KONGSBERG

QUARTERLY REPORT 4TH QUARTER PRELIMINARY ANNUAL ACCOUNTS 2019

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KONGSBERG

GEIR HÅØY
President & CEO

"When we presented our 2018 results, our conclusion was that the year had been one of the most eventful in KONGSBERG's history. Without any hesitation, I say that 2019 has surpassed it. We have completed two important acquisitions, seen record order intake and delivered profitable growth in all business areas, as well as launching new systems and products. It has been an intensive year marked by a high level of activity and a strong will to succeed throughout the organisation.

The end of 2019 was a very solid one. Q4 gave record revenues and good margins for Kongsberg Defence & Aerospace. At Kongsberg Maritime we are ahead of schedule with the largest integration in the company's history, while at the same time delivering increased revenues. The integration of Commercial Marine has been a work of high quality, something demonstrated by the Q4 performance. In October Kongsberg Digital made a breakthrough with a dynamic digital twin contract. We have great faith in this product for the future. It represents a quantum leap in terms of optimising, streamlining and securing the operation of oil and gas installations, among other things.

There is great activity within the defence sector and good demand for KONGSBERG defence systems. Within maritime, the market picture is more complex, and we expect the contracting of new vessels to remain at a low level. At the same time, we are seeing increased activity both in the subsea segment and in the aftermarket.

I expect KONGSBERG to continue its growth in 2020."

Highlights

KONGSBERG

Good growth, record-high order intake, market breakthroughs and the introduction of new concepts in 2019.

The last quarter of the year has had a lot of activity and good profitability and cash flow. KONGSBERG ends the year with a solid balance sheet. The Board of Directors will propose towards the General Meeting an ordinary dividend of NOK 2.50 per share (total MNOK 450) for 2019, in addition to a buyback program of own shares up to MNOK 500. Based on an evaluation of the corporate's financial position, and dependent on successful transaction of the sales of Hydroid Inc., an extraordinary dividend of NOK 10.00 per share will be proposed, in total MNOK 1,800.

KONGSBERG MARITIME

KM grew significantly in 2019, even when adjusted for acquisitions. The business area has seen a good order intake throughout the year despite a weak market in general for new builds. KM is ahead of schedule with the integration of Commercial Marine.

In Q4, underlying margins showed positive development.

KONGSBERG DEFENCE & AEROSPACE

KDA had good growth and good profitability in 2019. Its order backlog doubled during the year and strong positioning within sectors including the air force, missiles and weapons stations has now begun to generate a significant order intake.

Q4 had record operating revenues and strong profitability. KDA is entering 2020 with a total order backlog of MNOK 20,146.

KONGSBERG DIGITAL

In 2019 KDI took important steps, both in the form of the launch of the new “Vessel Insight” concept and with a breakthrough dynamic digital twin contract in the last quarter of the year.

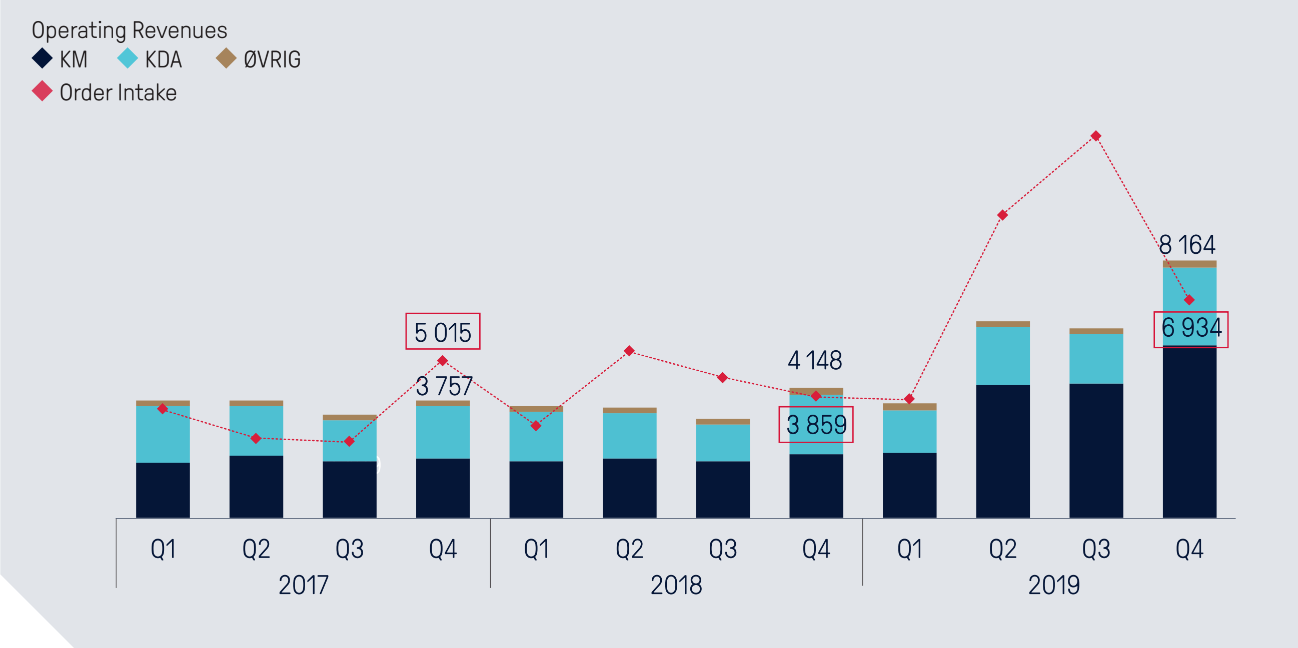
Key figures

MNOK	1.10. - 31.12. 2019	2019 ex. IFRS 16	2018	1.1. - 31.12. 2019	2019 ex. IFRS 16	2018
Operating revenues	8 164	8 164	4 148	24 081	24 081	14 381
EBITDA	851	731	520	2 279	1 856	1 394
EBITDA (%)	10,4	9,0	12,5	9,5	7,7	9,7
EBIT	554	530	406	1 183	1 108	945
EBIT (%)	6,8	6,5	9,8	4,9	4,6	6,6
Earnings before tax	506	516	391	967	1 023	844
Earnings after tax	359	369	344	717	773	704
EPS (NOK)	1,92	1,98	2,39	3,89	4,27	5,58
Order Intake	6 934	6 934	3 859	32 452	32 452	16 574

MNOK	31.12. 2019	30.9. 2019	31.12. 2018
Equity ratio (%) ex. IFRS 16	34,7	38,1	45,7
Equity ratio (%)	32,7	35,7	NA
Net interest-bearing debt [1]	(1 565)	423	(5 706)
Working Capital [2]	17	1 666	(14)
ROACE (%) [3]	10,0	9,5	12,5
Order backlog	33 129	34 244	17 283
No. of employees	10 793	10 807	6 842

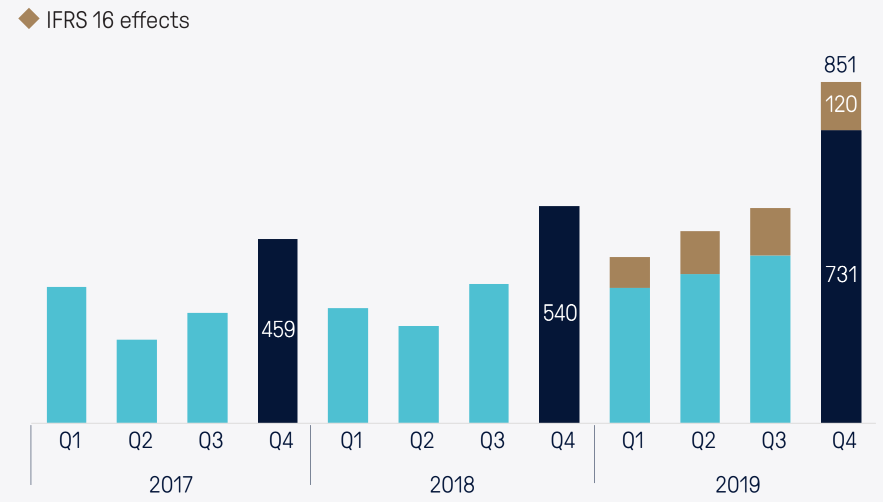
[1] Net interest-bearing debt is the net amount of the accounting lines “Cash and cash equivalents” and “Short- and long-term interest-bearing liabilities”, excluding “leasing commitments”.
[2] Current assets (except cash and cash equivalents) minus non-interest-bearing liabilities (except taxes payable). Financial instruments recognised at fair value are not included in working capital.
[3] 12-month rolling EBIT excluding IFRS 16 divided by the 12-month mean of recognised equity and net interest-bearing debt. Net interest-bearing debt has been adjusted for the purchase price of Rolls-Royce Commercial Marine in relation to what was reported in Q1.

OPERATING REVENUES AND ORDER INTAKE

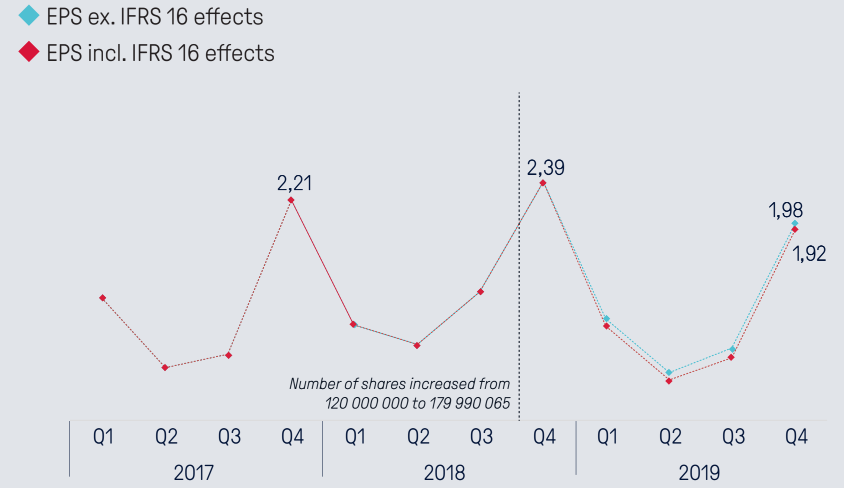


ORDER BACKLOG

EBITDA



EPS



The 2019 accounts take IFRS 16 into consideration, the 2018 figures have not been restated. For comparison purposes, figures excluding IFRS 16 effects have been incorporated elsewhere in the report. When this is the case, it is clearly stated.

Performance, market and orders

OPERATING REVENUES

8,164

MNOK

EBITDA-MARGIN

10.4%

ORDER INTAKE

6,934

MNOK

Operating revenues in Q4 amounted to MNOK 8,164 compared to MNOK 4,148 for the same quarter the previous year. Growth from acquired companies amounted to MNOK 3,122. During 2019 the Group had operating revenues of MNOK 24,081, compared to MNOK 14,381 in 2018. Adjusted for acquired companies, revenue growth in 2019 was 15.9 per cent.

EBITDA in Q4 was MNOK 851, an EBITDA margin of 10.4 per cent compared to MNOK 520 (12.5 per cent) in the same quarter the previous year. Excluding IFRS 16 effects, EBITDA for the quarter was MNOK 731 and the EBITDA margin was 9.0 per cent. Adjusted EBITDA[1] for the quarter was MNOK 896 (MNOK 776 excluding IFRS 16 effects).

In Q4 2019 the Group had positive non-recurring effects of MNOK 55 related to amended pension plans and use of premium funds in the defined contribution scheme.

For 2019, EBITDA was MNOK 2,279 (9.5 per cent) compared to 1,394 (9.7 per cent) in 2018. Excluding IFRS 16 effects, EBITDA for the year was 1,856 (7.7 per cent). Adjusted EBITDA[1] in 2019 was MNOK 2,533 million (MNOK 2,110 excluding IFRS 16 effects), corresponding to an EBITDA margin of 10.5 per cent (8.8 per cent excluding IFRS 16 effects).

[1)]Adjusted EBITDA shows the Group's EBITDA before items that require special explanation. This applies to restructuring/integration costs, profit/loss on the sale of activities and profit/loss effects from changes to pension plans and other non-recurring effects related to pensions.

Presentation of adjusted EBITDA 2019 (MNOK):

	TOT	Q4	Q3	Q2	Q1
Adjusted EBITDA including IFRS 16	**2 533**	**896**	**687**	**564**	**386**
EBITDA effect, profit on sale of Kongsberg Evotec	107	-	-	-	107
Integration costs, Commercial Marine	(273)	(44)	(96)	(54)	(79)
Restructuring costs, Commercial Marine	(143)	(56)	(56)	(31)	-
EBITDA effect, related to pensions	55	55	-	-	-
EBITDA inclusive of IFRS 16 effects	**2 279**	**851**	**535**	**479**	**414**
IFRS 16 effects on EBITDA	(423)	(120)	(119)	(109)	(76)
EBITDA exclusive of IFRS 16 effects	**1 856**	**731**	**417**	**371**	**338**

Order intake in Q4 amounted to MNOK 6,934 compared to 3,859 for the same quarter the previous year. Order intake in the quarter amounted to MNOK 1,954. The book-to-bill ratio during the quarter was 0.85. In 2019 KONGSBERG had an order intake of MNOK 32,452, representing a book/bill of 1.35, compared with MNOK 16,574 in 2018. This means that KONGSBERG nearly doubled its order intake in 2019 compared to the previous year. Around 20 per cent of the order intake came from acquired companies.

The order backlog at the end of 2019 was MNOK 33,129, compared to MNOK 17,283 at the end of 2018. CM's share of the order backlog represented MNOK 6,131.

Cash flow

KONGSBERG showed an increase in cash and cash equivalents of MNOK 1,987 in Q4. Cash flow from operations was MNOK 2,237. EBITDA was MNOK 851, and the Group's working capital has been reduced by MNOK 1,649, largely driven by high payments from defence customers. Cash flow from investment activities was negative by MNOK 71. Cash flow from financing activities was negative by MNOK 155.

In 2019 cash and cash equivalents were reduced by MNOK 4,384, mainly related to the acquisition of Rolls-Royce Commercial Marine (RRCM), where the adjusted purchase price was MNOK 4,865. Negotiations on the final purchase price and coverage of costs were concluded in October 2019 and resulted KONGSBERG receiving a reduction in the purchase price of MNOK 320.

Balance sheet

The Group has interest-bearing debt totalling MNOK 4,089. At the end of the quarter, the Group has five long-term bond loans totalling MNOK 3,450, and other long-term interest-bearing debt of MNOK 19. The Group also has a bond loan of MNOK 550 maturing on 5 March 2020. Total short-term interest-bearing debts amount to MNOK 620. See Note 6. The Group had MNOK 5,654 in cash and cash equivalents at the end of Q4 compared to MNOK 10,038 at the end of Q4 2018.

At the end of the quarter, net interest-bearing debt closed at MNOK -1,565, compared to MNOK -5,706 at the end of 2018. Settlement for the purchase of RRCM took place on 1 April 2019 (and was finally determined in October), and is the main reason for the change in net interest-bearing debt in 2019.

In addition, the Group had a syndicated and committed credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. These are unused in 2019.

The overall balance sheet increased by MNOK 11,543 in 2019. The main reasons are the acquisitions of RRCM and Aerospace Industrial Maintenance (AIM), as well as the implementation of IFRS 16.

NET INTEREST-BEARING DEBT

(1,565)

MNOK

EQUITY RATIO

32.7%

	31.12.		30.9.		31.12.
MNOK	*2019*	*2019 ex. IFRS 16*	*2019*	*2019 ex. IFRS 16*	*2018*
Equity	12 810	12 868	12 618	12 665	12 626
Equity ratio (%)	32,7	34,7	35,7	38,1	45,7
Total assets	39 201	37 061	35 331	33 261	27 658
Working capital [1)]	17	17	1 666	1 666	(14)
Gross interest-bearing debt	4 089	4 089	4 090	4 090	4 332
Cash and cash equivalents	5 654	5 654	3 667	3 667	10 038
Net interest-bearing debt [1)]	(1 565)	(1 565)	423	423	(5 706)

[1)] See definitions note 12.

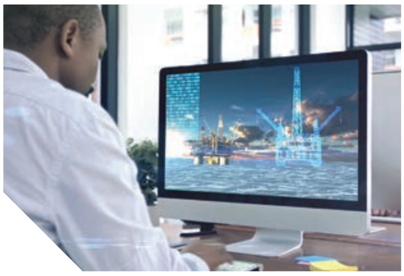
Currency

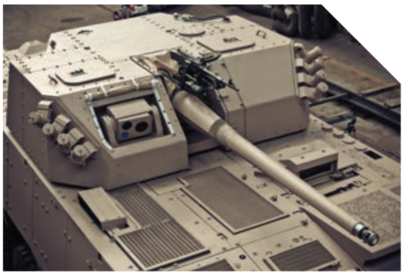
The company's currency policy means that contractual currency flows are hedged by forward contracts (fair value hedges). In addition, the Group hedges a proportion of expected order intake for large contracts according to the established policy (cash flow hedges). The company's portfolio of cash flow hedges had a fair value of MNOK -168 at the end of the quarter, which is recognised in equity. See also Note 6. Significant delivery contracts could affect the company's liquidity if there are changes in contractual currency flows.

Product development

KONGSBERG is continually investing in product development, both through in-house-funded and customer-funded programmes. In-house-funded product development and maintenance during the quarter totalled MNOK 471, of which MNOK 68 was capitalised. See the table in Note 7. In-house-funded development posted on the balance sheet for the quarter is mainly related to projects in KDI and KDA.

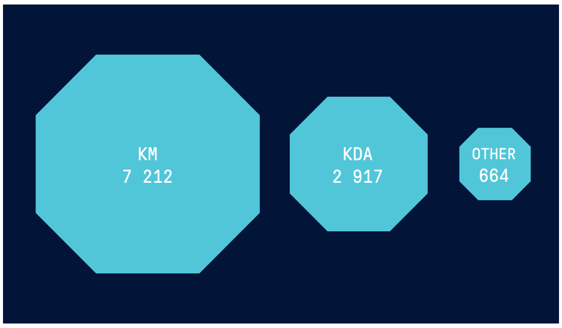
Customer-funded development comes in addition, either as part of delivery projects or as specific development assignments. Over time, the total costs of product development and maintenance account for about 10 per cent of operating revenues.





Human resources

The company had 10,793 employees at the end of the quarter. Within KM there was a net reduction of 63 employees during the quarter, mainly related to restructuring and CM integration. In relation to the restructuring of CM, it was announced that the number of employees will be reduced by about 450. By the end of 2019, most of these had finished work, signed a final agreement or been notified that their employment would be terminated.



Number of employees by business areas

Other activities

Other activities consist of Kongsberg Digital (KDI), real estate and corporate functions.

In 2019 KDI increased revenues by 25 per cent compared to the previous year. Profitability also improved significantly as a result of increased volumes and improved costs. Book/bill for the quarter was 1.22, and 1.11 for the year as a whole. In October KDI signed an agreement with Shell regarding the digitisation (dynamic digital twin) of Nyhamna. This is an important breakthrough for KONGSBERG's digital ventures.

Kongsberg Aviation Maintenance Services As

The acquisition of Aerospace Industrial Maintenance Norway as was completed on 29 May 2019 and the new unit (Kongsberg Aviation Maintenance Services) is reported as part of the Aerostructures division in Kongsberg Defence & Aerospace. During the period 29 May to 31 December 2019, the company had operating revenues of MNOK 275 and an adjusted EBITDA of MNOK 11 (excluding IFRS 16 effects). See Note 11.

Commercial Marine

The acquisition of Rolls-Royce Commercial Marine was completed on 1 April 2019 and the new entity, Commercial Marine (CM), is reported as part of Kongsberg Maritime from the start of Q2 2019.

See the KM chapter for CM developments.

Events after balance date

Kongsberg Maritime has signed an agreement to sell its subsidiary Hydroid.
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On 4 February 2020 Kongsberg Maritime signed an agreement to sell the subsea technology company Hydroid Inc. in the USA to Huntington Ingalls Industries (HII) for USD 350 million. At the same time, the parties will enter into a strategic cooperation agreement on subsea technology and maritime solutions, which will come into effect once the transaction has been completed.

Kongsberg Maritime purchased Hydroid for USD 80 million in 2007 and is now selling the US subsidiary for USD 350 million on a debt- and cash-free basis, adjusted for converted working capital.

Hydroid Inc. is a wholly-owned subsidiary of Kongsberg Maritime AS, and has its head office in Pocasset, Massachusetts, USA. The company produces and supplies autonomous subsea vessels to both the military and commercial markets, with the US Navy as its largest customer.

At the end of Q4 2019, Hydroid had an order backlog of MNOK 813. In 2019 the company delivered revenues of MNOK 862, with EBITDA at MNOK 133. See the table below for key figures for the period 2016–2019.

Profit and loss items (MNOK)	*2016*	*2017*	*2018*	*2019*
Revenues	598	542	617	862
Operating profit before depreciation and amortization (EBITDA)	97	76	84	133
Earnings before interest and taxes (EBIT)	60	38	60	120
Balance sheet items (MNOK)				
Fixed Assets	238	200	189	194
Reported working capital	281	279	221	247
Cash	19	28	146	28
Net assets exclusive goodwill	538	507	556	469

The transaction is expected to be completed within Q1 2020, and is subject to the normal conditions, such as approval by the relevant authorities.

KONGSBERG MARITIME

Background

On 1 April 2019, the acquisition of Rolls-Royce Commercial Marine (RRCM) from Rolls-Royce plc. was completed, and RRCM has since been integrated into Kongsberg Maritime (KM). The acquired entity is hereinafter referred to as Commercial Marine (CM). With effect from Q2 2019, CM's financial results have been consolidated into the results reported for KM.

In order to illustrate a comparable trend with respect to 2018 the results are hereinafter presented as a total for the merged KM, as well as for "formerly KM" and for CM, hereinafter referred to as:

- KM: The integrated "new" Kongsberg Maritime, a leading turnkey supplier to the maritime industry, which comprises the following divisions: Sensors & Robotics, Integrated Solutions, Propulsion & Engines, Systems & Deck Machinery, and Global Customer Support.
- "Formerly KM": Comprises Sensors & Robotics, Integrated Solutions, and Global Customer Support.
- CM: Comprises Propulsion & Engines, Systems & Deck Machinery, and Marine Services (corresponding to Global Customer Support in "formerly KM").

From 2020 onwards the results for CM will no longer be reported separately, but as an integrated part of KM.

Performance

Operating revenues were MNOK 5,490 in Q4 compared to MNOK 2,041 in the same quarter the previous year. Growth within the "formerly KM" was 21 per cent. All divisions have seen growth. Operating revenues from CM was MNOK 3,016 during the quarter. Within CM, the Propulsion & Engine division had high revenues in Q4 as a result of significant delivery volumes towards the end of the year. CM also saw a high level of aftermarket activity during the quarter.

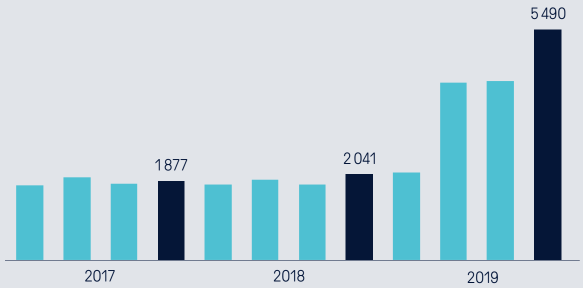
Accumulated operating revenues in 2019 was MNOK 16,038, up from MNOK 7,545 in 2018. Growth within the "formerly KM" amounted to around 18 per cent. CM has accumulated operating revenues of MNOK 7,134 (Q2–Q4), an increase of around 10 per cent compared to 2018.

KEY FIGURES

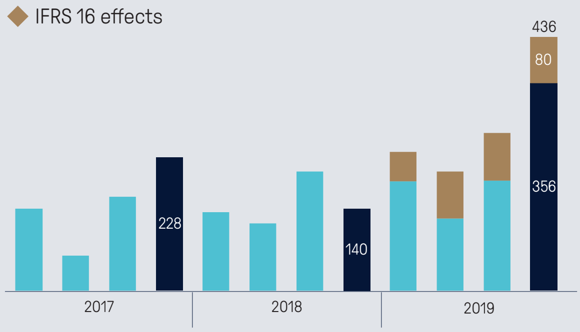
	1.10. - 31.12.		1.1. - 31.12.	
MNOK	2019	2018	2019	2018
Operating revenues	5 490	2 041	16 038	7 545
EBITDA ex. IFRS 16	356	140	855	594
EBITDA	436	-	1 151	-
EBITDA (%) ex. IFRS 16	6,5	6,9	5,3	7,9
EBITDA (%)	7,9	-	7,2	-
Order Intake	4 148	1 853	15 469	8 884

	31.12.	30.9.	31.12.
MNOK	2019	2019	2018
Order backlog	12 095	13 386	5 739
No. of employees	7 212	7 275	3 794

Operating Revenues



EBITDA



EBITDA in Q4 was MNOK 436, an EBITDA margin of 7.9 per cent compared to MNOK 140 (6.9 per cent) in the same quarter the previous year. Excluding IFRS 16 effects, EBITDA for the quarter was MNOK 356 and the EBITDA margin was 6.5 per cent. Adjusted EBITDA[1] for the quarter was MNOK 528. The EBITDA is driven by the realisation of cost synergies relating to the integration of Commercial Marine, and good aftermarket results.

EBITDA in 2019 was MNOK 1,151, and the EBITDA margin was 7.2 per cent compared to MNOK 594 (7.9 per cent) in 2018. Excluding IFRS 16 effects, EBITDA was MNOK 855 and the EBITDA margin was 5.3 per cent. Adjusted EBITDA[1] in 2019 was MNOK 1,452.

[1)]Adjusted EBITDA shows the Group's EBITDA before items that require special explanations. This applies to restructuring/integration costs and profit/loss resulting from sales of operations.

Presentation of adjusted EDITDA Q4 2019 (MNOK):

	KM	«Formerly KM»	CM
Operating revenues	5 490	2 474	3 016
Adjusted EBITDA	536	297	239
Integration costs Commercial Marine	(44)	-	(44)
Restructuring costs Commercial Marine	(56)	-	(56)
EBITDA including IFRS 16 effects	436	297	139
IFRS 16 effects on EBITDA	(80)	(50)	(30)
EBITDA excluding IFRS 16 effects	356	247	109

Presentation of adjusted EBITDA 2019 (MNOK):

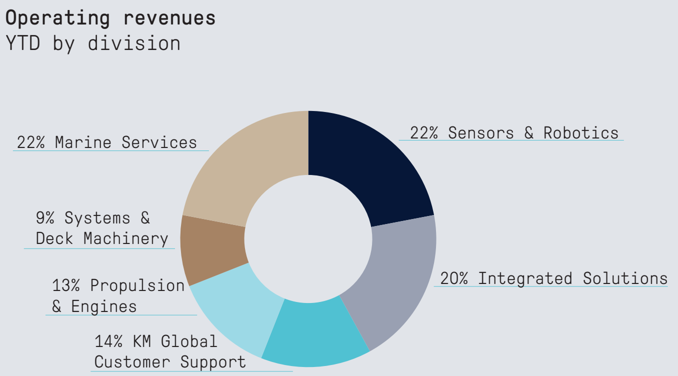
	KM	«Formerly KM»	CM
Operating revenues	16 039	8 905	7 134
Adjusted EBITDA	1 460	1 091	369
EBITDA effect, profit from sale of Kongsberg Evotec	107	107	-
Integration costs Commercial Marine	(273)	(79)*	(194)
Restructuring costs Commercial Marine	(143)	-	(143)
EBITDA including IFRS 16 effects	1 151	1 119	32
IFRS 16 effects on EBITDA	(296)	(204)	(92)
EBITDA excluding IFRS 16 effects	855	915	(60)

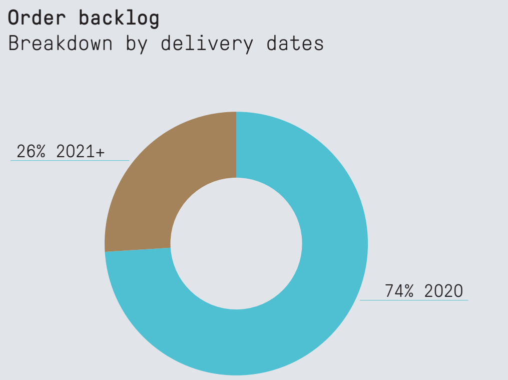
*) Costs related to integration preparations in Q1 2019.

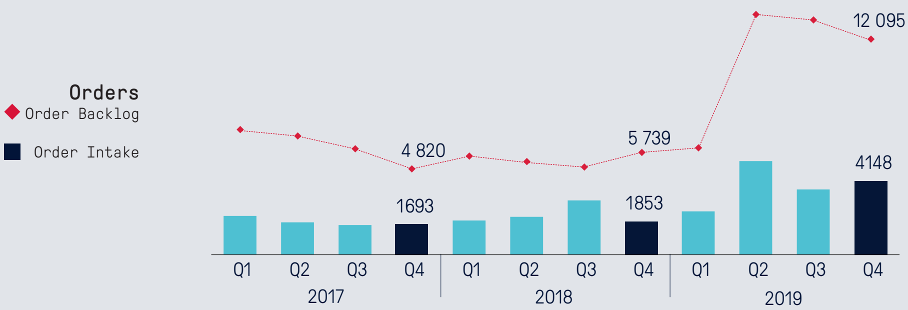
The adjusted margin for the "formerly KM" is therefore 12.4 per cent for 2019 (9.9 per cent excluding IFRS 16), compared to an adjusted margin of 9.3 per cent in 2018.

The costs for integration and restructuring in Q4 are mainly linked to the merger and streamlining of IT systems, restructuring and other harmonisation activities.

As part of the acquisition of CM, a broad integration programme has been initiated, with the target of realising annual cost savings of MNOK 500 compared to 2018. During 2019, MNOK 260 in cost savings has already been realised, which is significantly ahead of the original plan of MNOK 200 (adjusted to MNOK 250 at Capital Markets Day 2019). The additional savings are as a result of identifying further measures, along with faster implementation than initially assumed. The target of achieving MNOK 500 in savings has







now been brought forward by two years compared to the original plan, from 2022 to 2020. The savings come from a wide range of measures, including the restructuring of loss-making units, merging of locations, consolidating delivery functions, optimisation of the product portfolio and technology investments, along with reducing overheads. As part of these activities, a reduction has been announced of around 450 FTEs. Although the integration programme will finish two years ahead of the original schedule, the systematic improvement work will continue to achieve the target of a minimum of 13 per cent EBITDA margin (11 per cent excluding IFRS 16 effects) in 2022.

Market and orders

Order intake in Q4 was MNOK 4,148, equivalent to a book/bill of 0.76. In Q4 2018 the order intake was MNOK 1,853. The orders break down as follows:

- "Formerly KM" had an order intake of MNOK 2,193 and a book/bill of 0.89.
- CM had an order intake of MNOK 1,954, equivalent to a book/bill of 0.65.

Order intake in 2019 was MNOK 15,469, equivalent to a book/bill of 0.96. The order intake of "Formerly KM" was MNOK 9,030, a book/bill of 1.01, compared with MNOK 8,884 in 2018. CM's order intake in 2019 was MNOK 8,412 (pro forma for Q1), compared with MNOK 9,901 (pro forma) in 2018.

The Sensors & Robotics division showed good order intake, particularly in the Marine Robotics area, both in Q4 and 2019. Hugin Superior was launched by KM in 2019. The new autonomous subsea vessel has significantly expanded capabilities compared to previous versions in terms of working depths, precision and capacity. AUVs are used for both civilian and military purposes such as seabed mapping, underwater inspection and searching for mines. KM signed three Hugin Superior contracts in 2019, two of them in Q4, both at a value of approximately USD 10 million.

Aftermarket order intake increased both in Q4 and for 2019 compared with the previous year. A general increase in activity in the market and a larger number of vessels in operation are an important reason behind this increase in activity.

The contracting of new vessels was at a historically low level in 2019, particularly through the second half of the year. This was also noticeable for KM, and order intake from the new-build market was weak in a number of segments in both Q4 and for the year as a whole. One market that excelled in 2019 is the LNG market. This is a market where KM traditionally has a strong presence. New contracts in this market are at about the same level as in 2018, when the contracting of LNG Carriers reached a historically high level.

Despite a generally low level of activity in the new-build market, important contracts were signed in 2019, such as:

- Awilco 2 – delivery for MNOK 350, including a wide range of systems consisting of systems from both the "formerly KM" and CM.
- Three new coastguard vessels to be built by Vard – MNOK 280 for deliveries mainly from the Propulsion & Engines division.

With new rules from IMO 2020 and a significantly greater focus on ESG (environmental, social and governance) in the market in general, the demand for environmentally friendly solutions is increasing. KM's systems deliveries are largely systems contributing to safer and more efficient operations. This leads to a reduction in both emissions and risks. An example of such a delivery that took place in 2019 is the upgrade of two Golden Energy offshore vessels. A "SAVe Energy Battery System" and a "vessel performance management system" from KONGSBERG were installed. In a DP2 operation, this reduces genset running hours by 50 per cent and fuel consumption by approximately 20 per cent. This corresponds to a reduction of 300 tonnes of CO2 and 1 tonne of NOx emissions.

KONGSBERG DEFENCE & AEROSPACE

Performance

Operating revenues reached MNOK 2,468 in Q4, compared with MNOK 1,898 in the same quarter the previous year, an increase of 30 per cent, of which 6 per cent came from acquired companies. For 2019, operating revenues amounted to MNOK 7,245, compared to MNOK 6,104 the previous year. Growth without acquired companies amounts to 14.2 per cent compared to the previous year. The largest increase this quarter was in the Missiles, Aerostructures and Protech Systems divisions, all of which have a high level of growth. Within the missile sector, there is increased activity in a number of major projects. The increase within Aerostructures follows the ramp-up of the F-35 programme, where full production is now approaching. Over the past 15 months, Protech Systems has shown a strong order intake, including from the US-based CROWS programme, which has increased its deliveries. For the year as a whole, the Missiles, Aerostructures and Integrated Defence Systems divisions have contributed the greatest growth.

Results for the acquired company KAMS have been consolidated into KDA from 29 May 2019 onwards. The entity is 50.1 percent owned by KDA and is reported under the Aerostructures division. In Q4, operating revenues for KAMS were MNOK 106, and for the year MNOK 275 (from 29 May 2019).

EBITDA in Q4 was MNOK 448, an EBITDA margin of 18.2 per cent compared to MNOK 371 (19.5 per cent) in the same quarter the previous year. EBITDA excluding IFRS 16 was MNOK 398.

During 2019, EBITDA amounted to MNOK 1,157, compared to MNOK 863 during the same period the previous year. EBITDA excluding IFRS 16 was MNOK 990 in the same period. The EBITDA margin in 2019 was 16.0 per cent (13.7 per cent excluding IFRS 16), compared with 14.1 per cent in 2018.

Results from Patria and Kongsberg Satellite Services (KSAT):

- Patria: MNOK 7 (65) for Q4 2019 and MNOK -35 (80) in 2019.
- KSAT: MNOK 24 (22) for Q4 2019 and MNOK 112 (104) in 2019.

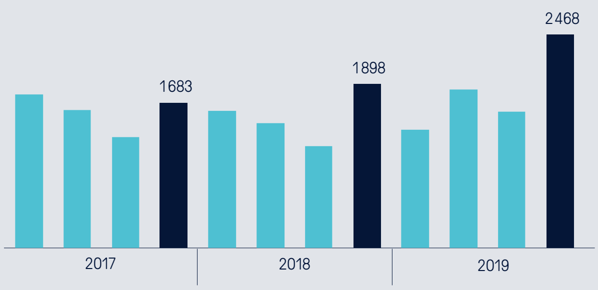
Patria recorded operating revenues of EUR 166 million during Q4, compared to EUR 150 million during the same quarter the previous year. The majority of this increase comes from the acquired Belgium Engine Center. Operating revenues in 2019 amounted to EUR 508 million, compared to EUR 476 million in 2018. In Q4, EBITDA amounted to EUR 15 million, compared to EUR 22 million in the same period the previous year. During the first half of the year, EBITDA amounted to EUR 33 million, compared to EUR 48 million during the same period the previous year. The decline in Patria results both in Q4 and for the year as a whole are mainly due to a lower level of activity within the Land division. See Note 5.

KEY FIGURES

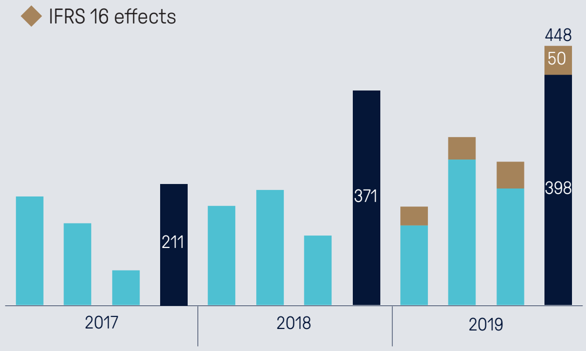
	1.10. - 31.12.		1.1. - 31.12.	
MNOK	2019	2018	2019	2018
Operating revenues	2 468	1 898	7 245	6 104
EBITDA ex. IFRS 16	398	371	990	863
EBITDA	448		1 157	
EBITDA (%) ex. IFRS 16	16,1	19,5	13,7	14,1
EBITDA (%)	18,2		16,0	
Order Intake	2 509	1 770	16 060	6 885

	31.12.	30.9.	31.12.
MNOK	2019	2019	2018
Order backlog	20 146	20 027	10 744
No. of employees	2 917	2 889	2 448

Operating Revenues



EBITDA



Market and orders

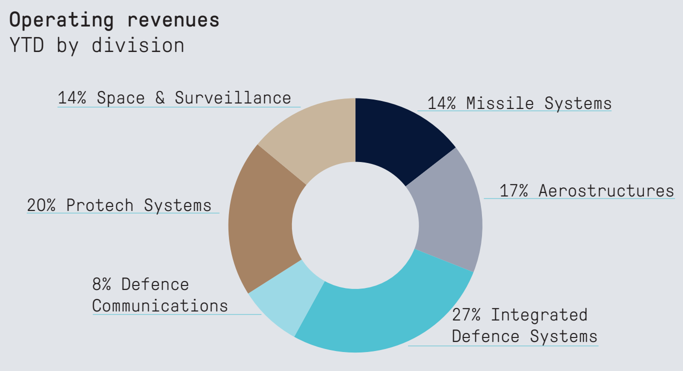
Order intake amounted to MNOK 2,509 in Q4 compared to MNOK 1,770 in the same quarter the previous year. This gives a book-to-bill ratio of 1.02. Order intake is good throughout the business area, particularly within Protech Systems, Integrated Defence Systems and Missiles.

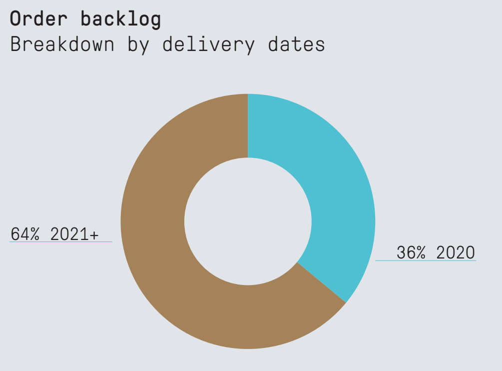
The cumulative order intake in 2019 was MNOK 16,060 compared to MNOK 6,885 in 2018. This gave KDA a record order backlog of MNOK 20,146 at the start of 2020. Order intake has been good throughout the business area and all divisions enter 2020 with an order backlog that is higher or at the same level as last year. The biggest increase was seen in the Integrated Defence Systems division, which included significant orders for delivery of the NASAMS air defence system to both Qatar and Australia. The Aerostructures division now has more than two years' worth of deliveries in its order backlog. Protech Systems is continuing this promising trend and its order backlog is now at its highest level since the peak years of 2008 to 2011.

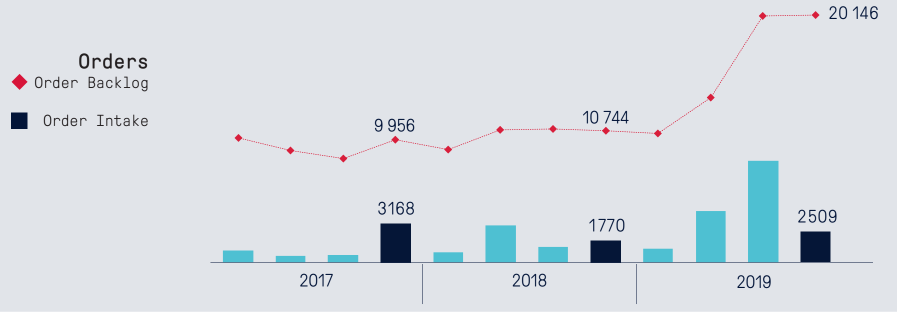
Key contracts signed during Q4:

- **Air defence for the Norwegian Army, worth MNOK 583.** The air defence system is a highly mobile short-range system that will reuse key features of the NASAMS system as its command and control and unique network solutions.
- **Joint Strike Missile (JSM) for Japan, worth MNOK 450.** The international F-35 user environment is showing great interest in JSM and Japan is the first country to have ordered the new missile. This contract is the second JSM order from Japan.
- **New users and new uses for Remote Weapon Station (RWS):**
  - In December 2018 Denmark became the 23rd nation to use the KONGSBERG RWS. The Danish Army ordered weapons control systems worth MNOK 270.
  - Germany is the first country to acquire the Counter Unmanned Aerial System (C-UAS) anti-drone system from KONGSBERG. The contract is worth MNOK 250. KONGSBERG has followed the development of the UAS over time and produced technology and solutions for the detection, tracking and combating of drones. There has also been close cooperation with the Norwegian Defence Research Establishment (FFI) during evaluation of solutions. The combination of the proven PROTECTOR RWS with advanced sensors, measurement algorithms and short engagement time provides an innovative and cost-effective solution.
- **Two maintenance contracts signed with the Norwegian Defence Logistics Organisation (Forsvarets Logistikkorganisasjon, FLO):**
  - Framework agreement for technical support and maintenance of equipment supplied by KONGSBERG for naval vessels. The agreement amounts to a minimum of MNOK 71 per year.
  - Framework agreement for KAMS for maintenance of the Norwegian NH-90 helicopter fleet. The agreement is valid from 2020 to 2026 and has an estimated value of approximately MNOK 100 per year. This is the first contract within the strategic cooperation agreement we signed with the Norwegian Defence Logistics Organisation (FLO) in December 2019.

The defence market is characterised by relatively few, but large, contracts. Deliveries are normally made over an extended period and involve several milestones. Fluctuations in order intake and performance are therefore considered normal. In 2018 and so far in 2019, KONGSBERG has won strategically important contracts and expects further good order intake over the coming years as a result of KDA's strong market position in its segments. Investments in defence programmes are often long-term processes. It is the authorities in the countries in question that are potential customers for major defence systems. They consider national security and domestic economic development as significant factors, in addition to product price and performance, when purchasing defence equipment. National budgets and political constraints will therefore strongly influence whether and, if so, when contracts are signed with KONGSBERG.







OUTLOOK

KONGSBERG goes into 2020 with strong positioning and a solid balance. In 2019, order intake was strong, and the order reserve at the start of 2020 is NOK 33 billion, double that of last year. Approximately NOK 7 billion of the increase comes from acquired companies. The defence market seems to be remaining solid, and there is good demand for the KONGSBERG product portfolio. However, elements of the maritime market are somewhat more challenging. The contracting of new vessels in 2019 was historically low, and there is great competition for available projects. We expect this part of the maritime market to continue to be challenging in 2020. KONGSBERG has equipment installed on around 30,000 vessels. Aftermarket activity increased throughout 2019, which is positive for KONGSBERG as it has significant aftermarket revenues.

The large order backlog provides a solid basis for continued growth in 2020. Of this, NOK 16.7 billion will be delivered during the year. The majority of the increase is within Kongsberg Defence & Aerospace, the area in which we expect the highest growth in 2020. Some growth is expected within Kongsberg Maritime, mainly in aftermarket and subsea activities. A number of aspects of the new build market remain challenging. This leads to slightly more uncertainty regarding order intake for deliveries to new vessels. Kongsberg Digital has an increasing order backlog and expects further growth in operating revenues in 2020.

The Commercial Marine integration will also affect the 2020 results, but to a lesser extent than in 2019. Fluctuations in the margins must be expected between quarters, as a consequence of milestones achieved and the current combination of projects.

Kongsberg, 11 February 2020

The Board of Kongsberg Gruppen ASA

NUMBERS & NOTES

Key figures by quarter

KONGSBERG	2019 incl. IFRS 16 effects					2019 ex. IFRS 16 effects					2018					2017				
MNOK	*2019*	*Q4*	*Q3*	*Q2*	*Q1*	*2019*	*Q4*	*Q3*	*Q2*	*Q1*	*2018*	*Q4*	*Q3*	*Q2*	*Q1*	*2017*	*Q4*	*Q3*	*Q2*	*Q1*
Operating revenues	24 081	8 164	6 046	6 244	3 627	24 081	8 164	6 046	6 244	3 627	14 381	4 148	3 154	3 525	3 554	14 490	3 757	3 279	3 733	3 721
EBITDA	2 279	851	535	479	414	1 856	731	417	371	338	1 394	520	347	241	286	1 279	459	274	207	339
EBITDA %	9,5	10,4	8,8	7,7	11,4	7,7	9,0	6,9	5,9	9,3	9,7	12,5	11,0	6,8	8,0	8,8	12,2	8,4	5,5	9,1
Order Intake	32 452	6 934	12 135	9 617	3 766	32 452	6 934	12 135	9 617	3 766	16 574	3 859	4 477	5 299	2 939	13 430	5 015	2 429	2 535	3 451
Order backlog	33 129	33 129	34 054	27 774	17 301	33 129	33 129	34 054	27 774	17 301	17 283	17 283	17 602	16 419	14 814	15 629	15 629	14 298	15 308	16 672
EBIT	1 183	554	230	160	239	1 109	530	209	141	229	945	406	240	124	175	772	299	162	91	220
EBIT %	4,9	6,8	3,8	2,6	6,6	4,6	6,5	3,4	2,3	6,3	6,6	9,8	7,6	3,5	4,9	5,3	8,0	4,9	2,4	5,9

KONGSBERG MARITIME	2019 incl. IFRS 16 effects					2019 ex. IFRS 16 effects					2018					2017				
MNOK	*2019*	*Q4*	*Q3*	*Q2*	*Q1*	*2019*	*Q4*	*Q3*	*Q2*	*Q1*	*2018*	*Q4*	*Q3*	*Q2*	*Q1*	*2017*	*Q4*	*Q3*	*Q2*	*Q1*
Operating revenues	16 038	5 490	4 255	4 221	2 072	16 038	5 490	4 255	4 221	2 072	7 545	2 041	1 798	1 910	1 796	7 429	1 877	1 815	1 969	1 768
EBITDA	1 151	436	271	205	238	855	356	189	124	187	594	140	205	115	134	589	228	161	60	140
EBITDA %	7,2	7,9	6,4	4,9	11,5	5,3	6,5	4,4	2,9	9,0	7,9	6,9	11,4	6,0	7,5	7,9	12,1	8,9	3,0	7,9
Order Intake	15 469	4 148	3 670	5 238	2 413	15 469	4 148	3 670	5 238	2 413	8 884	1 853	3 024	2 107	1 900	7 336	1 693	1 670	1 813	2 160
Order backlog	12 095	12 095	13 196	13 519	5 981	12 095	12 095	13 196	13 519	5 981	5 739	5 739	5 975	4 919	4 740	4 820	4 820	4 908	5 197	5 519
EBIT	488	259	77	(12)	164	436	240	63	(24)	157	453	106	176	78	93	368	146	117	13	92
EBIT %	3,0	4,7	1,8	(0,3)	7,9	2,7	4,4	1,5	(0,6)	7,6	6,0	5,2	9,8	4,1	5,2	5,0	7,8	6,4	0,7	5,2

KONGSBERG DEFENCE & AEROSPACE	2019 incl. IFRS 16 effects					2019 ex. IFRS 16 effects					2018					2017				
MNOK	*2019*	*Q4*	*Q3*	*Q2*	*Q1*	*2019*	*Q4*	*Q3*	*Q2*	*Q1*	*2018*	*Q4*	*Q3*	*Q2*	*Q1*	*2017*	*Q4*	*Q3*	*Q2*	*Q1*
Operating revenues	7 245	2 468	1 578	1 829	1 369	7 245	2 468	1 578	1 829	1 369	6 104	1 898	1 180	1 441	1 585	6 333	1 683	1 281	1 591	1 778
EBITDA	1 157	448	248	291	171	990	398	202	252	138	863	371	120	200	172	612	221	61	142	188
EBITDA %	16,0	18,1	15,7	15,9	12,5	13,7	16,1	12,8	13,8	10,1	14,1	19,5	10,2	13,9	10,9	9,7	13,1	4,8	8,9	10,6
Order Intake	16 060	2 509	8 254	4 160	1 137	16 060	2 509	8 254	4 160	1 137	6 885	1 770	1 272	3 045	798	5 376	3 168	648	559	1 001
Order backlog	20 146	20 146	20 027	13 433	10 519	20 146	20 146	20 027	13 433	10 519	10 744	10 744	10 867	10 772	9 170	9 956	9 956	8 476	9 115	10 150
EBIT	760	338	145	196	81	758	352	139	190	77	621	309	58	137	117	409	165	13	93	138
EBIT %	10,5	13,7	9,2	10,7	5,9	10,5	14,3	8,8	10,4	5,6	10,2	16,3	4,9	9,5	7,4	6,5	9,8	1,0	5,8	7,8

*Pro forma figures, not audited *:*

COMMERCIAL MARINE	2019 incl. IFRS 16 effects					2019 ex. IFRS 16 effects					2018				
MNOK	*2019*	*Q4*	*Q3*	*Q2*	*Q1*	*2019*	*Q4*	*Q3*	*Q2*	*Q1*	*2018*	*Q4*	*Q3*	*Q2*	*Q1*
Operating revenues	9 005	3 016	2 089	2 029	1 871	9 005	3 016	2 089	2 029	1 871	8 215	2 475	1 980	2 054	1 706
EBITDA	336	239	78	52	(33)	213	209	46	22	(64)	(273)	(6)	(13)	(81)	(173)
EBITDA %	3,7	7,9	3,7	2,6	(1,8)	2,5	6,9	2,2	1,1	(3,4)	(3,3)	(0,2)	(0,7)	(3,9)	(10,1)
Order Intake	8 412	1 954	1 840	2 645	1 973	8 412	1 954	1 840	2 645	1 973	9 901	2 791	2 404	2 580	2 126
Order backlog	6 131	6 131	7 077	7 229	6 739	6 131	6 131	7 077	7 229	6 739	6 631	6 631	6 133	5 649	5 111
EBIT	118	204	26	(21)	(91)	89	194	19	(27)	(97)	(396)	(38)	(42)	(112)	(204)
EBIT %	1,4	7,1	1,2	(1,0)	(4,9)	1,1	6,4	0,9	(1,3)	(5,2)	(4,8)	(1,5)	(2,1)	(5,5)	(12,0)

*) The figures are exclusive of integration costs, restructuring costs and the amortisation of excess values in connection with the acquisition.

Condensed income statement

2019 is inclusive IFRS 16 effects.

		1.10. - 31.12.		1.1. - 31.12.	
MNOK	*Note*	*2019*	*2018*	*2019*	*2018*
Operating revenues	4	8 164	4 148	24 081	14 381
Operating expenses	7	(7 311)	(3 719)	(21 823)	(13 168)
Share of net income from joint arrangements and associated companies	5	(2)	91	21	181
EBITDA	4,12	851	520	2 279	1 394
Depreciation of property, plant and equipment		(99)	(87)	(440)	(350)
Depreciation of leasing assets		(95)	-	(348)	-
Writedowns of property, plant and equipment		(18)	(6)	(18)	(6)
Amortisation of intangible assets		(85)	(21)	(290)	(93)
EBIT	4,12	554	406	1 183	945
Interest on leasing liabilities	2	(35)	-	(131)	-
Net financial items	6	(13)	(15)	(85)	(101)
Earnings before tax (EBT)		506	391	967	844
Income tax expenses	10	(147)	(47)	(250)	(140)
Earnings after tax		359	344	717	704
Attributable to:					
Equity holders of the parent		346	340	700	701
Non-controlling interests		13	4	17	3
Earnings per share (EPS) / EPS diluted in NOK		1,92	2,39	3,89	5,58

Condensed statement of comprehensive income

2019 is inclusive IFRS 16 effects.

		1.10. - 31.12.		1.1. - 31.12.	
MNOK	*Note*	*2019*	*2018*	*2019*	*2018*
Earnings after tax		359	344	717	704
Comprehensive income for the period:					
Items to be reclassified to profit or loss in subsequent periods:					
Change in fair value, financial instruments					
- Cash flow hedges (Currency futures and interest rate swaps)	6	5	30	(117)	65
Tax effect cash flow hedges (Currency futures and interest rate swaps)		(1)	(8)	26	(16)
Translation differences and hedge of net investments, currency		(75)	212	108	70
Total items to be reclassified to profit or loss in subsequent periods		(71)	234	17	119
Items not to be reclassified to profit or loss:					
Actuarial gains/losses pensions		(112)	54	(112)	54
Income tax on items remaining in equity		-	-	15	(12)
Total items not to be reclassified to profit or loss		(112)	54	(97)	42
Comprehensive income after tax		176	632	637	865

Condensed statement of financial position

2019 is inclusive IFRS 16 effects.

MNOK	Note	31.12. 2019	30.9. 2019	31.12. 2018
Property, plant and equipment		**3 924**	4 069	2 531
Leasing assets	2	**2 141**	2 070	-
Intangible assets	7	**6 487**	6 436	2 889
Shares in joint arrangements and associated companies	5	**3 247**	3 269	3 400
Other non-current assets		**213**	232	188
Total non-current assets		**16 012**	**16 076**	**9 008**
Inventories		**3 964**	4 298	2 174
Trade receivables		**6 363**	4 126	2 802
Customer contracts, asset		**5 834**	5 689	2 994
Other current assets		**1 374**	1 475	642
Cash and cash equivalents		**5 654**	3 667	10 038
Total current assets		**23 189**	**19 255**	**18 650**
Total assets		**39 201**	**35 331**	**27 658**
Issued capital		**5 933**	5 933	5 933
Retained earnings		**6 986**	6 812	6 748
Fair value of financial instruments		**(166)**	(170)	(75)
Non-controlling interests		**57**	43	20
Total equity		**12 810**	**12 618**	**12 626**
Long-term interest-bearing loans	6	**3 469**	3 470	4 020
Long-term leasing liabilities	2	**1 850**	1 794	-
Other non-current liabilities and provisions	3	**2 315**	2 255	1 970
Total non-current liabilities and provisions		**7 634**	**7 519**	**5 990**
Customer contracts, liabilities		**10 481**	7 117	5 157
Short-term interest-bearing loans	6	**620**	620	312
Short-term leasing liabilities	2	**348**	324	-
Other current liabilities and provisions	3	**7 308**	7 133	3 573
Total current liabilities and provisions		**18 757**	**15 194**	**9 042**
Total equity, liabilities and provisions		**39 201**	**35 331**	**27 658**
Equity ratio (%)		**32,7**	35,7	45,7
Net interest-bearing debt		**(1 565)**	423	(5 706)

Condensed statement of changes in equity

2019 is inclusive IFRS 16 effects.

MNOK	Note	31.12. 2019	30.9. 2019	31.12. 2018
Equity opening balance		12 626	12 626	7 365
Comprehensive income accumulated		637	446	865
Dividends		(450)	(450)	(450)
Treasury share		(3)	(3)	(3)
Capital increase		-	-	4 951
Dividends non-controlling interests		-	-	(5)
Change in non-controlling interests		-	(1)	(97)
Equity closing balance		**12 810**	**12 618**	**12 626**

Condensed cash flow statement

2019 is inclusive IFRS 16 effects.

	Note	1.10. - 31.12.		1.1. - 31.12.	
MNOK		2019	2018	2019	2018
EBITDA		851	520	2 279	1 394
Change in net current assets and other operating related items		1 386	804	(273)	795
Net cash flow from operating activities		**2 237**	**1 324**	**2 006**	**2 189**
Acquisition/disposal of property, plant and equipment		(222)	(58)	(534)	(211)
Acquisition through business combinations		194	(20)	(3 625)	(30)
Repayment of loan in aqcuired business		-	-	(1 000)	-
Disposals of businesses		-	-	161	-
Other investing activities including capitalised self-financed development		(43)	(45)	(176)	(141)
Net cash flow from investing activities		**(71)**	**(123)**	**(5 174)**	**(382)**
Net change interest-bearing loans		-	1 004	(238)	996
Repayment of leasing liabilities		(84)	-	(292)	-
Net equity issue		-	4 937	-	4 937
Paid interests		(36)	(36)	(122)	(100)
Paid interests on leasing liabilities		(35)	-	(131)	-
Net payments for the acquisition/disposal of treasury shares		-	-	(27)	(20)
Transactions with non-controlling interests		-	(110)	-	(115)
Dividends paid to equity holders of the parent		-	-	(450)	(450)
- of which dividends from treasury shares		-	-	2	2
Net cash flow from financing activities		**(155)**	**5 795**	**(1 258)**	**5 250**
Effect of changes in exchange rates on cash and cash equivalents		(24)	52	42	25
Net change in cash and cash equivalents		**1 987**	**7 048**	**(4 384)**	**7 082**
Cash and cash equivalents opening balance		**3 667**	**2 990**	**10 038**	**2 956**
Cash and cash equivalents closing balance		**5 654**	**10 038**	**5 654**	**10 038**

Note 1 | General information and principles

General information
The consolidated financial statement for Q4 (interim financial statement) covers Kongsberg Gruppen ASA, its subsidiaries and shares in joint arrangements and associated companies that are included according to the equity method.

Principles
Interim financial statements are compiled in accordance with IAS 34 (interim reporting), stock exchange regulations and the additional requirements of the Securities Trading Act. Interim financial statements do not include the same amount of information as the full financial statements and should be read in the context of the consolidated financial statements for 2018. The consolidated financial statements for 2018 were prepared in compliance with the Norwegian Accounting Act and international standards for financial reporting (IFRS) laid down by the EU.
The consolidated financial statements for 2018 are available from www.kongsberg.com.

New standards that have been applied in 2019 are described in Note 2 of this report.

The interim financial statement has not been audited.

Note 2 | New standards as from 1.1.2019

"IFRS 16 Leases" has been implemented with effect from 1 January 2019
IFRS 16 sets principles for recognition of rental agreements. The standard states that the lessee recognises the value of significant leases with a duration exceeding 12 months as assets and liabilities. The asset is depreciated over the remaining period of the lease, and the lease payment is reclassified to payment of debt and interest in accordance with the annuity method. Leasing of property and buildings is substantial for KONGSBERG, which has also leased production facilities and vehicles. According to IAS 17, these were classified as operational lease agreements. With effect from 1 January 2019, lease agreements have been recognised on the balance sheet. The lease contracts will now be reflected as depreciation and interest expenses on the financial statement. KONGSBERG has applied the modified retrospective method for the transition to IFRS 16, which means that the comparative figures for 2018 have not been updated and that the overall effect on results of depreciation and interest expense will exceed the lease payments in the first few years of the leases with remaining terms. The lease period for KONGSBERG's contracts ranges from 1 to 12 years.

IFRS 16 effects on condensed statement of financial position:	
Opening balance 01.01.2019	1 615
Depreciation Q1	(66)
Opening balance 01.04.2019	1 549
Addition by acqusition AIM Q2	172
Addition by acqusition CM Q2	523
Depreciation Q2	(89)
Opening Balance 01.07.2019	2 155
Addition Q3	13
Depreciation Q3	(98)
Opening balance 01.10.2019	2 070
Addition Q4	166
Depreciation Q4	(95)
Closing balance 31.12.2019	**2 141**

Assets	**31.12.2019**	**30.09.2019**	**30.06.2019**	**31.03.2019**	**01.01.2019**
Leasing assets	2141	2070	2155	1 549	1 615
Total assets	**2 141**	**2 070**	**2 155**	**1 549**	**1 615**
Equity					
Effects on earned equity:					
Returned rent after tax	**329**	**236**	145	59	-
Depreciation and interest expensed after tax	**(375)**	**(274)**	**(167)**	**(71)**	-
Total equity	**(46)**	**(37)**	**(22)**	**(12)**	-
Long-term liabilities and provisions:					
Long-term leasing liabilities	1 850	1 794	1 863	1 362	1 362
Deferred tax	(11)	(10)	(5)	(3)	
Total long-term liabilities and provisions:	**1 839**	**1 784**	**1 858**	**1 359**	**1 362**
Short-term liabilities and provisions:					
Short-term leasing liabilities	348	324	320	202	253
Total short-term liabilities and provisions:	**348**	**324**	**320**	**202**	**253**
Total equity, liabilities and provisions	**2 141**	**2 070**	**2 155**	**1 549**	**1 615**

IFRS 16 effects on condensed income statement in the period:

	1.10-31.12.2019	**1.6-30.9.2019**	**1.4-30.6.2019**	**1.1-31.3.2019**	**1.1-31.12.2019**
Returned rental cost earlier included in EBITDA	(120)	(119)	(109)	(76)	(423)
Increased EBITDA in the period	**120**	**119**	**109**	**76**	**423**
Depreciation on leases	(95)	(98)	(89)	(66)	(348)
Increased EBIT in the period	**24**	**21**	**20**	**10**	**75**
Interest cost on leasing liabilities for the period	(35)	(36)	(35)	(25)	(131)
Reduced EBT in the period	**(11)**	**(15)**	**(15)**	**(15)**	**(56)**

Note 3 | Estimates

Preparing the interim financial statement involves assessments, estimates and assumptions that affect the use of accounting principles and posted amounts for assets and obligations, revenues and expenses. Actual results may deviate from these estimates. The key considerations in connection with the application of the Group's accounting principles and the biggest sources of uncertainty remain the same as when the 2018 consolidated financial statements were compiled.

Note 4 | Segment information

2019 is inclusive IFRS 16 effects.

	OPERATING REVENUES				EBITDA				EBIT			
	1.10. - 31.12.		1.1. - 31.12.		1.10. - 31.12.		1.1. - 31.12.		1.10. - 31.12.		1.1. - 31.12.	
MNOK	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*	*2019*	*2018*
KM	5 490	2 041	16 038	7 545	436	140	1 151	594	259	106	488	453
KDA	2 468	1 898	7 245	6 104	448	371	1 157	863	338	309	760	621
Other	206	209	798	732	(33)	9	(29)	(63)	(43)	(9)	(65)	(129)
Group	8 164	4 148	24 081	14 381	851	520	2 279	1 394	554	406	1 183	945

The acquisition of Rolls-Royce Commercial Marine was completed on 1 April 2019 and is part of the KM segment reporting from Q2 2019. Please refer to Note 11 for further information.

On 21 January 2019, KONGSBERG entered into an agreement with Rome AS regarding the sale of the company Kongsberg Evotec AS, then owned by Kongsberg Maritime AS. The sale resulted from the acquisition of Rolls-Royce Commercial Marine. The sale was completed in January 2019 and is reflected in KM's revenues for the first half of the year in the form of a profit of MNOK 107.

External revenues for Kongsberg Evotec AS was MNOK 104 in the 2018 financial year and MNOK 83 in 2017.

Note 5 | Shares in joint arrangements and associated companies

Specification of movement in the balance sheet line "Shares in joint arrangements and associated companies" 1 January to 31 December:

MNOK	Owner-ship	Carrying amount 1.1.19	Additions/ disposals in the period	Dividends received in the period	Share of net income in the period[1]	Other items and comprehensive income in the period	Carrying amount 31.12.19
Patria Oyj	49,9 %	2 807	(31)	(68)	(35)	(18)	2 656
Kongsberg Satellite Services AS	50,0 %	437	-	(55)	112	(2)	492
Other		156	-	(1)	(56)		100
Total		**3 400**	**(31)**	**(123)**	**21**	**(20)**	**3 247**

[1] The profit/loss is included after tax and amortisation of excess value.

Bridge between Patria's reported EBITDA and KONGSBERG's share of Patria's performance after tax:

	1.10. - 31.12.		1.1. - 31.12.		1.1. - 31.12.	
	2019		*2019*		*2018*	
Millions	*EUR*	*NOK*	*EUR*	*NOK*	*EUR*	*NOK*
EBITDA	15		33		48	
Financial items, taxes, depreciations and amortisation	(10)		(30)		(18)	
Net income after tax	5		3		30	
KONGSBERG's share (49,9 %) [1]		11		(9)		122
Amortisation of excess values after tax		(4)		(26)		(42)
Share of net income recognised in KDA for the period		**7**		**(35)**		**80**

[1] Share of Patria's net income after tax adjusted for non-controlling interests.

Note 6 | Financial instruments

Loans and credit facilities
The Group has six bond loans amounting to a total of MNOK 4,000. The loans are classified as long-term loans, except for KOG10 (nominal value of MNOK 550), which matures within one year and is therefore reclassified as short-term loan. The maturity dates of the long-term bond loans range from 2 June 2021 to 2 June 2026. In addition, the Group had a syndicated credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. Both are unused.

Interest-bearing loans:

			31.12.2019	31.12.2018
MNOK	*Due date*	*Nominal interest rate*	*Value [1]*	*Value [1]*
Long-term loans:				
Bond issue KOG08 - floating interest rate	02.06.2021	3,09 %	1 000	1 000
Bond issue KOG09 - fixed interest rate	02.06.2026	3,20 %	1 000	1 000
Bond issue KOG10 - floating interest rate	05.03.2020	2,74 %	-	550
Bond issue KOG11 - fixed interest rate	05.12.2023	2,90 %	450	450
Bond issue KOG12 - floating interest rate	06.12.2021	2,70 %	500	500
Bond issue KOG13 - floating interest rate	06.06.2024	3,02 %	500	500
Other long-term loans [2]			19	20
Total long-term loans			**3 469**	**4 020**
Short-term loans:				
Bond issue KOG07 - fixed interest rate [3]			-	250
Bond issue KOG10 - floating interest rate	05.03.2020	2,74 %	550	-
Other short-term loans and interest rate swaps [3]			70	62
Total short-term loans			**620**	**312**
Total interest-bearing loans			**4 089**	**4 332**
Syndicated credit facility (unused borrowing limit)	15.03.2023		2 300	2 300
Overdraft facility (unused)			500	500

[1] Value is equal to nominal amount. For long-term loans, the carrying amount is equal to the nominal amount.
[2] "Other long-term loans" consists of smaller loans in local banks in some of the Group's subsidiaries.
[3] The bond issue KOG07 and associated interest rate swap expired 11.9.19, and the value is MNOK 0 as of 31.12.19.

Forward exchange contracts and interest rate swaps
The fair value of balances classified as cash flow hedges fell by MNOK 117[2)] before tax during the period 1 January – 31 December 2019. Of this amount, the change in fair value of forward exchange contracts accounted for a reduction of MNOK 78 during the same period. The end-of-quarter spot prices were USD/NOK 8.78 and EUR/NOK 9.84.

Forward exchange contracts classified as cash flow hedging:

	Due in 2019		Due in 2020 or later		Total		
MNOK (before tax)	*Value based on agreed exchange rates*	*Fair value at 31.12.19 [1)]*	*Value based on agreed exchange rates*	*Fair value at 31.12.19 [1)]*	*Value based on agreed exchange rates*	*Change in fair value from 31.12.18*	*Fair Value at 31.12.19 [1)]*
EUR	(425)	24	1 280	(22)	854	20	2
USD	(601)	(13)	-	-	(601)	(21)	(13)
Other	(24)	(1)	-	-	(24)	(77)	(1)
Sum	**(1 050)**	**11**	**1 280**	**(22)**	**229**	**(78)**	**(11)**
Roll-over of currency futures		(80)		(77)		(80)	(157)
Total	**(1 050)**	**(69)**	**1 280**	**(99)**	**229**	**(159)** [2)]	**(168)**

[1)] Fair value is calculated as the difference between the spot rate at 31 December 2019 and the forward rates on currency contracts.
[2)] The difference between these two figures i.e. MNOK 42, is ascribable to a change in fair values of basis swaps and interest rate swaps of MNOK 23 and adjustments according to implementation of hedge accounting in aquired companies with MNOK 19.

Note 7 | Self-financed development

Self-financed product maintenance, research and development recognised via the income statement during the period:

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	*2019*	*2018*	*2019*	*2018*
Product maintenance	137	86	460	280
Research and development cost	266	175	850	665
Total	**403**	**261**	**1 310**	**945**

Self-financed development recognised via the balance sheet during the period:

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	*2019*	*2018*	*2019*	*2018*
Additions self-financed development	68	33	173	130

Note 8 | Related parties

The Board of Directors is not aware that changes or transactions in Q4 associated with related parties that in any significant way have an impact on the Group's financial position and profit for the period, except that in October KONGSBERG concluded negotiations with Rolls-Royce for the final purchase price of Commercial Marine. In relation to this, KONGSBERG received a repayment of MNOK 244.

In Q2 KONGSBERG purchased shares in Aerospace Industrial Maintenance Norway AS from the Ministry of Defence. See the discussion of the transaction in Note 11.

KONGSBERG is 50.001 per cent owned by the Ministry of Trade, Industry and Fisheries.

Note 9 | Important risk and uncertainty factors

The Group's risk management is described in the 2018 annual report. No new serious risk and uncertainty factors emerged during this quarter.

Note 10 | Tax

As of Q4 the effective tax rate was calculated as 25.9 per cent. The effective tax rate is affected by source tax on dividends from foreign subsidiaries, other permanent differences and the fact that shares of net income from associated companies are recognised after tax.

Note 11 | Acquisitions

Rolls-Royce Commercial Marine
On 6 July 2018 KONGSBERG entered into an agreement for the acquisition of Rolls-Royce Commercial Marine (RRCM) from Rolls-Royce plc. The acquisition was completed on 1 April 2019, and the company is recognised as part of Kongsberg Maritime from Q2 2019 onwards. The acquired entity is hereinafter reported and referred to as "Commercial Marine".

Negotiations with Rolls-Royce on the final purchase price were concluded in October 2019 and resulted in a reduction of the cost price of MNOK 320. In the preliminary purchase price stated in Q1 2019, totalling MNOK 5,145, was MNOK 40 that was reclassified as covering of costs in Q4. The net reduction of the preliminary calculated purchase price is thus MNOK 280. KONGSBERG has made updated assessments of assets and liabilities acquired in the acquisition. This has led to changes in the preliminary allocation of added value. The positions on the next page shows the change in allocation of added value presented in Q1 against the updated allocation of added value as of Q4 2019. The final allocation of added value will be presented in the Q2 2020 report.

MNOK	*Preliminary PPA Q119*	*Changes*	*Updated preliminary PPA Q419*
Customer relationship	616	-	616
Trademarks	66	-	66
Technology	769	-	769
Total intangible assets excluding goodwil	**1 451**	**-**	**1 451**
Property, plant and equipment	1 476	(223)	1 253
Leasing assets	471	-	471
Deferred tax asset	-	-	-
Current assets exclusive cash and cash equivalents	4 719	(114)	4 605
Cash and cash equivalents	2 322	(2)	2 320
Total assets exclusive goodwill	**10 439**	**(339)**	**10 100**
Pension liabilities	(309)	-	(309)
Long term leasing liabilities	(384)	-	(384)
Short term leasing liabilities	(87)	-	(87)
Provisions	(417)	(114)	(531)
Other current liabilities	(4 898)	22	(4 876)
Sum total liabilities	**(6 095)**	**(92)**	**(6 187)**
Net identifable assets and liabilities	**4 344**	**(431)**	**3 913**
Goddwill upon aqcuisition	2 123	149	2 272
Expected remuneration	**6 467**	**(282)**	**6 185**
Cash and cash equivalents acquired	(2 322)	2	(2 320)
Expected remuneration exclusive cash and cash equivalents	**4 145**	**(280)**	**3 865**
Repayment of liabilties at aqcuisition	1 000	-	1 000
Expected net outgoing cash flow linked to the aqcuisition	**5 145**	**(280)**	**4 865**

Aerospace Industrial Maintenance Norway AS

On 13 December 2018 KONGSBERG announced an agreement with the Ministry of Defence for the acquisition of Aerospace Industrial Maintenance Norway (AIM). The acquisition was completed on 29 May 2019 and the agreement concerning shared ownership with Patria was concluded on the same day. KONGSBERG is thus the majority owner with 50.1 per cent while Patria owns 49.9 per cent of the shares in AIM. The company is the Norwegian Armed Forces' organisation that deals with the maintenance, repair and inspection of aircraft and helicopters.

A preliminary analysis of added value was presented in the Q2 2019 report. The final allocation of added value will be presented in the Q2 2020 report.

In June AIM was renamed Kongsberg Aviation Maintenance Services AS.

Note 12 | Definitions

KONGSBERG uses terms in the consolidated financial statements that are not anchored in the IFRS accounting standards. Our definitions and explanations of these terms follow below.

Kongsberg considers *EBITDA* and *EBIT* to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is the abbreviation of “Earnings Before Interest, Taxes, Depreciation and Amortisation”. KONGSBERG uses EBITDA in the income statement as a summation line for other accounting lines. These accounting lines are defined in our accounting principles, which are part of the 2018 financial statements. The same applies to EBIT.

Adjusted EBITDA shows the Group’s EBITDA before items that require special explanation. This applies to restructuring/integration costs, profit/loss on the sale of activities and profit/loss effects from changes to pension plans and other non-recurring effects related to pensions.

Net interest-bearing debt is the net amount of the accounting lines “Cash and cash equivalents” and “Short- and long-term interest-bearing liabilities, excluding leasing commitments”.

Return On Average Capital Employed (ROACE) is defined as the 12-month rolling EBIT excluding IFRS 16 divided by the 12-month mean of recognised equity and net interest-bearing debt. Net interest-bearing debt has been adjusted for the purchase price of Rolls-Royce Commercial Marine in relation to what was reported in Q1.

Working capital is defined as current assets (except cash and cash equivalents) minus non-interest-bearing liabilities (except taxes payable). Financial instruments recognised at fair value are not included in working capital.

Book-to-bill ratio is order intake divided by operating revenues.

RRCM is Rolls-Royce Commercial Marine

CM is Commercial Marine (formerly Rolls-Royce Commercial Marine)

AIM is Aerospace Industrial Maintenance Norway AS

KAMS is Kongsberg Aviation Maintenance Services AS (formerly Aerospace Industrial Maintenance Norway AS)

Restructuring costs are defined as salaries and social security tax upon termination of employment (such as severance and gratuity) in connection with workforce reductions. In addition to this are rent and other related costs and any one-off payments in the event of the premature termination of tenancy agreements for premises that are vacated, along with certain other costs related to restructuring processes.

Integration costs are those associated with integrating Commercial Marine into Kongsberg Maritime.

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.