KONGSBERG

QUARTERLY REPORT

1ST QUARTER 2016

Photo: ESA

KOG

Several strategically important decisions about the further development of KONGSBERG were taken during the quarter. By forming the industry partnership consisting of KONGSBERG, Patria and Nammo, we are taking a proactive step to meet the ongoing consolidation in the defence industry. Through the launch of Kongsberg Digital, we are taking an important step in the Group's strategy for developing the next generation of digitalised products and services.

Walter Qvam, President & CEO

HIGHLIGHTS

KOG

High level of activity during the quarter. Forming a leading Nordic defence partnership through the purchase of 49.9 per cent of the shares in Finnish Patria.

KM

High level of activity and good order intake. Adjustments to a weak oil and gas market led to restructuring costs of MNOK 25 during the quarter.

KDS

Delivery programmes on track. Strong marketing activities aimed at large-scale international programmes.

KPS

Good level of activity compared with preceding years. Signed the first part of an important MCT-30 contract.

OTHER

Kongsberg Digital launched as part of the Group's strategy to be at the forefront of the digital shift.

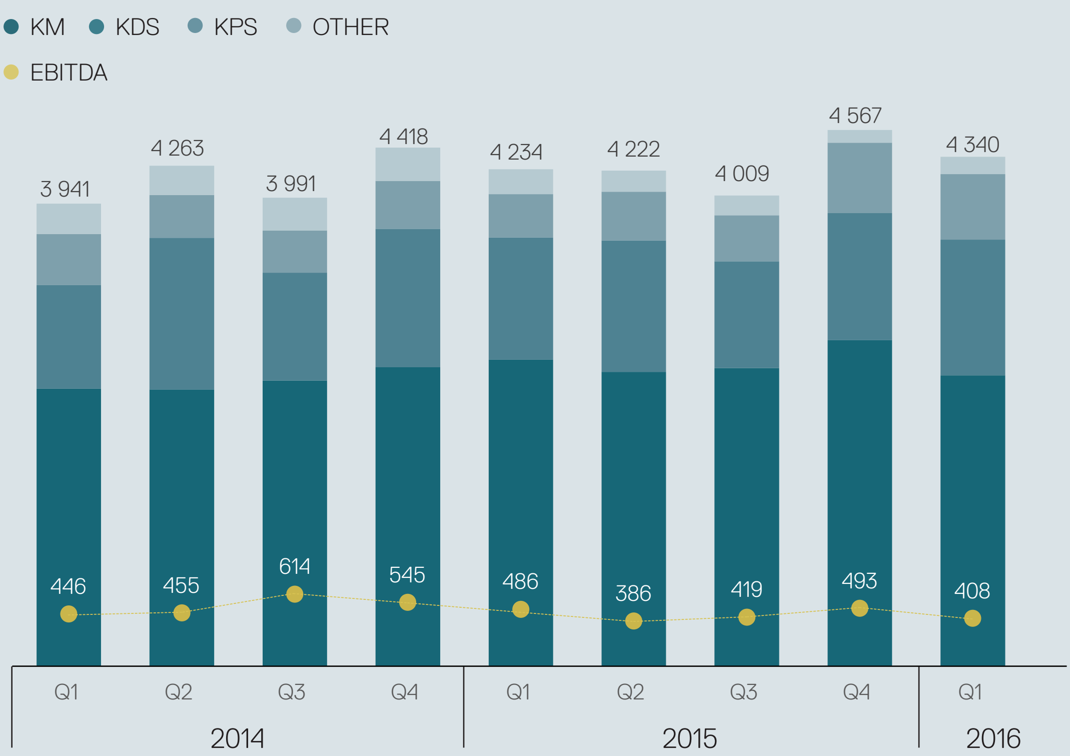
KEY FIGURES

	1.1. - 31.3.		
MNOK	**2016**	2015	2015
Operating revenues	**4 340**	4 234	17 032
EBITDA	**408**	486	1 784
EBITDA (%)	**9.4**	11.5	10.5
EBIT	**283**	360	944
EBIT (%)	**6.5**	8.5	5.5
Earnings before tax	**299**	378	944
Earnings after tax	**227**	280	755
EPS (NOK)	**1.91**	2.31	6.23
New orders	**3 749**	4 970	15 238

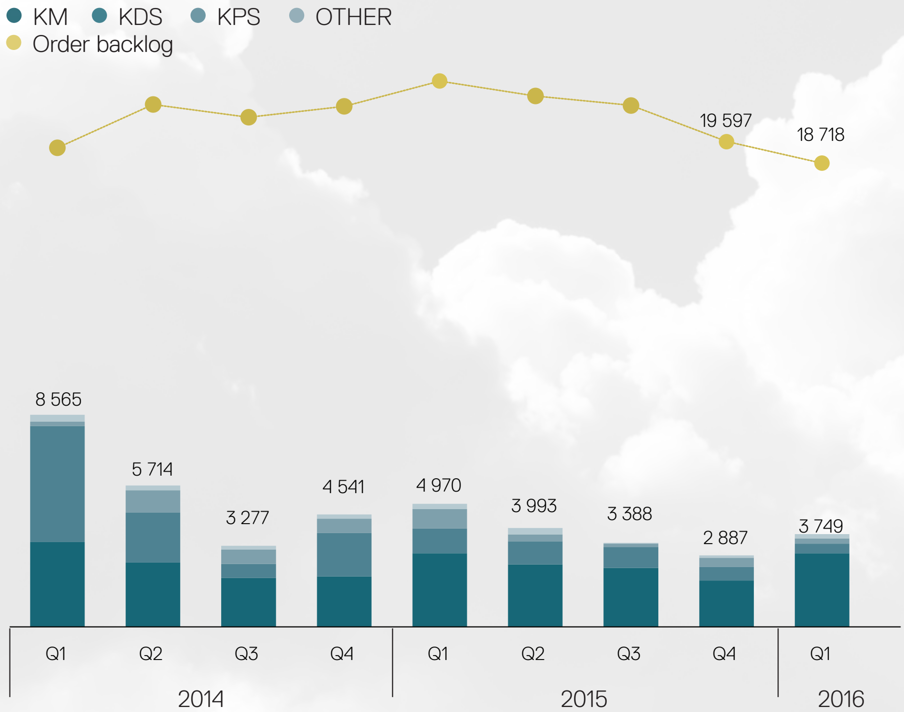
	31.3.	31.12.
MNOK	**2016**	2015
Equity ratio (%)	**35.7**	32.0
Net interest-bearing dept	**(504)**	(941)
Working capital [1]	**3 471**	2 749
ROACE (%) [2]	**12.3**	13.5
Order backlog	**18 718**	19 597
No. of employees	**7 648**	7 688

[1] *Current assets – current liabilities and provisions*
[2] *12 months rolling EBIT / average (booked equity + gross interest bearing liabilities), based on last 12 months.*

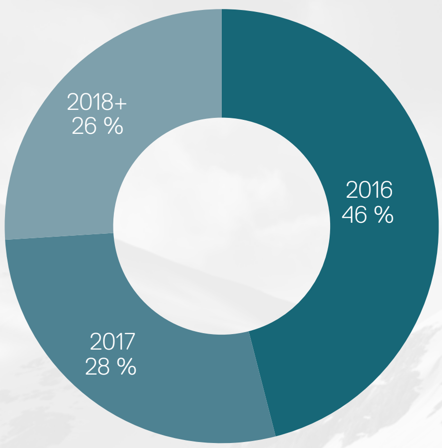
OPERATING REVENUES & EBITDA



NEW ORDERS & ORDER BACKLOG

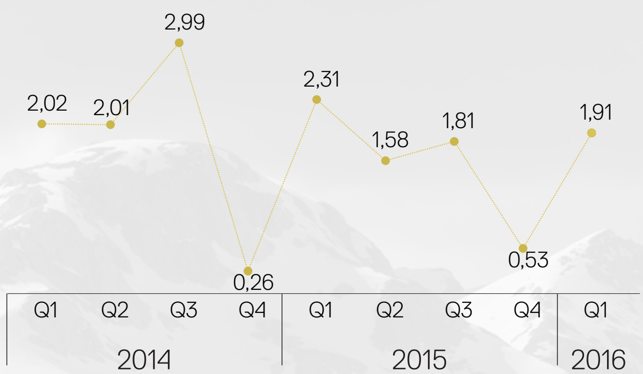


ORDER BACKLOG



Breakdown of order backlog
by delivery dates

EPS



PERFORMANCE, MARKET AND NEW ORDERS

In Q1 2016, the Group earned operating revenues of MNOK 4,340, up 2.5 per cent from Q1 2015. The EBITDA margin was 9.4 per cent. The result was negatively influenced by MNOK 46 in restructuring costs in KOGT and KM, and positively influenced by MNOK 38 in KPS relating to clarifications with a customer.

The order intake in Q1 was MNOK 3,749, resulting in a book/bill of 0.86. The order backlog at end quarter added up to MNOK 18,718.

CASH FLOW

KONGSBERG had a net reduction in cash and cash equivalents of MNOK 439 in Q1. In 2014, KONGSBERG received substantial prepayments on several major projects. These prepayments are spent parallel to the progress made on the projects in question, impacting the cash flow in 2016 adversely as a result. In 2015, there were significant negative temporary cash effects related to currency hedges, where the cash flow is expected to recover over the next two to three years. In Q1 2016, the negative temporary cash effect related to currency hedges came to MNOK 33. In Q1, the Group acquired MNOK 45 in treasury shares in connection with the annual employee share programme.

	1.1. - 31.3.		
MNOK	**2016**	2015	2015
EBITDA	**408**	486	1 784
Change in net current assets and other operating related items	**(520)**	(1 010)	(2 871)
Net cash flow from operating activities	**(112)**	**(524)**	(1 087)
Net cash flow from investing activities	**(243)**	(155)	(499)
Net cash flow used in financing activities	**(52)**	(33)	(1 139)
Effect of changes in exchange rates on cash and short-term deposits	**(32)**	49	108
Net change in cash and short-term deposits	**(439)**	**(663)**	(2 617)

BALANCE SHEET

The equity ratio was 35.7 per cent at the end of Q1. Book equity increased by MNOK 617 in Q1, and, in addition to the quarterly profits, was affected positively by a change in the fair value of cash flow hedges. The Group had negative net interest-bearing debt. Long-term interest-bearing liabilities mainly consist of two bond issues totalling MNOK 750. The Group also has an undrawn syndicated credit facility of NOK 1.5 billion.

	31.3.	31.12.
MNOK	**2016**	2015
Equity	**6 744**	6 127
Equity ratio (%)	**35.7**	32.0
Total assets	**18 901**	19 121
Working capital	**3 471**	2 749
Gross interest-bearing liabilities	**864**	866
Cash and cash equivalents	**1 368**	1 807
Net interest-bearing liabilities	**(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). In this way, the Group seeks to mitigate the effects of currency exchange fluctuations for up to two years in advance, see also Note 5. KONGSBERG's policy was amended in 2015, so that anticipated new orders are hedged for a shorter period 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 recognised equity.

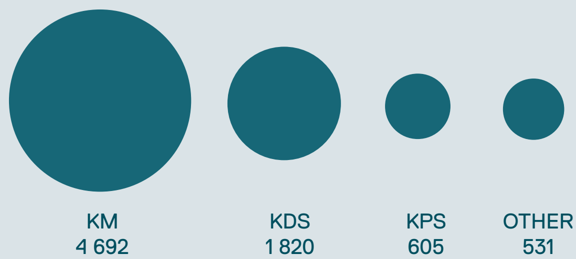
PRODUCT DEVELOPMENT

KONGSBERG has a continuous focus on product development through both equity-financed and customer-financed programmes. In Q1, the Group expensed MNOK 256 in product development and maintenance. In addition, MNOK 32 was capitalised, mainly in the defence business. Equity-financed product development and maintenance costs totalled MNOK 288 in Q1, which was on a par with Q1 2015, see also Note 4. In addition there is also customer-financed development, either as part of a delivery project or as a specific development assignment. The total costs of product development and maintenance constitutes about 10 per cent of operating revenues over time.

HUMAN RESOURCES

KONGSBERG had 7,648 employees at end quarter, roughly 37 per cent of whom were employed in companies outside Norway. The number of employees had a net decrease of 40 during the quarter, mainly due to the downsizing processes at KM and KOGT.

NUMBER OF EMPLOYEES BY AREA



OTHER ACTIVITIES

Other activities consist of the activities, which, up until 31 Dec. 2015, were reported as 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. The underlying result was negative during the quarter, with MNOK 21 in restructuring costs charged against income.

OTHER MATTERS

KONGSBERG buys 49.9 per cent of Patria Oyj

On March 17th 2016, KONGSBERG entered into an agreement with the Finnish state for the purchase of 49.9 per cent of the shares in Patria for EUR 272 million (equity value). Patria is Finland's leading defence supplier and also owns 50 per cent of the shares in the Norwegian company Nammo. The partnership will be a leading defence supplier in the Nordics, and a considerable supplier on the European defence market, with total gross revenues of NOK 13.4 billion in 2015. Patria has approximately 2 800 employees and had revenues of EUR 428 million (NOK 3.8 billion) in 2015. The company is Finland's leading defence supplier, and has a broad and modern product portfolio. Patria and KONGSBERG have complementary systems and significant synergies within several areas. The completion of the transaction is expected in the second quarter of 2016, and is subject to normal closing conditions e.g. approval from relevant authorities. The final purchase price plus settlement of interest and taxes at closing will be settled in cash, and financed by a bridge facility of 18 to 33 months.

Launch of Kongsberg Digital

In Q1, KONGSBERG decided to establish Kongsberg Digital (KDI) by the summer of 2016, thus taking an important step towards developing the next generation of digitalised products and services. The company will be a leading industrial software community that will have roughly 500 employees from the start, mainly through the transfer of existing software and simulation activities from

KOGT and KM. From the start, KDI will have a significant portfolio and revenues from advanced data, software and simulation products. In addition, Kongsberg Digital will have group responsibility for developing new digital solutions and related technology alliances.

From the outset, KDI will be a significant software supplier at the national and international levels, with solid domain knowledge within oil & gas, maritime and simulation. KDI has a clear ambition to establish and further develop its position as a leading supplier of integrated digital solutions, and as the partner of choice for its customers in respect of smart solutions that reduce costs, enhance performance and boost productivity.

The primary focus will be on the maritime, oil and gas industries and academia, where KONGSBERG already has a leading position. There is also significant potential in infrastructure/utilities, communication and the process industry. The services will be aimed at digital infrastructure, advanced simulator services and analyses, predictive analysis, artificial intelligence and decision-support services. KDI will actively seek opportunities for organic growth, acquisitions and partnerships.

KONGSBERG restructures and consolidate the Group's oil- and gas-related businesses

The Group's oil and gas related engineering services will be consolidated, strengthened and further developed with other oil and gas services in KM. KOGT's largest business unit, Software & Services, will be incorporated as an important part of Kongsberg Digital. As a result of this, KOGT are not longer a separate business area as of 2016. KOGT is reported as part of "Other activities" in Q1. The changes ensuing from the establishment of KDI will not influence the reporting structure before the implementation of the reorganisation expected in Q3. Additional restructuring cost related to this reorganisation will in 2016 be MNOK 30-60.

Charge of corruption in Romania

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. KONGSBERG is collaborating with the National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim) to clarify the circumstances in question. It must be expected that it will take some further time before the investigation is completed and the case can be closed. Before the investigation is closed, it is difficult to predict what decision Økokrim will make concerning charges. It is also difficult to predict any other effects of the charges and the matters that they are based on. Accordingly, it is not possible to estimate any possible financial effects for KONGSBERG. See also Note 33 "Contingent liabilities", and the paragraph "Risk factors and risk management" in the Annual Report for 2015. The Board's assessment at the end of Q1 2016 is the same as described in the Annual Report.

Changes in corporate management

Egil Haugsdal has been appointed president of Kongsberg Maritime. He succeeds Geir Håøy, who will be taking over as CEO of KONGSBERG 6th of June 2016. Haugsdal holds extensive management experience from KONGSBERG, heading Kongsberg Oil & Gas Technologies until now. He has previous experience from KONGSBERG as Executive Vice President of Business Development and as President of Kongsberg Protech Systems. Haugsdal has been acting in his new position since 1 April 2016, and he will take over officially 6 June 2016.

Hege Skryseth will be president of the subsidiary Kongsberg Digital once it is formally launched. From the same date, Skryseth will become Chief Digital Officer for the Group, and will continue as a member of corporate management team.

Wenche Helgesen Andersen succeeds Hege Skryseth as Executive Vice President and Chief Administration Officer in KONGSBERG. She will assume the position on 18th of May and will be part of the corporate management team. Helgesen Andersen holds long international management experience and comes from a management position in FMC Technologies responsible for a global product line. She holds a background as an engineer and has more than 26 years of international experience from the oil and gas industry.

KM

	1.1. - 31.3.		
MNOK	**2016**	2015	2015
Revenues	**2 478**	2 611	10 438
EBITDA	**264**	352	1 116
EBITDA (%)	**10.7**	13.5	10.7
New orders	**2 972**	2 975	9 756

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

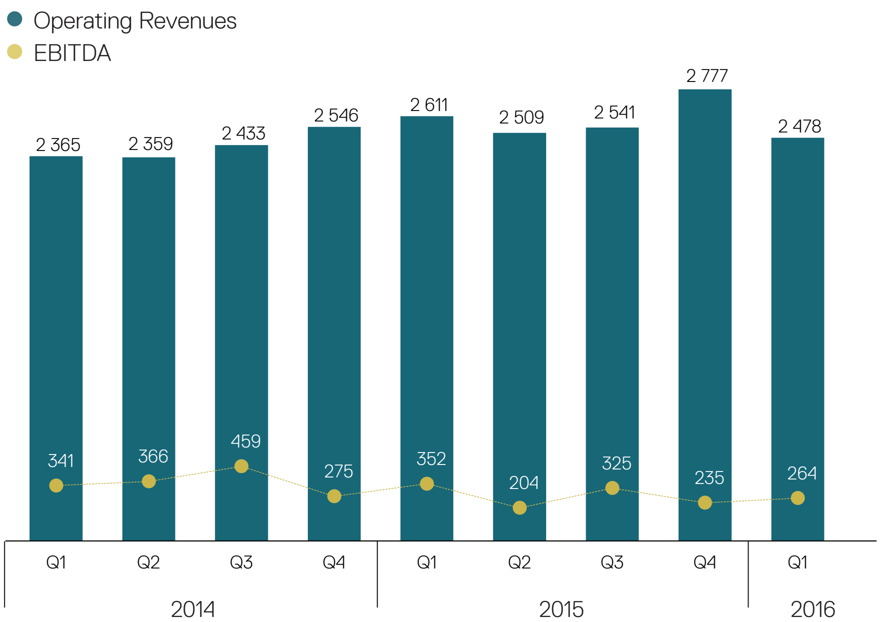
PERFORMANCE

KM has seen a satisfactory level of activity once again in Q1 2016. The EBITDA margin was 10.7 per cent, and was adversely influenced by MNOK 25 related to restructuring costs in offshore activities. Adjusted accordingly, the EBITDA margin during the quarter was 11.7 per cent.

It is a high level of activity in the Merchant Marine and in the not-offshore-related segments of Subsea, while the pace is somewhat slower in KM's offshore-related activities.

In recent quarters, there has been a significant change in the project mix in Offshore and Subsea alike. This has a significant 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. In Offshore, business is slower in solutions that traditionally have higher profitability.

OPERATING REVENUES & EBITDA



A great deal of attention has been devoted to product development and maintenance in 2015, and the initiative continued in Q1.

MARKET & NEW ORDERS

Subsea and Emerging Business booked more new orders than in Q1 2015. New orders were somewhat lower in Merchant Marine. In Offshore, new orders were on a par with Q1 2015. Cancellations came to just under MNOK 100 during the quarter, a somewhat higher level than before, and it is within the Offshore division an increase in the number of requests from customers about postponing delivery. The order backlog in the Offshore division at the end of Q1 is BNOK 4.4, of which just over half is drilling units and traditional offshore vessels.

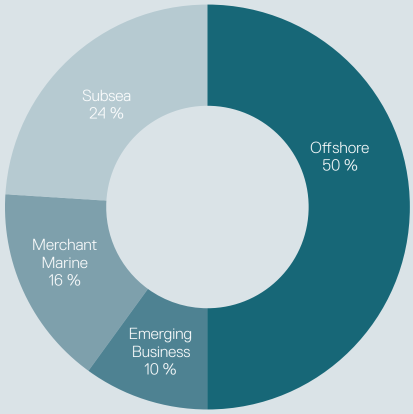
In general, the contract mix has changed in KM's offshore-related activities towards products and solutions with somewhat lower margins, e.g. EIT/EPC (Electro, Instrument and Telecom/Engineering, Procurement and Construction) deliveries. This is a type of delivery under which KM takes more overall responsibility and includes more third-party equipment than with a typical "Full Picture" delivery. The very challenging situation in the oil and gas industry entails greater uncertainty and will impact the Offshore Division's results and order situation.

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

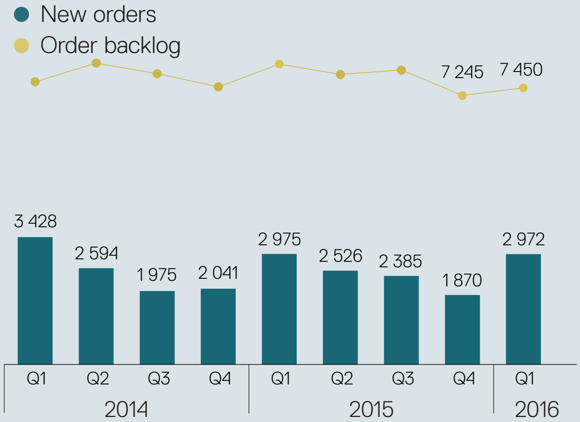
KM's after-market revenues are not included in the business area's backlog. KM has a well-established after-market system that serves more than 17,000 vessels carrying KM equipment. The decline in the oil and gas market is increasingly being felt also in this part of the business. In Q1, after-market activities accounted for roughly one-fourth of KM's sales.

OPERATING REVENUES

YTD by segment

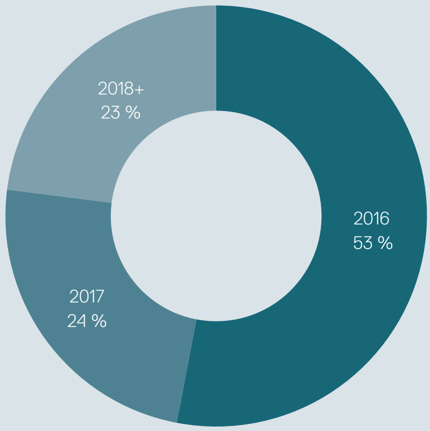


ORDERS



ORDER BACKLOG

Breakdown by delivery dates



KDS

	1.1. - 31.3.		
MNOK	**2016**	2015	2015
Revenues	**1 156**	1 041	4 149
EBITDA	**142**	128	695
EBITDA (%)	**12.3**	12.3	16.8
New orders	**385**	1 002	3 310

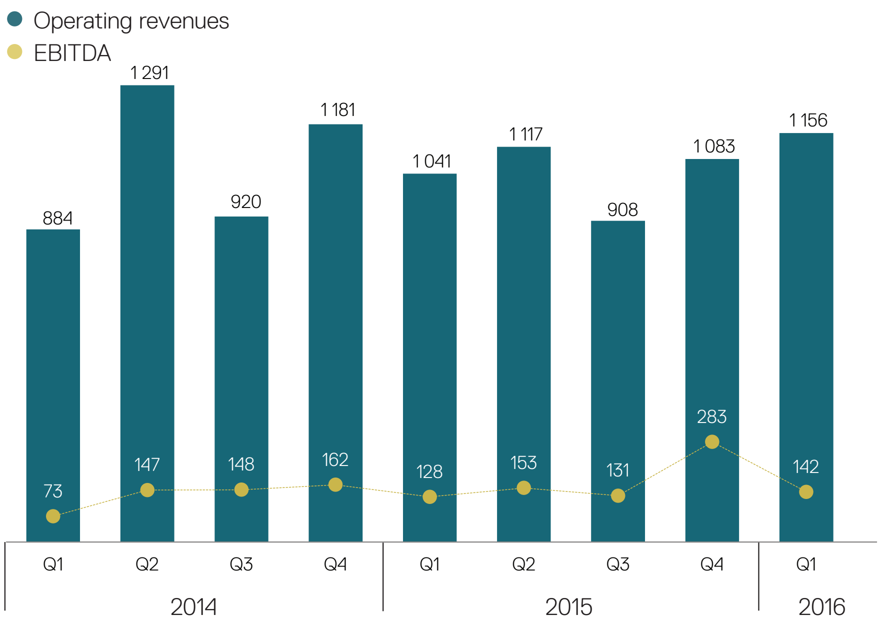
	31.3.	31.12.
MNOK	**2015**	2014
Order backlog	**7 861**	8 622
No. of employees	**1 820**	1 729

PERFORMANCE

KDS maintained a good level of activity in Q1 2016, reporting an EBITDA margin of 12.3 per cent. The major projects are on schedule.

Signed in 2009, the NASAMS project for Finland will be completed in the first half of 2016. In January 2014, a large-scale new NASAMS contract was signed with Raytheon, and this project achieved its first important milestones in 2015. The development programme for the Joint Strike Missile (JSM) is on schedule.

OPERATING REVENUES & EBITDA



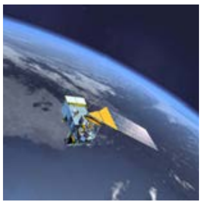
MARKET & NEW ORDERS

In Q1, Kongsberg Satellite Services (KSAT) signed an expanded agreement with the European meteorological organisation EUMETSAT for the delivery of ground station services for the MetOp-SG satellite programme. Including options, the agreement has a value of MNOK 550 from 2016 to 2042. KSAT is 50 per cent owned by KONGSBERG, and is recognised using the equity method. Thus, KSAT is not included in the Group's order intake or order backlog.

KONGSBERG has extensive involvement in several areas of the MetOp-SG programme. In April, KONGSBERG signed two more contracts with a total value of MEUR 23,6 for delivery of satellite components from Space & Surveillance.

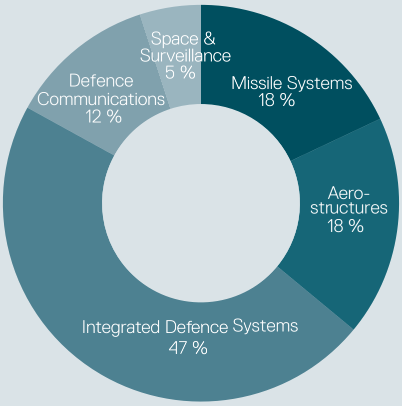
KDS has a product portfolio that is well positioned for future needs and current priorities in respect of several countries' defence plans. There is considerable international interest in KONGSBERG's missiles and air defence systems, and rigorous marketing activities have been aimed at several major programmes. KONGSBERG is the Nordics' largest supplier of equipment and services to the space industry, and the activity level 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.

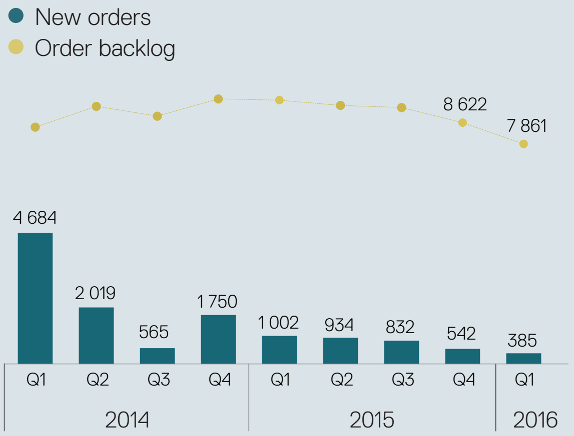


OPERATING REVENUES

YTD by segment

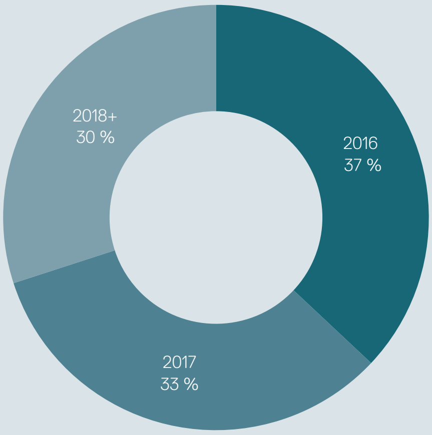


ORDERS



ORDER BACKLOG

Breakdown by delivery dates



KPS

	1.1. - 31.3.		
MNOK	**2016**	2015	2015
Revenues	**559**	369	1 777
EBITDA	**59**	14	227
EBITDA (%)	**10.6**	3.8	12.8
New orders	**223**	782	1 576

	31.3.	31.12.
MNOK	**2015**	2014
Order backlog	**2 989**	3 325
No. of employees	**605**	663

PERFORMANCE

KPS had a higher level of activity in Q1 2016 than in the same quarter of 2015. This is mainly due to an increase in the delivery of new systems. The EBITDA margin in Q1 ended at 10.6 per cent, and was affected positively by MNOK 38 related to clarifications in respect of a customer. Adjusted accordingly, the EBITDA margin was 3.8 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.

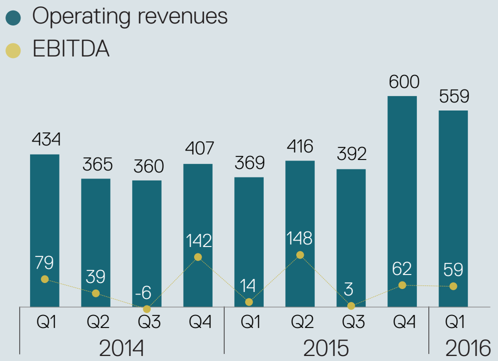
MARKET & NEW ORDERS

During the quarter, KPS signed a contract with General Dynamics Land Systems for the delivery of the PROTECTOR MCT-30 (Medium Calibre Turret, 30 millimetre) which is to be integrated onto the Stryker Infantry Carrier Vehicle (ICV). The contract, the first of a multi-phase initiative, includes production, delivery and testing of the initial systems for the programme.

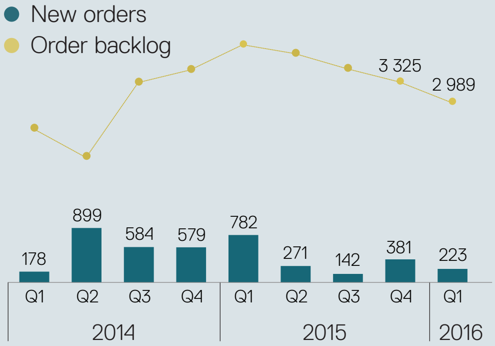
The selection of KONGSBERG to supply this solution is a very important milestone for KPS, marking the culmination of several years of determined efforts to develop a system with the capabilities and performance required for these types of vehicles. There is substantial potential in the market for such systems, and KPS' entry into this market is believed to be important for the further development of the business area.

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. At the same time, 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 & EBITDA

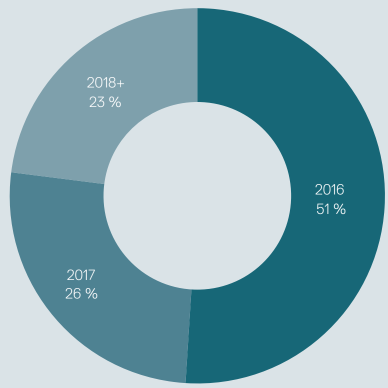


ORDERS



ORDER BACKLOG

Breakdown by delivery dates



OUTLOOK

Kongsberg Maritime operates in large parts of the maritime and offshore-related value chains. The offshore market is contracting significantly fewer orders for new vessels, meaning increased uncertainty and decreased activity in this segment. Changed project mix in the order books has negative influence on the margin. At present, restructuring costs in 2016 are estimated to MNOK 75-125. Further adaptations of the cost level are considered on an ongoing basis in light of the market situation. In other product segments, the activity level is generally stable or increasing. KM has equipment installed on more than 17,000 vessels. The level of activity and margins in 2016 is expected to be somewhat lower compared to 2015.

Kongsberg Defence Systems is well positioned in its niches in a generally stronger defence market. This is expected to lead to several contract opportunities in the years ahead for e.g. missiles, air defence systems, aircraft component production, submarine systems and communications. KDS' order backlog provides a good platform for a somewhat higher level of activity in 2016.

Kongsberg Protech Systems has a globally leading position in remotely controlled weapons systems and a wellpositioned product portfolio that includes the new medium caliber turret solution that has been selected for the US Stryker vehicles. The activity level is expected to increase somewhat in 2016.

As part of the Group's strategy for developing the next generation of digitised products and services, Kongsberg Digital will be established in the first half of 2016. At the same time the Group's oil and gas engineering services will be restructured and consolidated in KM.

Kongsberg, 28 April 2016

The Board of Directors
of Kongsberg Gruppen ASA

KEY FIGURES BY QUARTER

KM	2016		2015					2014				
MNOK	**2016**	Q1	**2015**	Q4	Q3	Q2	Q1	**2014**	Q4	Q3	Q2	Q1
Revenues	**2 478**	2 478	**10 438**	2 777	2 541	2 509	2 611	**9 703**	2 546	2 433	2 359	2 365
EBITDA	**264**	264	**1 116**	235	325	204	352	**1 441**	275	459	366	341
EBITDA %	**10.7**	10.7	**10.7**	8.5	12.8	8.1	13.5	**14.9**	10.8	18.9	15.5	14.4
New orders	**2 972**	2 972	**9 756**	1 870	2 385	2 526	2 975	**10 038**	2 041	1 975	2 594	3 428
Order backlog	**7 450**	7 450	**7 245**	7 245	7 932	7 815	8 092	**7 480**	7 480	7 834	8 121	7 615
EBITA	**219**	219	**926**	183	275	159	309	**1 266**	225	415	324	302
EBITA %	**8.8**	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				
MNOK	**2016**	Q1	**2015**	Q4	Q3	Q2	Q1	**2014**	Q4	Q3	Q2	Q1
Revenues	**1 156**	1 156	**4 149**	1 083	908	1 117	1 041	**4 276**	1 181	920	1 291	884
EBITDA	**142**	142	**695**	283	131	153	128	**530**	162	148	147	73
EBITDA %	**12.3**	12.3	**16.8**	26.1	14.4	13.7	12.3	**12.4**	13.7	16.1	11.4	8.3
New orders	**385**	385	**3 310**	542	832	934	1 002	**9 018**	1 750	565	2 019	4 684
Order backlog	**7 861**	7 861	**8 622**	8 622	9 163	9 238	9 425	**9 471**	9 471	8 856	9 203	8 460
EBITA	**111**	111	**590**	260	101	126	103	**435**	138	124	123	50
EBITA %	**9.6**	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				
MNOK	**2016**	Q1	**2015**	Q4	Q3	Q2	Q1	**2014**	Q4	Q3	Q2	Q1
Revenues	**559**	559	**1 777**	600	392	416	369	**1 566**	407	360	365	434
EBITDA	**59**	59	**227**	62	3	148	14	**254**	142	(6)	39	79
EBITDA %	**10.6**	10.6	**12.8**	10.3	0.8	35.6	3.8	**16.2**	34.9	(1.7)	10.7	18.2
New orders	**223**	223	**1 576**	381	142	271	782	**2 240**	579	584	899	178
Order backlog	**2 989**	2 989	**3 325**	3 325	3 541	3 790	3 935	**3 523**	3 523	3 315	3 088	2 555
EBITA	**50**	50	**177**	50	(9)	135	1	**201**	128	(19)	27	65
EBITA %	**8.9**	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				
MNOK	**2016**	Q1	**2015**	Q4	Q3	Q2	Q1	**2014**	Q4	Q3	Q2	Q1
Revenues	**4 340**	4 340	**17 032**	4 567	4 009	4 222	4 234	**16 613**	4 418	3 991	4 263	3 941
EBITDA	**408**	408	**1 784**	493	419	386	486	**2 060**	545	614	455	446
EBITDA %	**9.4**	9.4	**10.5**	10.8	10.5	9.1	11.5	**12.4**	12.3	15.4	10.7	11.3
New orders	**3 749**	3 749	**15 238**	2 887	3 388	3 993	4 970	**22 097**	4 541	3 277	5 714	8 565
Order backlog	**18 718**	18 718	**19 597**	19 597	21 059	21 439	22 033	**21 020**	21 020	20 580	21 096	19 344
EBITA	**318**	318	**1 405**	387	320	299	399	**1 718**	453	526	373	366
EBITA %	**7.3**	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

		1.1. - 31.3.		
MNOK	Note	**2016**	2015	2015
Revenues	1	**4 340**	4 234	17 032
Operating expenses		**(3 951)**	(3 763)	(15 335)
Share of net income from joint arrangements and associated companies		**19**	15	87
EBITDA		**408**	**486**	**1 784**
Depreciation		**(90)**	(87)	(362)
Impairment		**-**	-	(17)
EBITA	1	**318**	**399**	**1 405**
Amortisation		**(35)**	(39)	(161)
Impairment		**-**	-	(300)
EBIT		**283**	**360**	**944**
Net financial items		**16**	18	-
Earnings before tax (EBT)		**299**	**378**	**944**
Income tax expence		**(72)**	(98)	(189)
Earnings after tax		**227**	**280**	**755**
Attributable to:				
Equity holders of the parent		**228**	277	747
Non-controlling interests		**(1)**	3	8
Earnings per share (EPS)/EPS diluted in NOK		**1.91**	2.31	6.23

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

		1.1. - 31.3.		
MNOK	Note	**2016**	2015	2015
Earnings after tax		**227**	280	755
Other comprehensive income:				
Items to be reclassified to profit or loss in subsequent period:				
Change in fair value, financial instruments:				
- Available-for-sale shares	5	**44**	14	101
- Cashflow hedges (currency futures and interest rate swaps)	5	**694**	(267)	(425)
Tax effect cash flow hedges (currency futures and interest rate swaps)		**(174)**	72	80
Translation differences, currency		**(127)**	125	268
Total items to be reclassified to profit or loss in subsequent period		**437**	**(56)**	**24**
Items not to be reclassified to profit or loss:				
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		**664**	**224**	**964**

CONDENSED STATEMENT OF FINANCIAL STATUS

		31.3.	31.12.
MNOK	Note	**2016**	2015
Property, plant and equipment		**2 602**	2 542
Intangible assets	4	**2 619**	2 655
Other non-current assets	5	**760**	706
Total non-current assets		**5 981**	**5 903**
Inventories		**4 081**	3 675
Trade receivables		**2 758**	3 038
Construction contracts in progress, asset		**3 083**	3 396
Other current assets		**1 630**	1 302
Cash and cash equivalents		**1 368**	1 807
Total current assets		**12 920**	**13 218**
Total assets		**18 901**	**19 121**
Issued capital		**982**	982
Retained earnings		**6 377**	6 298
Fair value of financial instruments		**(653)**	(1 194)
Non-controlling interests		**38**	41
Total equity		**6 744**	**6 127**
Long-term interest-bearing loans	5	**864**	866
Other non-current liabilities and provisions	3	**1 844**	1 659
Total non-current liabilities and provisions		**2 708**	**2 525**
Construction contracts in progress, liabilities		**3 169**	2 736
Other current liabilities	3	**6 280**	7 733
Total current liabilities and provisions		**9 449**	**10 469**
Total equity, liabilities and provisions		**18 901**	**19 121**
Equity ratio (%)		**35.7**	32.0
Net interest-bearing liabilities		**(504)**	(941)
Net interest-bearing liabilities/EBITDA (%)		**n/a**	n/a

CONDENSED STATEMENT OF CHANGES IN EQUITY

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

CONDENSED CASH FLOW STATEMENT

	1.1. - 31.3.		
MNOK	**2016**	2015	2015
Earnings before interest, tax, depreciation and amortisation	**408**	486	1 784
Change in net current assets and other operating related items	**(520)**	(1 010)	(2 871)
Net cash flow from operating activities	**(112)**	**(524)**	**(1 087)**
Acquisition of property, plant and equipment	**(189)**	(84)	(349)
Acquisition/disposal of subsidiaries and non-controlling interests	**(22)**	(44)	(44)
Other investing activities	**(32)**	(27)	(106)
Net cash flow from investing activities	**(243)**	**(155)**	**(499)**
Net interest received (paid)	**(7)**	3	3
Net payments for the aquasition/disposal of treasury shares	**(45)**	(36)	(12)
Transactions with non-controlling interests	**-**	-	(23)
Dividends paid to equity holders of the parent	**-**	-	(1 110)
- of which, dividends from treasury shares	**-**	-	3
Net cash flow from in financing activities	**(52)**	**(33)**	**(1 139)**
Effect of changes in exchange rates on cash and cash equivalents	**(32)**	49	108
Net change in cash and cash equivalents	**(439)**	**(663)**	**(2 617)**
Cash and cash equivalents opening balance	**1 807**	**4 424**	**4 424**
Cash and cash equivalents closing balance	**1 368**	**3 761**	**1 807**

NOTE 1 | SEGMENT INFORMATION

The Group's oil and gas related engineering services will be consolidated, strengthened and further developed with other oil and gas services in KM. KOGT's largest business unit, Software & Services, will be incorporated as an important part of Kongsberg Digital. As a result of this, KOGT will no longer be a separate business area as of 2016. This means that KOGT is no longer liable to be reported as a separate operating segment, and has thereby been moved to "Other activities". The comparative figures have been adjusted.

	OPERATING REVENUES			EBITDA			EBITA		
	1.1. -31.3.			1.1. -31.3.			1.1. -31.3.		
NOK millioner	**2016**	2015	2015	**2016**	2015	2015	**2016**	2015	2015
KM	**2 478**	2 611	10 438	**264**	352	1 116	**219**	309	926
KDS	**1 156**	1 041	4 149	**142**	128	695	**111**	103	590
KPS	**559**	369	1 777	**59**	14	227	**50**	1	177
Others	**147**	213	668	**(57)**	(8)	(254)	**(62)**	(14)	(288)
THE GROUP	**4 340**	**4 234**	**17 032**	**408**	**486**	**1 784**	**318**	**399**	**1 405**

NOTE 2 | GENERAL INFORMATION AND PRINCIPLES

The consolidated Q1 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 3 | 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 4 | INTERNALLY FINANCED DEVELOPMENT

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

	1.1. - 31.3.		
MNOK	**2016**	2015	2015
Product maintenance	**54**	63	262
Research and development cost	**202**	201	745
Total	**256**	264	1 007

Internally financed development capitalised for the period:

	1.1. - 31.3.		
MNOK	**2016**	2015	2015
Internally financed development	**32**	27	103

NOTE 5 | FINANCIAL INSTRUMENTS

Loans and credit facilities

At 31 March 2016, KONGSBERG had two bond loans totalling MNOK 750 and an undrawn syndicated credit facility of MNOK 1,500.

Other non-current assets

Available-for-sale shares had an excess value at 31 March 2016 of MNOK 126. This marked an increase of MNOK 21 from 1 January 2016. The effect of MNOK 44 in other comprehensive income includes a reversal of MNOK 23 in earlier year's write downs.

Currency futures and interest swap agreements

The fair value of holdings classified as cash flow hedges increased by MNOK 694 before tax from 1 Jan.- 31 March 2016. Of this, the change in the capitalised value of currency futures showed an increase of MNOK 678 during the same period. Spot prices at end quarter were NOK 8.28/USD 1 and NOK 9.42/EUR 1.

Currency futures classified as cash flow hedges

	Due in 2016		Due in 2017 or later		Total		
MNOK (before tax)	Value based on agreed exchange rates	Fair value at 31.3.16 [1]	Value based on agreed exchange rates	Fair value at 31.3.16 [1]	Value based on agreed exchange rates	Change in fair value from 31.12.15	Fair value at 31.3.16 [1]
EUR	661	(16)	126	(3)	787	25	(19)
USD	5 431	(378)	1 546	(63)	6 977	653	(441)
Sum	**6 092**	**(394)**	**1 672**	**(66)**	**7 764**	**678**	**(460)**
Rollovers of currency forward contracts [2]	-	(261)	-	(308)	-	16	(569)
Total	**6 092**	**(655)**	**1 672**	**(374)**	**7 764**	**694**	**(1 029)**

[1] Fair value is calculated as the difference between the spot price at 31 March and the forward price on the currency contract.
[2] Carrying amount related to rollovers of cash flow hedges.

NOTE 6 | RELATED PARTIES

The Boards is not aware of any changes or transactions in Q1 associated with closely related parties that would have a material impact on the Group's financial position or profit during the period.

NOTE 7 | 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".

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 8 | KONGSBERG BUYS 49.9 PER CENT OF PATRIA OYJ

On March 17th 2016, KONGSBERG entered into an agreement with the Finnish state for the purchase of 49.9 per cent of the shares in Patria for EUR 272 million (equity value). Patria is Finland's leading defence supplier and also owns 50 per cent of the shares in the Norwegian company Nammo. The completion of the transaction is expected in the second quarter of 2016, and is subject to normal closing conditions e.g. approval from relevant authorities. The final purchase price plus settlement of interest and taxes at closing will be settled in cash, and financed by a bridge facility of 18 to 33 months.

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