainability Report 2015".

⁵⁾ "Other long-term loans" consists of smaller loans in some of the Group's subsidiaries.

⁶⁾ The loans are capitalised at their amortised cost using the effective interest method.

Other non-current assets

Available-for-sale shares had an excess value at 30 June 2016 of MNOK 75. The value decreased by MNOK 51 in Q2. The change in value is ascribable to the sale of shares in KBC Advanced Technologies Ltd., where the gain of MNOK 54 was reclassified from other comprehensive income to profit and loss in Q2, as well as an increase in the value of the shares in Kitron ASA. Altogether, the value of available-for-sale shares has been reduced by MNOK 29 from 1 January. Other comprehensive income at 1st half of 2016, MNOK -7, also includes a reversal of earlier years' write downs of MNOK 22.

Currency futures and interest swap agreements

The fair value of holdings classified as cash flow hedges increased by MNOK 836³⁾ before tax from 1 Jan. - 30 June 2016. Of this, the change in the fair value of currency futures showed an increase of MNOK 786 during the same period. Spot prices at end quarter were NOK 8.36/USD 1 and NOK 9.32/EUR 1.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

Currency futures classified as cash flow hedges:

	Due in 2016		Due in 2017 or later		Total		
	Value based on agreed exchange rates	Fair value at 30.6.16 ¹⁾	Value based on agreed exchange rates	Fair value at 30.6.16 ¹⁾	Value based on agreed exchange rates	Change in fair value from 31.12.15	Fair value at 30.6.16 ¹⁾
MNOK (before tax)							
EUR	428	-	126	(1)	554	42	(1)
USD	5 271	(269)	1 546	(82)	6 817	744	(351)
Sum	5 699	(269)	1 672	(83)	7 371	786	(352)
Rollovers of currency forward contracts ²⁾	-	(183)	-	(347)	-	55	(530)
Total	5 699	(452)	1 672	(430)	7 371	841 ³⁾	(882)

¹⁾ Fair value is calculated as the difference between the spot price at 30 June 2016 and the forward prices on currency contracts.

²⁾ Carrying amount related to rollovers of cash flow hedges.

³⁾ The difference between these two the figures, i.e. MNOK 5, is ascribable to a change in the fair values of interest swap agreements, MNOK 1, and basis swaps, MNOK -6.

NOTE 6 | INTERNALLY-FINANCED DEVELOPMENT

Internally financed product maintenance, research and development recognised in profit and loss for the period:

	1.4. - 30.6.		1.1. - 30.6.		1.1. - 31.12.
MNOK	2016	2015	2016	2015	2015
Product maintenance	55	76	109	139	262
Research and development cost	204	236	406	437	745
Total	259	312	515	576	1 007

Internally financed development capitalised for the period:

	1.4. - 30.6.		1.1. - 30.6.		1.1. - 31.12.
MNOK	2016	2015	2016	2015	2015
Internally financed development	47	15	79	42	103

NOTE 7 | RELATED PARTIES

The Board is not aware of any changes or transactions in Q2 in respect of related parties that would have a material impact on the Group's financial position or profit during the period.

NOTE 8 | MAIN RISK AND UNCERTAINTY FACTORS

No significant new risk or uncertainty factors were discovered during the quarter beyond the events discussed in the "Annual Report and Sustainability Report 2015", Note 33 "Contingent liabilities".

The National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim) announced on 16 August 2016 that the charges against Kongsberg Gruppen ASA and Kongsberg Defence & Aerospace AS claiming serious corruption related to deliveries of communication equipment to Romania from 2003 to 2008 have been dropped. See Note 11 "Events subsequent to the balance sheet date".

Otherwise, the Group's assessment of possible financial effects is the same as upon publication of the financial statements for 2015.

For a description of how the Group deals with different types of risk, see the Annual Report and Sustainability Report 2015.

NOTE 9 | TAX

The tax rate for the first half of the year is estimated at 19.6 per cent. The reason for the low effective tax rate is that the share of net income in associates is recognised after tax. Moreover, the tax exemption model will be applied when calculating the taxable gain from the sale of shares.

NOTE 10 | ADJUSTMENT OF COMPARATIVE FIGURES

A separate line item has been included for "Shares in joint arrangements and associated companies", and the comparative figures have been reclassified from the line "Other non-current assets". Further, during the quarter, there has been a reclassification between the lines "Inventories" and "Construction contracts in progress, asset". The comparative figures for 31 March 2016 and 31 December 2015 have, in this context, been reclassified by increases in "Inventories" of MNOK 267 and MNOK 461, respectively. "Construction contracts in progress, asset" was reduced correspondingly.

NOTE 11 – EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

The charge in corruption case Romania has been dismissed

In February 2014, charges were brought against Kongsberg Gruppen ASA, Kongsberg Defence & Aerospace AS and an employee of Kongsberg Defence & Aerospace AS with allegations of serious corruption related to deliveries of communication equipment to Romania from 2003 to 2008. The National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim) announced on 16 August 2016 that the charges against Kongsberg Gruppen ASA and Kongsberg Defence & Aerospace AS have been dropped. As the charges have been dropped, Kongsberg Gruppen ASA and Kongsberg Defence & Aerospace AS are no longer under investigation or under suspicion of corruption. Økokrim has decided to prosecute a former employee of KONGSBERG with charges of fraud against the company.

NOTE 12 – DEFINITIONS

KONGSBERG uses terms in the consolidated financial statements that are not anchored in the IFRS accounting standards. Below, please see our definitions and explanations for these terms.

EBITDA/EBITA/EBIT

EBITDA/EBITA/EBIT are perceived as normal terms in connection with financial reporting, but IFRS does not include them in its accounting standards. EBITDA is an abbreviation for "Earnings Before Interest, Taxes, Depreciation and Amortisation". KONGSBERG uses EBITDA on its income statement as the line for summing up other line items in the financial statements. These line items in the financial statements are defined in our accounting principles, which are an integral part of the financial statements for 2015. The same applies to EBITA and EBIT.

Net interest-bearing debt

Net interest-bearing debt is the sum of the line items "Cash and cash equivalents" and "Long-term interest-bearing loans".

STATEMENT FROM THE BOARD OF DIRECTORS AND THE CEO

We hereby confirm that, to the best of our conviction, the H1 accounts for 1 January to 30 June 2016 have been prepared in compliance with IAS 34 - Interim Reporting, and that the information disclosed in the H1 accounts gives an accurate picture of the Group's assets, liabilities, financial position and performance as a whole, and gives an accurate picture of the information mentioned in §5-6, fourth subsection, of Norway's Securities Trading Act.

Kongsberg, 25 August 2016



Finn Jebsen
Chairman



Irene Waage Basili
Deputy Chairman



Morten Henriksen
Director



Rune Sundt Larsen
Director



Helge Lintvedt
Director



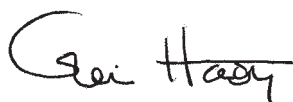
Roar Marthinius
Director



Jarle Roth
Director



Anne-Grete Strøm-Erichsen
Director



Geir Håøy
President & CEO

A series of horizontal dotted lines across the page, intended for handwritten notes.

Disclaimer: In the event of any discrepancy between the Norwegian and English versions of Kongsberg's quarterly reports, the Norwegian version is the authoritative one.

Kongsberg Gruppen ASA
Kirkegaardsveien 45
P.O. Box 1000
N-3601 Kongsberg
P : (+47) 32 28 82 00
@ : office@kongsberg.com

kongsberg.com

WORLD CLASS
- THROUGH PEOPLE, TECHNOLOGY AND DEDICATION