KONGSBERG

QUARTERLY REPORT 4th QUARTER PRELIMINARY ANNUAL ACCOUNTS 2020

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KONGSBERG

GEIR HÅØY
President & CEO

"Our 2020 results confirm that KONGSBERG is delivering. Furthermore, a solid order backlog provides us with consistency and optimism for 2021. COVID-19 has posed challenges, and I'm impressed by how our customers, partners and organisation have handled the situation. We took immediate action when Norway and significant parts of the world closed down in March 2020. The measures included changes to routines, cost-saving measures and other priorities that together helped us to deliver a good 2020.

The final quarter of the year was also good for KONGSBERG, in both the defence and civilian areas. The order intake within defence means that we finish 2020 with a record high order backlog. The job performed to extract synergies and integrate Commercial Marine makes us a more competitive and complete maritime partner. The roll-out of our dynamic digital twin is continuing, further confirming our position as a digital frontrunner.

I do expect continued growth in defence. Several maritime segments are still challenging for Kongsberg Maritime, but we have never been better positioned for a possible upswing in the market. The past year has accelerated and emphasised the importance of security, sustainability and digitalisation in our markets. We have extensive domain knowledge, world-leading technological solutions and strong industrial positions in all these areas. This makes me confident that our foundations are stronger than ever."

Highlights

KONGSBERG

Solid project execution, a high level of adaptability and a successful integration and cost-savings programme yielded solid results in 2020. A good end to the year with an order intake of MNOK 11,381 in Q4 and solid profitability. The Board will propose to the general meeting to pay NOK 3 /share in ordinary dividends and in addition a special dividend of NOK 5 /share for the 2020 financial year. A repurchase of shares for up to MNOK 400 for cancellation will also be proposed.

	Q4	2020
Revenues:	MNOK 7,148	MNOK 25,612
EBITDA:	MNOK 948	MNOK 3,250
EBITDA margin:	13.3 per cent	12.7 per cent

KONGSBERG MARITIME

KM showed good results in both Q4 and 2020 as a whole. This was fuelled by improved operations and implemented COVID-19 measures, as well as good management of the integration of Commercial Marine. The contracting of new vessels in 2020 has generally been at a low level, but KM still has a solid order backlog and a strong, divesified exposure to the maritime market.

	Q4	2020
Revenues:	MNOK 4,319	MNOK 16,319
EBITDA:	MNOK 464	MNOK 1,532
EBITDA margin:	10.7 per cent	9.4 per cent

KONGSBERG DEFENCE & AEROSPACE

Increased revenues and solid project execution, both in Q4 and 2020 as a whole. In Q2 and Q3, the business area saw high contributions from individual projects as a result of efficient project execution. Strong order intake in Q4, including large orders for air defence, remote weapon stations and missiles, means that KDA finishes 2020 with a record high order backlog of MNOK 23,477.

	Q4	2020
Revenues:	MNOK 2,619	MNOK 8,503
EBITDA:	MNOK 514	MNOK 1,656
EBITDA margin:	19.6 per cent	19.5 per cent

KONGSBERG DIGITAL

An important milestone in 2020 was a new strategic agreement with Shell for the roll-out of dynamic digital twins for the company's global portfolio of installations. KDI is already well underway delivering on this agreement. The software service SiteCom®, used to collect real-time data from drilling operations, showed positive development in 2020. Demand for traditional maritime simulators was weak in 2020, but at the same time we are seeing increasing interest in our digital solution for remote learning, K-Sim Connect®.

Key figures

The share of profits from joint ventures and associated companies is no longer included in EBITDA and EBIT. Comparison figures have been revised.

KONGSBERG sold Hydroid Inc., a wholly owned subsidiary in the Kongsberg Maritime business area, on 26 March 2020. Hydroid's contribution to results, order intake and order backlog has been adjusted out of the key figures in the quarterly report as "discontinued operations". These key figures, including comparative figures, therefore refer to continuing operations. In terms of balance sheet figures and cash flows, no adjustments have been made for Hydroid (see Note 13 Discontinued operations for more information).

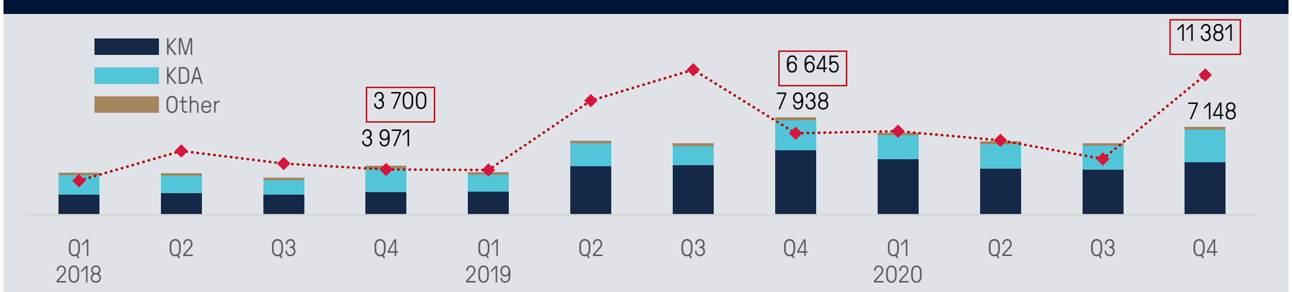
	1.10. - 31.12		1.1. - 31.12		
MNOK	2020	2019	2020	2019	2019
Operating revenue	**7 148**	7 938	**25 612**	23 245	23 245
EBITDA [1]	**948**	825	**3 250**	2 113	2 113
EBITDA (%)	**13,3**	10,4	**12,7**	9,1	9,1
EBIT [1]	**579**	532	**1 905**	1 029	1 029
EBIT (%)	**8,1**	6,7	**7,4**	4,4	4,4
Share of net income from associated companies	**118**	(2)	**186**	21	21
Earnings before tax from continuing operations	**652**	481	**1 855**	833	833
Earnings after tax from continuing operations	**565**	344	**1 481**	596	596
Earnings after tax including discontinued operations	**565**	359	**2 932**	717	717
EPS continued operations (NOK)	**3,14**	1,84	**8,01**	3,22	3,22
EPS included discontinued operations (NOK)	**3,14**	1,93	**16,08**	3,89	3,89
Order Intake	**11 381**	6 645	**28 818**	31 413	31 413

[1] Starting with Q3, the share of net result from joint ventures and associated companies is not included in EBITDA and EBIT.

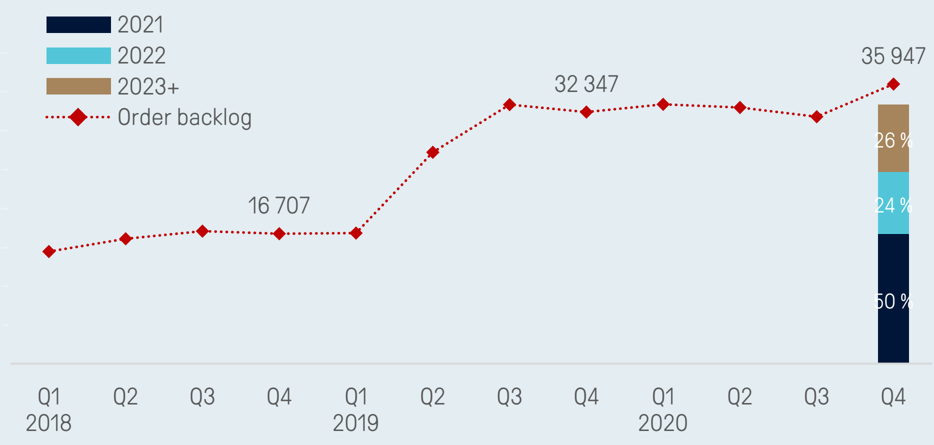
	31.12	30.9.	31.12.
MNOK	2020	2020	2019
Equity ratio (%)	**33,7**	38,1	32,5
Net interest-bearing debt [1]	**(3 949)**	(4 618)	(1 565)
Working Capital [2]	**(458)**	406	17
ROACE (%) [3]	**20,8**	18,1	10,0
Order backlog	**35 947**	31 748	32 347
No. of employees	**10 689**	10 742	10 793

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 including share of net income from joint arrangements and associated companies, 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 2019.

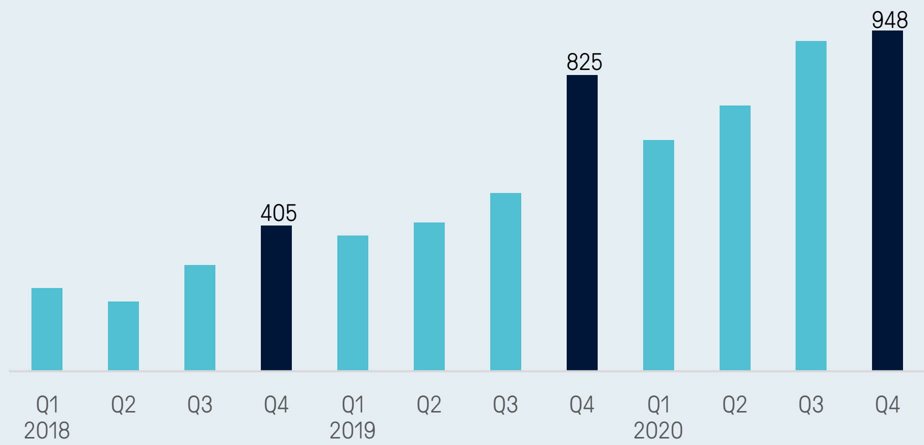
OPERATING REVENUE AND ORDER INTAKE



ORDER BACKLOG



EBITDA



EBITDA does not include the share of net result from joint ventures and associated companies.
2018 figures are exclusive IFRS 16

EPS
Continued operations

*Number of shares increased from 120 000 000 to 179 990 065
2018 figures are exclusive IFRS 16

Performance, market and orders

Operating revenues in Q4 amounted to MNOK 7,148 compared to MNOK 7,938 for the same quarter the previous year. Operating revenues in 2020 were MNOK 25,612, against MNOK 23,245 in 2019. Including pro forma revenues from Commercial Marine for Q1 2019, operating revenues in 2019 were MNOK 25,116.

EBITDA was MNOK 948 in Q4, an EBITDA margin of 13.3 per cent, compared to MNOK 825 (10.4 per cent) in the same quarter the previous year. Restructuring costs of MNOK 13 connected to the ongoing integration of Commercial Marine are included in the figures for Q4 2020. No integration costs were incurred in the quarter (MNOK 100 in integration and restructuring costs in Q4 2019). In 2020 in total, EBITDA amounted to MNOK 3,250 (12.7 per cent), compared to MNOK 2,113 (9.1 per cent) in 2019. EBITDA in 2020 was affected by integration costs of MNOK 61 and restructuring costs of MNOK 25, totalling MNOK 86. The comparative costs in 2019 were MNOK 273 and MNOK 143, respectively, totalling MNOK 416.

The sale of Hydroid, which was completed in Q1 2020, resulted in a preliminary calculated profit after tax of MNOK 1,431, which is recognised as results from discontinued operations. Profit after tax from Hydroid in Q1 amounted to MNOK 20, which is also classified as results from discontinued operations. Profits from discontinued operations totalled MNOK 1,451 in 2020 (MNOK 121 in 2019).

During Q4, order intake amounted to MNOK 11,381, compared to MNOK 6,645 in the same quarter last year. This gives a book-to-bill ratio for the quarter of 1.59. The cumulative order intake in 2020 was MNOK 28,818, compared to MNOK 31,413 in 2019. It is mainly KDA that has reduced order intake in 2020 compared with last year, however, with strong order intake in the last quarter of the year, the business area delivers a book-to-bill ratio of 1.40 in 2020.

The order backlog at the end of Q4 was MNOK 35,947, compared to MNOK 32,347 at the end of last year.

OPERATING REVENUES
7 148
MNOK

EBITDA-MARGIN
13,3%

ORDER INTAKE
11 381
MNOK

Cash flow

KONGSBERG recorded a net reduction in cash and cash equivalents of MNOK 678 in Q4. Net cash flow from operating activities amounted to MNOK 1,672. EBITDA was MNOK 948 from continuing operations. Changes in net current assets and other operations-related items contributed MNOK 724. Reduced working capital during the period was mainly due to large payments from customers at KDA and a somewhat reduced inventory at KM. Cash flow from investing activities was MNOK -307, of which MNOK 126 was related to the sale of business. This is essentially related to transaction tax paid with regards to the sale of Hydroid Inc. Cash flow from financing activities was MNOK -1,970. Of this, MNOK 1,800 was related to the additional dividend paid out in November and MNOK 29 to the ongoing share repurchase programme.

In total for 2020, net cash and cash equivalents increased by MNOK 1,766. The largest positive individual elements were the settlement for the sale of Hydroid Inc., along with cash flow from operations. The largest negative cash flows were related to the settlement of the bond KOG10 of MNOK 550 and the payment of dividends totalling MNOK 2,250. In connection with the sale of Hydroid Inc, MNOK 574 was paid in transaction taxes in 2020, of which MNOK 137 was paid in Q4. In addition, there will be tax on the allocation of the funds.

Balance sheet

The group has interest-bearing debt totalling MNOK 3,471. At the end of the quarter, long-term interest-bearing debt consisted of three bonds totalling MNOK 1,950 and other long-term interest-bearing debt of MNOK 21. The KOG12 bond has been reclassified to short-term interest-bearing debt. Total short-term interest-bearing debt is MNOK 1,500 and includes bond loan KOG08 of MNOK 1,000 that matures in June 2021 and KOG12 of MNOK 500 that matures in December 2021, see note 7. The group had MNOK 7,420 in cash and cash equivalents at the end of Q4, against MNOK 8,098 at the end of Q3 and MNOK 5,654 at the end of Q4 2019.

At the end of 2020, net interest-bearing debt was MNOK -3,949, compared to MNOK -4,618 at the end of Q3 and MNOK -1,565 at the end of 2019. The change in the quarter is mainly due to reduced cash holdings as a result of the payment of additional dividends in Q4. The change in 2020 is mainly due to an increase in cash and cash equivalents as a result of the settlement received for the sale of Hydroid Inc, payment of dividends, repayment of bond loans and good cash flow from operations. In addition, the group had a syndicated and committed credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. These were undrawn at the end of 2020.

The overall balance sheet increased by MNOK 59 in the quarter. From the end of last year, the overall balance sheet reduced by MNOK 4.

NET INTEREST-BEARING DEBT

-3 949

MNOK

EQUITY RATIO

33,7%

	31.12	30.9.	31.12.
MNOK	2020	2020	2019
Equity	13 301	14 992	12 810
Equity ratio (%)	33,7	38,1	32,5
Total assets	39 418	39 359	39 422
Working capital [1]	(458)	406	17
Gross interest-bearing debt	3 471	3 480	4 089
Cash and cash equivalents	7 420	8 098	5 654
Net interest bearing debt [1]	(3 949)	(4 618)	(1 565)

1) See definition note 14

Currency

KONGSBERG's financial policy stipulates that contracts over a certain amount must be hedged upon signing, and these are largely hedged using currency forward exchange contracts (fair value hedges). The net fair value of this type of hedge was MNOK 629 as of Q4 2020. In special cases, forward contracts are used as cash flow hedges, for example in the case of large tenders where there is a high probability of winning the contract. The company's portfolio of cash flow hedges had a net fair value of MNOK -78 at the end of the quarter, which is recognised in equity. The fair value (market value) here represents unrealised profits/losses in relation to agreed rates. In addition, other financial instruments are used, such as interest rate and currency swaps (base swaps) and currency options, where fair value is also recognised against equity. See Note 7 for a numerical representation and further information.

Changes to the maturity structure in underlying contracts may result in cash effects when rolling over related forward contracts. The size of this effect will be determined by the position of the Norwegian krone relative to the initial agreed exchange rate.

KONGSBERG's finance policy means that accounting income recognition will largely be based on exchange rates secured at historical levels. This limits short-term effects on profits in the event of a sharp rise or fall in the value of the company's functional currency (NOK).

Product development

KONGSBERG is continually investing in product development, both through in-house-funded and customer-funded programmes. Total in-house-funded product development and maintenance amounted to MNOK 461 in the quarter and MNOK 1,576 for 2020, of which MNOK 37 and MNOK 223 was capitalised, respectively. See the table in Note 8. Capitalised development for the quarter and accumulated for the year is mainly related to projects in KDI and KDA.

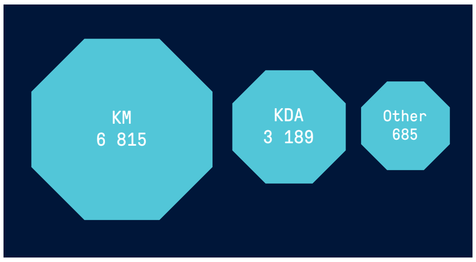
The largest capitalised projects related to the development of a digital platform (Kognifai), Joint Strike Missile (JSM), medium-calibre weapon station (MCT), communications solutions and remote towers for airports.

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 10,689 employees at the end of the quarter. During the year, the number of employees reduced by 104. KDA has increased its number of employees by approximately 270. It is growing as a business area and hiring as a result. Within KM, the number of employees reduced by approximately 200. This reduction is a result of both the sale of Hydroid, lower activity level and of the integration of CM.

At most, KONGSBERG had approximately 750 employees furloughed as a result of the COVID-19 situation. By the end of 2020, most of these had returned to work.



Number of employees by business area

Other activities

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

KDI had operating revenues of MNOK 220, which is MNOK 6 higher than the corresponding period in 2019. Operating revenues in 2020 were MNOK 821, compared to MNOK 799 in 2019.

KDI made a breakthrough with its dynamic digital twin Kognitwin® in the autumn of 2019, with an agreement for the Shell Nyhamna processing plant. The system was developed and delivered in under 100 days and has been in operation and continuous development since January 2020. After one year in operation, the preliminary cost savings for the customer have become tangible, in work process improvements, reduced IT costs, increased efficiency in the execution of work and energy optimisation. In August 2020, KDI entered into a new strategic agreement with Shell for the supply of dynamic digital twins for the company's global portfolio of installations. In Q4, KDI are already progressing on these deliveries.

The demand for traditional maritime simulators has declined in the current market, but at the same time there has been increasing interest in the digital remote learning solution K-Sim Connect®. The software service Sitecom, used to obtain real-time data from drilling operations, showed positive developments in 2020. KDI sees several interesting opportunities for the development and expansion of an already strong market position.

KONGSBERG MARITIME

Background

From Q1 2020 onwards, Kongsberg Maritime (KM) is reporting as one unit. Separate figures for Commercial Marine (CM) are no longer being reported, as CM is an integrated part of KM. Historical pro forma figures for CM prior to KM ownership will be provided where relevant. There are separate figures for CM and KM for the financial years 2018 and 2019 in the 2019 quarterly reports.

During Q1, KM completed the sale of the US subsidiary Hydroid Inc. All Hydroid figures and orders have been removed from the results for KONGSBERG and Kongsberg Maritime in 2020 and previous quarters, and net figures are listed on a separate line in the overall results as "discontinued operations".

Performance

Operating revenues amounted to MNOK 4,319 in Q4, compared to MNOK 5,263 during the same quarter last year, a decrease of 17.9 per cent. All divisions have seen reduced operating revenues. Accumulated operating revenues in 2020 were MNOK 16,319, an increase of 7.4 per cent from MNOK 15,198 in 2019 (MNOK 17,069 including CM Q1 pro forma operating revenues) The ongoing COVID-19 pandemic has had a negative impact on the level of activity in the market and thus KM's operating revenues. This particularly applies to after-market activity, where there is a short time between ordering and delivery.

EBITDA was MNOK 464 in Q4, an EBITDA margin of 10.7 per cent, compared to MNOK 408 (7.8 per cent) in the same quarter the previous year. Restructuring costs of MNOK 13 connected to the ongoing integration of Commercial Marine are included in the figures for Q4 2020. No integration costs were incurred in the quarter (MNOK 100 in integration and restructuring costs in Q4 2019). In order to reduce the financial and operational effects of COVID-19, mitigating measures were quickly implemented at an early stage. In addition, costs relating to things such as travel, and consultants have been minimal since the pandemic began. In Q4, the effects of these savings amounted to approximately MNOK 60. Some of the savings are directly related to COVID-19 and are only short term, while other efficiencies will have a longer-term effect.

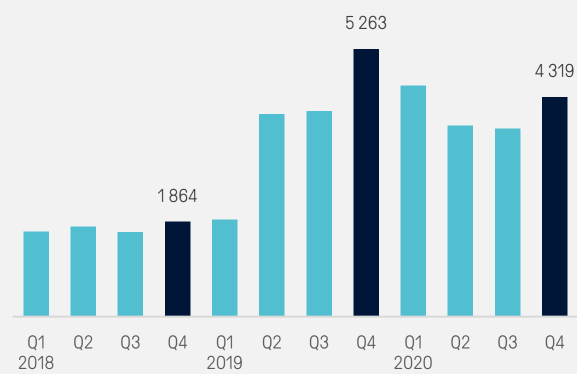
Accumulated EBITDA in 2020 was MNOK 1,532, corresponding to an EBITDA margin of 9.4 per cent. A total of MNOK 86 was incurred in integration and restructuring costs during the year. In 2019, EBITDA was MNOK 1,005,

KEY FIGURES

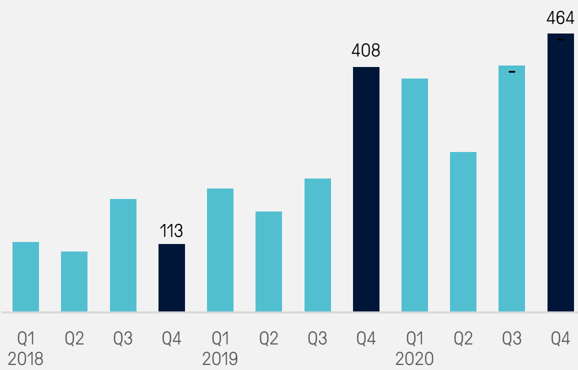
	1.10. - 31.12		1.1. - 31.12	
MNOK	2020	2019	2020	2019
Operating revenues	**4 319**	5 263	**16 319**	15 198
EBITDA	**464**	408	**1 532**	1 005
EBITDA (%)	**10,7**	7,8	**9,4**	6,6
Share of net income associated companies	**-**	-	**-**	-
Order Intake	**3 822**	3 858	**15 925**	14 427

MNOK	31.12 2020	30.9. 2020	31.12. 2019
Order backlog	**11 386**	11 826	11 311
No. of employees	**6 815**	6 919	7 212

Operating revenue



EBITDA



corresponding to an EBITDA margin of 6.6 per cent. This included MNOK 416 in integration and restructuring costs as well as a profit of MNOK 107 related to the sale of Evotec.

As part of the acquisition of CM, an extensive integration programme was implemented. The savings have come from both organisational as well as efficiency related measures. Restructuring measures have also been implemented, which in total entail a reduction of 485 full-time equivalents from the takeover of CM on 1 April 2019. This process is completed for all.

The integration programme had positive effects of MNOK 195 in Q4 2020, totalling MNOK 640 for the year. KONGSBERG's original aim was annual savings of MNOK 500 from 2022. This means MNOK 140 of additional annual savings in half of the time originally planned. In its original form, the programme is complete, but methods and experiences from the programme will continue to contribute to future efficiency processes.

Market and orders

Order intake in Q4 was MNOK 3,822, equivalent to a book-to-bill ratio of 0.88, compared to MNOK 3,858 in Q4 2019. In total for 2020, the order intake stands at MNOK 15,925, corresponding to a book-to-bill ratio of 0.98.

Selected orders signed during the quarter:

- A contract worth EUR 12 million with China Merchants Jinling Shipyard (Weihai) related to the delivery of propulsion and control systems for two 230-metre passenger ferries (RoPax), which are under construction for the shipping company Finnlines. The two large, modern ferries are expected to be delivered from the shipyard in China by 2023. The vessels each have capacity for 1,212 passengers and are built for sustainable operation. The ferries will be built and designed in accordance with the highest Swedish-Finnish ice class. An important contribution to the efficient operation of the ships is the KONGSBERG system integrating the rudder and propeller into one unit. The solution produces good propulsion while also ensuring minimal sea resistance, helping to reduce fuel consumption.
- A contract worth MNOK 200 with the Spanish shipyard Navantia for the delivery of propulsion systems for five F110 frigates being built for the Spanish Navy.

KM has increased its focus on more environmentally friendly solutions, and the business area is also seeing increased interest from customers in this. Another focus area in 2020 for KM has been the realisation of sales synergies between Commercial Marine and KM. A large part of the rationale behind the acquisition of CM was the complementary product and market portfolio with KM. Utilising the complementing market and product portfolios has therefore been important, and cross-sales of approximately MNOK 700 were achieved in 2020. This only includes additional sales as a result of the integration of CM and KM. "Original" deliveries are in addition to these. The cross-sales have been realised within most markets such as offshore, traditional merchant marine, LNG and fishing.

At the end of 2020, KM had an order backlog of MNOK 11,386. The level of cancellations is low, with MNOK 17 of contracts cancelled in the quarter and MNOK 389 for the year, of which the majority were in Q1 2020.

KM and COVID-19

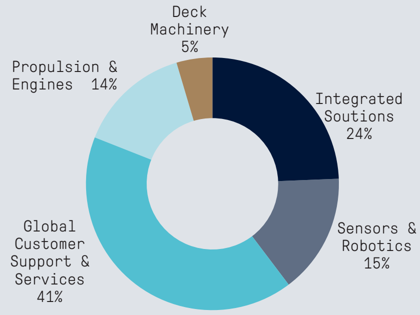
Kongsberg Maritime has extensive international operations and is directly affected by the decline in the world economy. At the same time, we still expect low activity in the oil and gas market. In addition, we see individual sectors, such as the cruise industry, being heavily affected.

In connection with the outbreak, a number of measures were quickly implemented to limit infection, maintain operations as normally as possible and ensure that cost levels were adjusted to the level of activity. Among the measures are extensive use of digital solutions for customer support, furloughing resources and other cost-saving measures, as well as significant infection control measures, including the extensive use of home office. At its peak, KM had around 700 employees on furlough. By the end of 2020, most had returned to work.

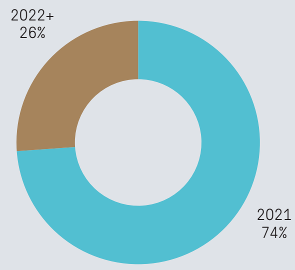
The travel restrictions in effect in various countries have a particular impact on aspects of service and after-market. KM's after-market operations consist mainly of three aspects: parts sales, projects and service. Among these, the effect is greatest on pure service operations. Service represents about half of KM's after-market business. With offices and services in 34 countries, project deliveries and significant aspects of service are performed locally, meaning that KM is less vulnerable to travel restrictions.

The COVID-19 situation has also affected KM in the final quarter of the year. Despite this, KM has delivered solid results. This would not have been possible without the measures that were—and in some cases still are—implemented. The order intake in certain areas, particularly related to new vessels and the after-market, is uncertain. Therefore, there will still be great uncertainty about the impact on order intake, operating income and earnings, while the business area has good control over operations and has reduced costs.

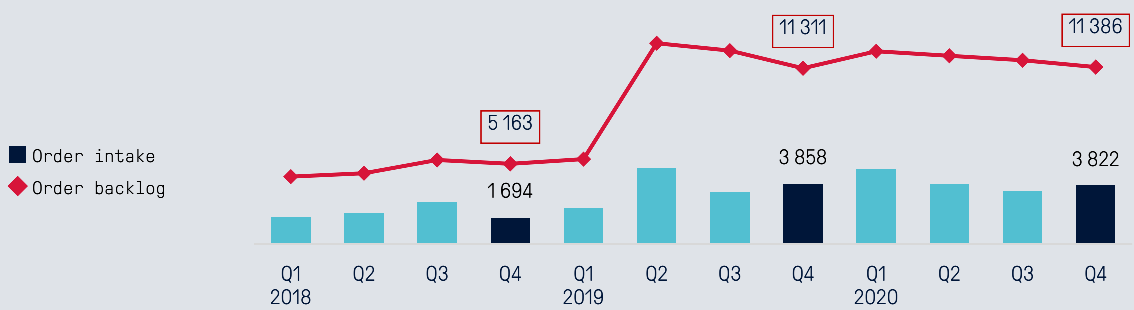
Operating revenue
YTD by division



Order backlog
Breakdown by delivery date



Orders



KONGSBERG DEFENCE & AEROSPACE

Performance

Operating revenues amounted to MNOK 2,619 in Q4, compared to MNOK 2,468 during the same quarter last year, an increase of 6.1 per cent. In particular, increased activity in the Land Systems and Aerostructures divisions has contributed to the increase in operating revenues. Accumulated operating revenues in 2020 were MNOK 8,503, up MNOK 1,258 from 2019. In addition to the two mentioned divisions, the Missile Systems and Integrated Defence Systems divisions also contributed good growth in 2020.

The projects with the highest revenues in Q4 2020 were:

- The US CROWS programme, where KONGSBERG has been the sole direct supplier of weapon stations to the US Army since 2007
- Part production for the F-35 programme, where KONGSBERG is the sole supplier of specific composite and titanium parts
- A number of air defence contracts (NASAMS), particularly the contracts with Lithuania and Australia, along with the contract with Qatar, signed in July 2019, which was the largest single contract signed in the history of KONGSBERG to date.
- NSM missile production for several programmes, including deliveries to Malaysia and to the US Navy OTH programme.

The projects generating the highest revenues for KDA in 2020 as a whole were the same projects generating the highest turnover in Q4.

EBITDA was MNOK 514 in Q4, an EBITDA margin of 19.6 per cent, compared to MNOK 446 (18.1 per cent) in the same quarter the previous year. Accumulated EBITDA for KDA in 2020 was MNOK 1,656, compared to MNOK 1,123 in 2019. All KDA divisions are delivering EBITDA margins equal to or higher than last year.

The share from associated companies in KDA are not reported as part of the KDA EBITDA. This totals MNOK 120 (MNOK 2) for the quarter and MNOK 206 (MNOK 34) in total in 2020. For Patria, this is MNOK 103 (MNOK 7) for Q4 and MNOK 108 (MNOK -35) in total for the year. For Kongsberg Satellite Services (KSAT), this amounts to MNOK 27 (MNOK 24) and MNOK 120 (MNOK 112) for the corresponding periods. See also Note 5.

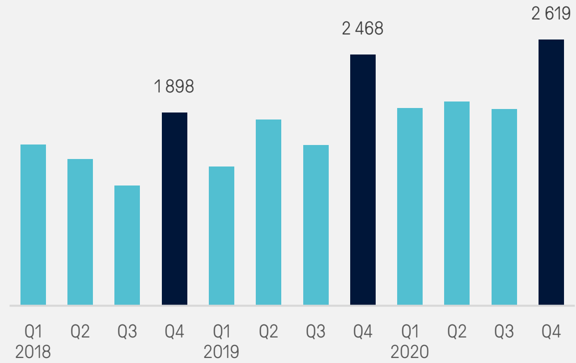
Patria recorded operating revenues of EUR 173 million during Q4, compared to EUR 166 million during the same quarter last year. In Q4, EBITDA amounted to EUR 34 million, compared to EUR 15 million in the same period in 2019. Accumulated at the end of the year, Patria had operating revenues of EUR 534 million and EBITDA of EUR 70 million. Correspondingly, the company had EUR 508 million in operating revenues and EUR 33 million in EBITDA in the same period of 2019, respectively. See Note 5.

KEY FIGURES

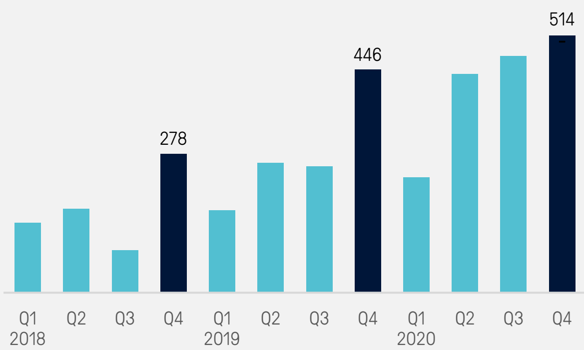
	1.10. - 31.12		1.1. - 31.12	
MNOK	2020	2019	2020	2019
Operating revenues	**2 619**	2 468	**8 503**	7 245
EBITDA	**514**	446	**1 656**	1 123
EBITDA (%)	**19,6**	18,1	**19,5**	15,5
Share of netincome associated companies	**120**	2	**206**	34
Order Intake	**7 348**	2 509	**11 891**	16 060

	31.12	30.9.	31.12.
MNOK	2020	2020	2019
Order backlog	**23 477**	18 757	20 146
No. of employees	**3 189**	3 148	2 917

Operating revenues



EBITDA



Market and orders

Order intake was MNOK 7,348 in Q4, corresponding to a book-to-bill ratio of 2.81, compared to MNOK 2,509 in the same quarter last year.

A number of large contracts were signed in the last quarter of the year.

- In November 2020, KONGSBERG, together with Raytheon Technologies, entered into a contract worth EUR 410 million for delivery of the NASAMS air defence system to Hungary. This made Hungary the 12th country to acquire NASAMS, and the system has generated an order intake of over NOK 13 billion in the last three years.
- In December 2020, KONGSBERG won a contract worth MNOK 1,030 for the delivery of PROTECTOR remote-controlled weapons stations (RWS) for the British Army's Mechanised Infantry Vehicle (MIV) programme. Since RWS was introduced at the beginning of the millennium, KDA has supplied over 20,000 weapons stations to customers in 25 countries. This contract is the seventh delivery contract to be signed with the UK since 2008, including two systems upgrade contracts.
- In December 2020, KONGSBERG also signed a contract worth MNOK 820 with Japan for delivery of the Joint Strike Missile (JSM) for its F-35A fighter aircraft. This is the third contract KONGSBERG has signed with Japan for the delivery of JSM since March 2019.

The defence market is characterised by relatively few, but large, contracts. Deliveries are normally made over a number of years. Significant fluctuations in order intake between years, and especially quarters, as 2020 shows, are therefore considered normal. Over 60 per cent of the KDA order intake of MNOK 11,891 came in the last quarter of the year. At the end of 2020, KDA had an order backlog of MNOK 23,477.

KDA and COVID-19

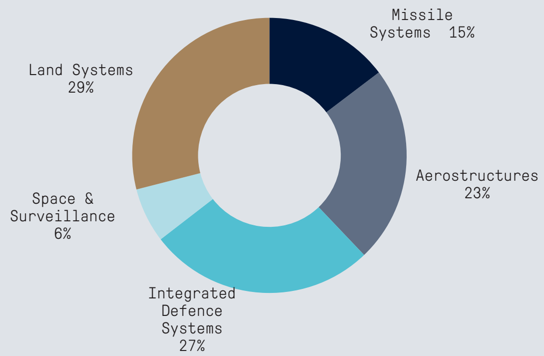
KDA has a high proportion of exports, but the bulk of operations are in Norway. The defence business did not experience major consequences as a result of COVID-19 in the final quarter of the year. However, some contract negotiations have proved more time-consuming due to travel restrictions. KDA and its associated company Kongsberg Satellite Services are defined as societally critical enterprises. As a result of this, the part of the workforce that cannot work from home has the opportunity to attend the workplace and carry out tasks almost in a normal manner, providing necessary measures are observed. In addition, shift measures and other precautions in production have been introduced to reduce the exposure to infection within the environment. Progress within projects has not particularly been affected by the COVID-19 situation. KDA also finds that many customers have been extremely adaptable in the use of digital platforms, where collaboration has previously been based on physical meetings.

KDA is dependent on the supply capacity of several hundred subcontractors, both in Norway and elsewhere. Additional resources have been introduced to ensure the flow of goods, shipments and, where necessary, alternative subcontractors in the event of a stop in production. These elements may have a further effect on KDA in the future.

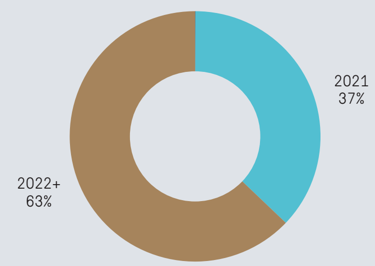
KDA has extensive operations in Johnstown, USA. These operations are defined as societally critical by the US authorities and are not currently affected by the COVID-19 restrictions in the USA, but the risk of interruptions increases as the virus continues to impact life in the USA. Neither has Arsenalet, the Kongsberg factory that delivers critical components including for the F-35 combat aircraft, experienced any delays in production so far.

The worldwide COVID-19 situation may delay the expected order intake somewhat, and in the worst-case scenario may lead to programmes KDA is prepared for being scaled down or cancelled. However, there are no signs of that yet.

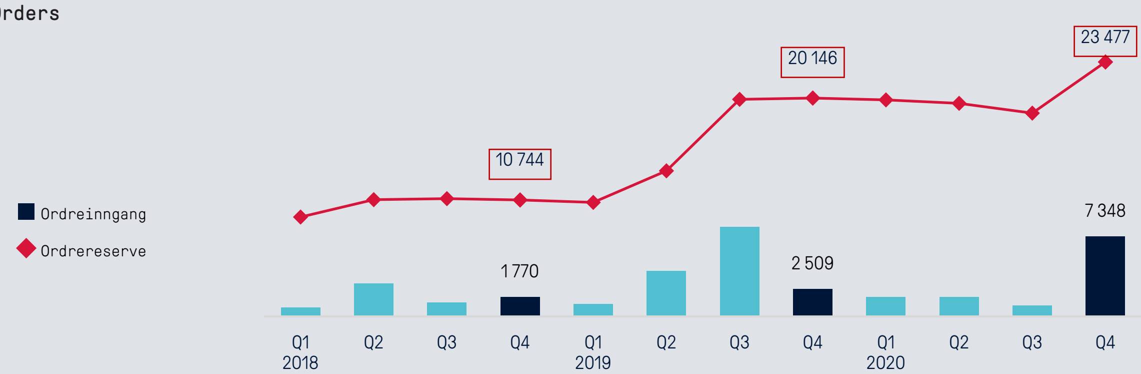
Operating revenues
YTD by division



Ordre backlog
Breakdown by delivery date



Orders



KONGSBERG has a solid balance sheet and an order backlog of MNOK 35,947. The COVID-19 pandemic continues to affect the world, and there is still great uncertainty in a number of the markets we operate in. At the same time, we have seen a great degree of adaptability to the situation. Developments in oil prices, along with the transition to more sustainable solutions and energy sources, will affect investment levels in a number of segments. The move towards more sustainable solutions provides opportunities both in markets where we already have strong positions, but also in new markets where KONGSBERG technology will be part of the solution.

KONGSBERG has delivered well in 2020, both financially and operationally. When the pandemic hit at the start of 2020, all parts of the organisation got both their systems and ability to implement stress tested. New working methods and solutions have been established, including the increased digitalisation of day-to-day activities. The company has also been able to confirm its adaptability, which is important when both the world in general and our markets in particular are unpredictable. The experience gained through the integration of acquired companies forms the basis for further improvements in efficiency in the future. This means that the company is entering the new year with ambitious targets.

Kongsberg Defence & Aerospace is maintaining operations at an almost normal level, but we are prepared for delays may occur. For Kongsberg Maritime, large aspects of the market have been challenging for a long time, with a low level of vessel contracting in general. This trend is also expected to continue in 2021. At the same time, we are experiencing an increased desire for investment in new sustainable vessel solutions and new segments such as for example offshore wind. KM also has a large degree of exposure to markets that are not directly affected by new contracting of vessels. This applies, among others, to the Sensors & Robotics area and the after-market, where KM supports more than 30,000 vessels. The company's digital solutions for remote services allow us to carry out service assignments for our customers to a great extent, despite the situation.

In recent years, Kongsberg Digital has made significant investments in establishing new digital positions, as well as strengthening existing related to the digitisation of existing operations. The agreement with Shell, entered into in Q3 2020, confirms our leading position in the digital twin market. Oil company's investment levels are declining, due to both the current COVID-19 situation and the uncertainty regarding oil prices. However, there are great opportunities for solutions that contribute to more efficient and sustainable operations. This may affect growth within KDI. The current situation demonstrates the need for and benefits of KONGSBERG digital and remote solutions.

Out of the solid order backlog, MNOK 17,900 is due to be delivered in 2021. Order intake from the after-market, associated companies and framework agreements are not part of the order backlog. In 2021, it is expected that growth within KDA will contribute to continued growth for the group as a whole. Some growth is expected for KDI, while activity levels roughly on a par with 2020 are expected for KM.

Kongsberg, 10 February 2021
The Board of Kongsberg Gruppen ASA

NUMBERS & NOTES

Key figures by quarter

The share of net result from joint arrangements and associated companies is not longer included in EBITDA and EBIT. The statements below for KONGSBERG and Kongsberg Maritime have been adjusted for discontinued operations (Hydroid see note 13). The 2018 figures are exclusive IFRS 16 effects. The Kongsberg Maritime figures for 2018 have been adjusted compared to presented in Q1.

KONGSBERG	2020					2019					2018				
MNOK	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1	2018	Q4	Q3	Q2	Q1
Operating revenues	25 612	7 148	5 802	5 983	6 678	23 245	7 938	5 833	6 012	3 462	13 807	3 971	3 023	3 384	3 429
EBITDA	3 250	948	919	740	643	2 113	825	496	414	378	1 126	405	296	194	231
EBITDA (%)	12,7	13,3	15,8	12,4	9,6	9,1	10,4	8,5	6,9	10,9	8,2	10,2	9,8	5,7	6,7
EBIT	1 905	579	595	429	302	1 029	532	193	98	206	701	295	192	86	129
EBIT (%)	7,4	8,1	10,3	7,2	4,5	4,4	6,7	3,3	1,6	6,0	5,1	7,4	6,4	2,5	3,7
Share of net income associated companies	186	118	35	33	-	21	(2)	(9)	29	3	181	90	31	27	32
Order intake	28 818	11 381	4 558	6 067	6 812	31 413	6 645	11 810	9 297	3 661	15 879	3 700	4 181	5 207	2 790
Order backlog	35 947	35 947	31 748	32 935	33 342	32 347	32 347	33 306	27 177	16 786	16 707	16 707	17 037	16 055	14 413

KONGSBERG MARITIME	2020					2019					2018				
MNOK	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1	2018	Q4	Q3	Q2	Q1
Operating revenues	16 319	4 319	3 695	3 762	4 543	15 198	5 263	4 041	3 989	1 905	6 971	1 864	1 667	1 768	1 671
EBITDA	1 532	464	411	267	390	1 005	408	223	168	206	521	113	189	101	117
EBITDA (%)	9,4	10,7	11,1	7,1	8,6	6,6	7,8	5,5	4,2	10,8	7,5	6,1	11,3	5,7	7,0
EBIT	718	236	227	85	169	356	234	33	(46)	136	404	82	164	72	86
EBIT (%)	4,4	5,5	6,2	2,3	3,7	2,3	4,5	0,8	(1,2)	7,1	5,8	4,4	9,8	4,1	5,1
Share of net income associated companies	-	-	-	(1)	1	-	-	-	-	-	-	-	-	-	-
Order intake	15 925	3 822	3 439	3 850	4 813	14 427	3 858	3 345	4 917	2 306	8 189	1 694	2 728	2 015	1 751
Order backlog	11 386	11 386	11 826	12 111	12 404	11 311	11 311	12 445	12 920	5 465	5 163	5 163	5 410	4 555	4 339

KONGSBERG DEFENCE AEROSPACE	2020					2019					2018				
MNOK	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1	2018	Q4	Q3	Q2	Q1
Operating revenues	8 503	2 619	1 933	2 008	1 942	7 245	2 468	1 578	1 829	1 369	6 104	1 898	1 180	1 441	1 585
EBITDA	1 656	514	473	437	231	1 123	446	252	260	165	671	278	85	168	140
EBITDA (%)	19,5	19,6	24,5	21,8	11,9	15,5	18,1	16,0	14,2	12,1	11,0	14,6	7,2	11,7	8,8
EBIT	1 157	389	338	314	116	725	336	150	164	75	429	216	23	105	85
EBIT (%)	13,6	14,8	17,5	15,6	6,0	10,0	13,6	9,5	9,0	5,5	7,0	11,4	2,0	7,3	5,3
Share of net income associated companies	206	120	38	37	10	34	2	(5)	31	6	192	93	35	32	32
Order intake	11 891	7 348	987	1 788	1 769	16 060	2 509	8 254	4 160	1 137	6 885	1 770	1 272	3 045	798
Order backlog	23 477	23 477	18 757	19 658	19 977	20 146	20 146	20 027	13 433	10 519	10 744	10 744	10 867	10 772	9 170

Condensed income statement

		1.10. - 31.12		1.1. - 31.12	
MNOK	*Note*	*2020*	*2019*	*2020*	*2019*
Operating revenues	4	7 148	7 938	25 612	23 245
Operating expenses	8	(6 200)	(7 113)	(22 362)	(21 132)
EBITDA	**4, 14**	**948**	**825**	**3 250**	**2 113**
Depreciation		(123)	(95)	(481)	(427)
Depreciation, leasing assets	6	(104)	(95)	(411)	(348)
Impairment of property, plant and equipment		(48)	(17)	(52)	(18)
Amortisation		(88)	(85)	(339)	(290)
Impairment of intangible assets		(5)	-	(60)	-
EBIT	**4, 14**	**579**	**532**	**1 905**	**1 029**
Share of net income from joint arrangements and associated companies	5	118	(2)	186	21
Interest on leasing liabilities	6	(35)	(34)	(142)	(131)
Net financial items	7	(11)	(15)	(93)	(86)
Earnings before tax from continuing operations (EBT)		**652**	**481**	**1 855**	**833**
Income tax expense	11	(87)	(137)	(374)	(237)
Earnings after tax from continuing operations		**565**	**344**	**1 481**	**596**
Earnings after tax from discontinued operations	13	-	15	1 451	121
Earnings after tax (EAT)		**565**	**359**	**2 932**	**717**
Attributable to:					
Equity holders of the parent		565	346	2 891	701
Non-controlling interests		-	13	41	17
Earnings per share (EPS) / EPS diluted in NOK					
-Earnings per share from continuing operations		3,14	1,84	8,01	3,22
-Earnings per share from continuing operations, diluted		3,14	1,84	8,01	3,22
-Earnings per share		3,14	1,93	16,08	3,89
-Earnings per share, diluted in NOK		3,14	1,93	16,08	3,89

Condensed statement of comprehensive income

		1.10. - 31.12		1.1. - 31.12	
MNOK	*Note*	*2020*	*2019*	*2020*	*2019*
Earnings after tax		565	359	2 932	717
Specification of other 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	7	84	5	(118)	(117)
Tax effect cash flow hedges		(18)	(1)	26	26
Translation differences currency		(361)	(75)	76	108
Total items to be reclassified to profit or loss in subsequent periods		**(295)**	**(71)**	**(16)**	**17**
Items not to be reclassified to profit or loss:					
Actuarial gains/losses pensions		(167)	(112)	(167)	(112)
Tax effect on actuarial gain/loss on pension		37	15	37	15
Total items not to be reclassified to profit or loss		**(131)**	**(97)**	**(131)**	**(97)**
Comprehensive income after tax for the period		**139**	**191**	**2 785**	**637**

Condensed statement of financial position

MNOK	*Note*	31.12 *2020*	30.9. *2020*	31.12. *2019*
Property, plant and equipment		3 665	3 784	3 924
Leasing assets	6	1 965	1 934	2 141
Intangible assets	8	5 196	5 264	6 487
Shares in joint arrangements and associated companies	5	3 465	3 458	3 247
Other non-current assets		516	390	380
Total non-current assets		**14 808**	**14 830**	**16 179**
Inventories		4 132	4 305	3 964
Trade receivables		5 542	4 369	6 363
Customer contracts, asset	7	5 972	6 498	5 888
Derivatives	7	964	571	376
Other short-term receivables		580	690	998
Cash and cash equivalents		7 420	8 098	5 654
Total current assets		**24 610**	**24 529**	**23 243**
Total assets		**39 418**	**39 359**	**39 422**
Issued capital		5 933	5 933	5 933
Retained earnings		6 754	8 096	6 249
Other reserves		559	851	571
Non-controlling interests		55	113	57
Total equity		**13 301**	**14 992**	**12 810**
Long-term interest-bearing loans	7	1 971	2 473	3 469
Long-term leasing liabilities	6	1 753	1 716	1 850
Other non-current liabilities and provisions	3	2 509	2 318	2 481
Total non-current liabilities and provisions		**6 233**	**6 507**	**7 801**
Customer contracts, liabilities	7	11 405	8 924	10 481
Derivatives	7	546	1 334	494
Short-term interest-bearing loans	7	1 500	1 007	619
Short-term leasing liabilities	6	339	330	348
Other current liabilities and provisions	3	6 094	6 265	6 868
Total current liabilities and provisions		**19 884**	**17 859**	**18 812**
Total equity, liabilities and provisions		**39 418**	**39 359**	**39 422**
Equity ratio (%)		**33,7**	**38,1**	**32,5**
Net interest-bearing debt		**(3 949)**	**(4 618)**	**(1 565)**

Condensed statement of changes in equity

MNOK	Note	31.12 2020	30.9. 2020	31.12 2019
Equity opening balance		12 810	12 810	12 626
Other comprehensive income		2 785	2 646	637
Dividends paid		(450)	(450)	(450)
Additional dividend paid		(1 800)	-	-
Share buy-back related to share buy-back programme		(29)	-	-
Transactions with treasury shares related to employee share programme		(15)	(15)	(3)
Purchase/sale, in non-controlling interests		-	1	-
Equity closing balance		**13 301**	**14 992**	**12 810**

Condensed cash flow statement

		1.10. - 31.12		1.1. - 31.12	
MNOK	*Note*	*2020*	*2019*	*2020*	*2019*
EBITDA		948	853	3 250	2 258
EBITDA from discontinued operations	13	-	-	40	-
Change in net current assets and other operatings-related items		724	1 384	(482)	(375)
Net cash flow from operating activities		**1 672**	**2 237**	**2 808**	**1 883**
Share of net income from joint arrangements and associated companies		-	-	130	123
Purchase/disposal of property, plant and equipment		(144)	(222)	(506)	(534)
Proceeds from aquiring subsidiaries and associated companies	12	-	194	(59)	(3 625)
Repayment of debt in aqcuired business		-	-	-	(1 000)
Proceeds from sale of business	13	(126)	-	3 051	161
Capitalised internal developed/ purchase of intangible assets (R&D)	8	(37)	(43)	(224)	(176)
Net cash flow from investing activities		**(307)**	**(71)**	**2 392**	**(5 051)**
Net change interest-bearing loans	7	-	-	(617)	(238)
Payment of principal portion of lease liabilities	6	(85)	(84)	(342)	(292)
Interest paid		(21)	(36)	(102)	(122)
Interest paid on leasing liabilities	6	(35)	(35)	(142)	(131)
Net payment related to employee share programme		-	-	(51)	(27)
Share buy-back related to share buy-back programme		(29)	-	(29)	-
Dividends paid to equity holders of the parent		-	-	(450)	(450)
- of which dividends from treasury shares		-	-	2	2
Additional dividend		(1 800)	-	(1 800)	-
Net cash flow from financing activities		**(1 970)**	**(155)**	**(3 531)**	**(1 258)**
Effect of changes in exchange rates on cash and cash equivalents		(73)	(24)	97	42
Net change in cash and cash equivalents		**(678)**	**1 987**	**1 766**	**(4 384)**
Cash and cash equivalents at the beginning of the period		**8 098**	**3 667**	**5 654**	**10 038**
Cash and cash equivalents at the end of the period		**7 420**	**5 654**	**7 420**	**5 654**

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 2019. The consolidated financial statements for 2019 were prepared in compliance with the Norwegian Accounting Act and international standards for financial reporting (IFRS) established by the EU.

The consolidated financial statements for 2019 are available on www.kongsberg.com.

The interim financial statement has not been audited.

Note 2 | New standards as from 1.1.2020

The accounting principles used in the quarterly report are the same principles as those applied to the consolidated financial statements for 2019, with the exception of changes to *IFRS 3 Business combinations, IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, which was implemented 1 January 2020. The implementation of the changes has not had any significant effect on the consolidated financial statements.

IFRS 3 Business Combinations
IASB has clarified the definition of a business, which means that the purchase of a set of assets and liabilities must be recognised according to IFRS 3 Business Combinations. When the definition of business is not met, the transaction will be recognised according to the relevant standards, for example for inventories or fixed assets.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
IASB has revised the definition of "material" in the two standards, to ensure that there is a consistent definition across the various IFRS standards. The new definition makes it clear that information in the financial statements will be material if the omission, mis-statement or concealment of information could be expected to influence decisions that the primary users make based on the financial statements.

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 major sources of uncertainty remain the same as when the 2019 consolidated financial statements was compiled.

Note 4 | Segment information

	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	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*
KM	4 319	5 263	16 319	15 198	464	408	1 532	1 005	236	234	718	356
KDA	2 619	2 468	8 503	7 245	514	446	1 656	1 123	389	336	1 157	725
Other	209	207	790	802	(31)	(30)	62	(16)	(45)	(39)	30	(52)
Group	**7 148**	**7 938**	**25 612**	**23 245**	**948**	**825**	**3 250**	**2 113**	**579**	**532**	**1 905**	**1 029**

EBITDA and EBIT do not longer include share of net result from joint arrangements and associated companies.

On 4 February 2020, Kongsberg entered into an agreement with Huntington Ingalls Industries regarding the sale of the company Hydroid Inc., a wholly owned subsidiary in the Kongsberg Maritime business area. The sale was completed on 26 March and all Hydroid earnings figures have been removed from the KM segment. For further information on the sale, see note 13 Discontinued operations.

Operating revenues YTD by division:

MNOK	*2020*	*2019*
Divisions		
Global customer suppport & Services	7 235	6 134
Integrated solutions	4 268	4 345
Sensor & Robotics	2 689	2 835
Propulsion & Engines	2 529	2 244
Deck Machinery	803	810
Other/elimination	(1 204)	(1 170)
Kongsberg Martime	**16 319**	**15 198**
Land Systems	2 625	2 196
Integrated Defence Systems	2 416	2 116
Aerostructures	2 101	1 301
Missile Systems	1 331	1 147
Space & Surveillance	586	665
Other/elimination	(556)	(181)
Kongsberg Defence & Aerospace	**8 503**	**7 245**
Other/elimination	**790**	**802**
Toital revenues	**25 612**	**23 245**

The table shows the anticipated date on which remaining performance obligations as of 31 December 2020 are recognised as income:

	2020				2019		
	Date of revenue recognition				Date of revenue recognition		
MNOK	*Orderback log 31.12.20*	*2021*	*2022*	*2023 and later*	*Order backlog 31.12.19*	*2020*	*2021 and later*
Kongsberg Martime	11 386	8 328	2 139	919	11 311	8 231	3 177
Kongsberg Defence & Aerospace	23 477	9 023	6 226	8 228	20 146	7 178	12 968
Annet/eliminering	1 084	604	281	182	890	1 277	385
Sum	**35 947**	**17 955**	**8 646**	**9 329**	**32 347**	**16 687**	**16 529**

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	Ownership	Carrying amount 1.1.2020	Additions/ disposals	Dividends received	Share of net income [1]	Other items and comprehensive income	Carrying amount 31.12.20
Patria Oyj	49,9 %	2 656	-	(75)	108	152	2 841
Kongsberg Satellite Services AS	50,0 %	492	-	(55)	120	-	557
Other shares		100	10	-	(42)	-	68
Total		**3 247**	**10**	**(130)**	**186**	**152**	**3 465**

[1] The share of net result is included after tax and amortisation of excess value.

Share of net result from Patria:

	1.10. - 31.12	1.1. - 31.12	1.1. - 31.12
	2020	2020	2019
Millions	NOK	NOK	NOK
KONGSBERG's share (49,9%) [1]	112	132	(8)
Amortisation of excess values after tax	(9)	(25)	(27)
Share of net income recognised in KDA for the period	**103**	**108**	**(35)**

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

Share of net income and dividend from associated companies per business

	Share of net income				Dividend			
	1.10. - 31.12		1.1. - 31.12		1.10. - 31.12		1.1. - 31.12	
MNOK	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*	*2020*	*2019*
KDA	120	2	206	34	-	-	130	123
Other	(2)	(4)	(20)	(13)	-	-	-	-
Group	**118**	**(2)**	**186**	**21**	**-**	**-**	**130**	**123**

Note 6 | Leasing

KONGSBERG has leases that are primarily related to land and buildings, as well as leases for machinery, vehicles and equipment.

IFRS 16 effects on condensed statement of financial position:

Opening balance 01.01.2020	**2 141**
Addition	45
Depreciation Q1	(98)
Translation differences	58
Opening balance 01.04.2020	**2 146**
Addition	18
Depreciation Q2	(105)
Translation differences	(23)
Opening balance 01.07.2020	**2 036**
Addition	5
Depreciation Q3	(104)
Translation differences	(2)
Inngående balanse 01.10.2020	**1 934**
Addition	151
Depreciation Q4	(104)
Translation differences	(16)
Closing balance 31.122020	**1 965**

	31.12.2020	30.9.2020	31.12.2019
Leasing assets	**1 965**	**1 934**	**2 141**
Long-term leasing liabilities	**1 753**	**1 716**	**1 850**
Short-term leasing liabilities	**339**	**330**	**348**

IFRS 16 effects on condensed income statement in the period:

	1.10. - 31.12		1.1. - 31.12	
	2020	2019	2020	2019
Returned rental cost earlier included in EBITDA	120	119	484	424
Increased EBITDA in the period	**120**	**119**	**484**	**422**
Depreciation on leases	(104)	(95)	(411)	(348)
Increased EBIT in the period	**17**	**24**	**73**	**75**
Interest cost on leasing liabilities for the period	(35)	(34)	(142)	(131)
Reduced EBT in the period	**(18)**	**(10)**	**(69)**	**(56)**

Note 7 | Financial instruments

Loans and credit facilities
The Group has five bond loans amounting to a total of MNOK 3,450. The loans are classified as long-term loans, except KOG08 (nominal value of MNOK 1,000) and KOG12 (nominal value of MNOK 550), which is due within a year and is reclassified to short-term loans. The maturity dates of the long-term bond loans range from 5 December 2023 to 2 June 2026. The bond loan KOG10 (nominal value of MNOK 550) was repaid in its entirety when matured in March 2020. In addition, the Group has a syndicated credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. Neither are utilised.

Interest-bearing loans:

			31.12.2020	31.12.2019
MNOK	*Due date*	*Nominal interest rate*	*Value [1]*	*Value [1]*
Long-term loans				
Bond issue KOG08 - floating interest rate			-	1 000
Bond issue KOG09 - fixed interest rate	02.06.2026	3,20%	1 000	1 000
Bond issue KOG11 - fixed interest rate	05.12.2023	2,90%	450	450
Bond issue KOG12 - floating interest rate			-	500
Bond issue KOG13 - floating interest rate	06.06.2024	1,55%	500	500
Other long-term loans [2]			21	19
Total long-term loans			**1 971**	**3 469**
Short-term loans:				
Bond issue KOG08 - floating interest rate[3]	02.06.2021	1,61%	1 000	-
Bond issue KOG12 - floating interest rate [3]	06.12.2021	1,23%	500	
Bond issue KOG10 - floating interest rate [4]			-	550
Other short-term loans			-	70
Total short-term loans			**1 500**	**620**
Total interest-bearing loans			3 471	4 089
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 bond loans, the carrying amount is equal to the nominal amount.

[2] "Other long-term loans" consists of minor loans in some of the Group's subsidiaries.

[3] The bond issue KOG08 was reclassificated to short-term loans at 30.06.2020, while the bond issue KOG12 was reclassified to short-term loans at 31.12.20.

[4] The bond issue KOG10 was repaid at due date 05.03.20.

Forward exchange contracts

As shown in the condensed statement of comprehensive income the fair value of cash flow hedges has been decreased by MNOK 118 before tax during the period 1 January – 31 December 2020. Of this amount, the change in fair value of forward exchange contracts accounted for a decrease of MNOK 67. The net value of fair value hedges has been significantly reduced as a result of the depreciation of the Norwegian krone against relevant currencies during the first quarter. During the subsequent quarters it has been a high volatility, and the year seen as one it has been a slightly strengthening against USD and a weakening against EUR. The former has the greatest effect on the portfolio of KONGSBERG, and the total change in the net value of fair value hedges from the end of the year represents an increase of MNOK 671. The end-of-quarter spot prices were USD/NOK 8.58, EUR/NOK 10.48 and GBP/NOK 11.73.

Forward exchange contracts classified as cash flow hedges:

	Due in 2021		Due in 2022 or later		Total		
MNOK (before tax)	*Value based on agreed exchange rates*	*Fair value at 31.12.20*	*Value based on agreed exchange rates*	*Fair value at 31.12.20*	*Value based on agreed exchange rates*	*Change in fair value from 31.12.19*	*Fair value at 31.12.20*
USD	(446)	(32)	288	(38)	(157)	(71)	(70)
EUR	(411)	(7)	(78)	(1)	(488)	4	(8)
Other	(44)	-	(33)	(1)	(77)	-	-
Sum	**(901)**	**(39)**	**177**	**(40)**	**(722)**	**(67)**	**(78)**
Roll-over of currency futures	-	(60)	-	(60)	-	37	(120)
Total	**(901)**	**(99)**	**177**	**(100)**	**(722)**	**(30)**	**(198)**

Forward exchange contracts cash flow hedges, asset	23
Forward exchange contracts cash flow hedges, liability	101
Net forward exchange contracts cash flow hedges	**124**

Fair value is referring to the net present value of the variance between the revaluated forward rate at 31 December and the forward rate at the time of entering the forward exchange contract.

The difference (MNOK -88) between changes in the fair value of balances classified as cash flow hedges (MNOK -118) and changes in fair value on forward exchange contracts (MNOK-30) is ascribable to a change in fair value of basis swaps (MNOK -80), change in fair value of options with net MNOK 11 and adaption to implementation of hedge accounting in acquired companies with MNOK -19.

Forward exchange contracts classified as fair value hedges:

	Due in 2021		Due in 2022 or later		Total		
MNOK	*Value based on agreed exchange rates*	*Fair value at 31.12.20*	*Value based on agreed exchange rates*	*Fair value at 31.12.20*	*Value based on agreed exchange rates*	*Change in fair value from 31.12.19*	*Fair value at 31.12.20*
USD	7 259	312	3 028	93	10 287	439	405
EUR	3 242	62	2 594	33	5 836	95	95
GBP	384	16	946	-	1 329	17	15
Other	293	81	158	32	452	120	114
Totalt	**11 178**	**472**	**6 726**	**158**	**17 904**	**671**	**629**

Forward exchange contracts fair value hedges, asset	924
Forward exchange contracts fair value hedges, liability	295
Net forward exchange contracts fair value hedges	**629**

The value of fair value hedges is recognized as derivates in the statement of financial position, set off against customer contracts, assets by MNOK 545 (decrease) and customer contracts, liabilities by MNOK 84 (increase).

Specification of derivatives:

MNOK	31.12 *2020*	30.9. *2020*	31.12. *2019*
Forward exchange contracts, cash flow hedges	23	60	44
Forward exchange contracts, fair value hedges	924	505	332
Currency options	17	5	-
Total derivatives, current assets	**964**	**570**	**376**
Forward exchange contracts, cash flow hedging	101	125	55
Forward exchange contracts, fair value hedges	295	958	374
Basis swaps	144	222	64
Currency options	6	29	-
Total derivatives, current liabilities	**546**	**1 334**	**493**

Note 8 | Product development

Product maintenance cost and development recognised in the income statement during the period:

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	*2020*	*2019*	*2020*	*2019*
Product maintenance	122	134	414	442
Development cost	302	247	939	808
Total	**424**	**381**	**1 353**	**1 250**

Capitalised development recognised during the period:

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	*2020*	*2019*	*2020*	*2019*
Capitalised development	37	68	223	173

The largest capitalised projects are related to the development of a digital platform (Kognifai), Joint Strike Missile (JSM), medium-calibre weapon station (MCT), communication solutions and remote towers for airports.

Note 9 | Related parties

The Board is not aware of any 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.

Note 10 | Important risk and uncertainty factors

The Group's risk management is described in the 2019 annual report.

To a certain extent, the COVID-19 outbreak leads to great uncertainty in the future about the entire value chain, given travel restrictions, quarantine regulations and other considerations to protect people from infection. Kongsberg Maritime has extensive international operations and is directly affected by decline in the world economy. The travel restrictions in effect in various countries have a particular impact on aspects of service and after-market, but the effects are limited because Kongsberg Maritime has wide locally representation. Kongsberg Defence & Aerospace has a high proportion of exports, but the bulk of operations are in Norway. So far, the defence business has not experienced major consequences as a result of COVID-19, and operations are almost at a normal level, but travel restrictions are also causing challenges here. The Group has implemented and is continuing to implement new preventive measures to protect its own employees, business partners and to ensure normal business operations to as great extent as possible.

In preparing KONGSBERG's financial statement for the first half of the year, assessments have been made in relation to any COVID-19 impact on accounting items. Despite the downward trend in sales and order intake in a number of areas, no significant negative effects on profits were recorded. This is largely due to the introduction of comprehensive cost-saving measures and savings which are directly connected to COVID-19 (e.g. travel restrictions). KONGSBERG is expected to still be affected in the coming quarters. Lower activity among customers and suppliers, travel restrictions and increased risk of delays within projects due to temporary closures and lack of resources are expected to affect revenue, profit and order intake. In addition, there is a greater risk of cancellations of customer contracts and delayed or missing payments due to the fact that large parts of the customer base are affected, which could lead to an increased risk of losses on trade receivables, goods, project assets and foreign exchange contracts. So far losses and impairment has been limited for the Group. KONGSBERG is therefore closely monitoring the development of the virus situation in other countries, and especially in the US. The Group's large international presence, and global dependency makes the Group vulnerable for conditions that influence the international trade and the world economy in general. It is still great uncertainty regarding how the effects from the COVID-19 will affect the world economy in the longer term and how it will affect KONGSBERG.

For more information on the consequences of and measures concerning COVID-19, see the sections for Kongsberg Maritime on page 11, Kongsberg Defence & Aerospace on page 15 and Prospects on page 17.

In addition, uncertainty regarding the development in the oil prices in the future will affect investment levels in a number of segments, while at the same time leading to opportunities in other segments where KONGSBERG is strong. During 2020 the focus on sustainability has further increased among other through the introduction of EU Taxonomy. This may affect the investors and creditors in their assessment, and further on KONGSBERG and our customers and vendors activities and priorities in the future.

Note 11 | Tax

The income tax expense as of Q4 is calculated to be 20.2 per cent of earnings before tax. The income tax expense is affected by non-deductible costs, withholding tax on dividends from foreign subsidiaries and the fact that shares of net income from associated companies are recognised after tax.

Note 12 | Acquisitions

KONGSBERG has made the following acquisitions in 2020:

- COACH Solutions ApS
- Patira Helicopters AS

For further information on these acquisitions see quarterly reports for the 2nd and 3rd quarter.

In addition, the final added value allocation is made for the acquisitions of Commercial Marine and of Aerospace Industrial Maintenance Norway AS, now named Kongsberg Aviation Maintenance Services AS (KAMS). For the final added value allocation see the quarterly report for the 1st and 2nd quarter respectively.

Note 13 | Discontinued operations

Hydroid Inc.
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, on a debt- and cash-free basis and adjusted for agreed working capital. The transaction was completed with effect from 26 March 2020 and means that Hydroid's profit and loss figures have been removed from the accounts in the financial statement and reported on the line "Earnings after tax from discontinued operations". Comparative figures have also been recalculated. For further information see the quarterly report for Q1.

The tables below specify the profit related to Hydroid which is reported as discontinued operations and Hydroids share of the condensed statement of the financial position as of 31.12.19. Tax on the transaction is mainly paid during 2020. In addition, tax will be levied on the allocation of the funds.

Specification of the earnings after tax for discontinued operations

	1.1. - 31.12	
MNOK	*2020*	*2019*
Operating revenues	268	836
Operating expenses	(228)	(691)
EBITDA	**40**	**145**
EBIT	**36**	**132**
Earnings before tax	**27**	**134**
Tax	(7)	(13)
Earnings after tax	**20**	**121**
Gain from sale of business before tax	2 020	-
Tax on gain	600	-
Gain from sale of business after tax	**1 420**	**-**
Earnings after tax from discontinued operations	**1 440**	**121**

Cash flow from Hydroid

EBITDA	40	145
Change in net current assets and other operating related items	(249)	(26)
Net cash flow from operating activities	**(209)**	**120**
Net cash flow from investing activities	**(5)**	**(15)**
Net cash flow from financing activities	**(9)**	**(2)**

Effect of Hydroid on the condensed statement of financial position

	Reported 31.12.19	Hydroid 31.12.19	Adjusted 31.12.19
MNOK			
Property, plant and equipment	3 924	182	3 742
Leasing assets	2 141	-	2 141
Goodwill	4 272	846	3 426
Intangible assets	2 215	7	2 208
Deferred tax asset	167	-	167
Shares in joint arrangements and associated companies	3 247	-	3 247
Other non-current assets	213	4	209
Total non-current assets	**16 179**	**1 040**	**15 140**
Inventories	3 964	100	3 864
Trade receivables	6 363	83	6 280
Other current assets	998	-	998
Customer contracts, asset	5 888	555	5 333
Derivatives	376	-	376
Cash and cash equivalents	5 654	28	5 626
Total current assets	**23 243**	**766**	**22 477**
Total assets	**39 422**	**1 806**	**37 617**
Issued capital	5 933	-	5 933
Retained earnings	6 249	1 326	4 923
Other reserves	571	-	571
Non-controlling interests	57	-	57
Total equity	**12 810**	**1 326**	**11 484**
Long-term interest-bearing loans	3 469	-	3 469
Long-term leasing liabilities	1 850	-	1 850
Pension liabilities	974	-	974
Provisions	122	-	122
Deferred tax liabilities	1 350	-	1 350
Other non-current liabilities	36	4	32
Total non-current liabilities and provisions	**7 801**	**4**	**7 797**
Customer contracts, liabilities	10 481	391	10 090
Derivatives	493	-	493
Provisions	1 513	9	1 504
Short-term interest-bearing loans	620	-	620
Short-term leasing liabilities	348	-	348
Other current liabilities	5 356	75	5 281
Total current liabilities and provisions	**18 811**	**475**	**18 336**
Total liabilities and provisions	**26 612**	**479**	**26 133**
Total equity, liabilities and provisions	**39 422**	**1 806**	**37 617**

Note 14 | Definitions and abbreviations

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 2019 financial statements. The same applies to EBIT.

Restructuring costs consist of 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 not in use.

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

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 including share of net income from joint arrangements and associated companies, 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.

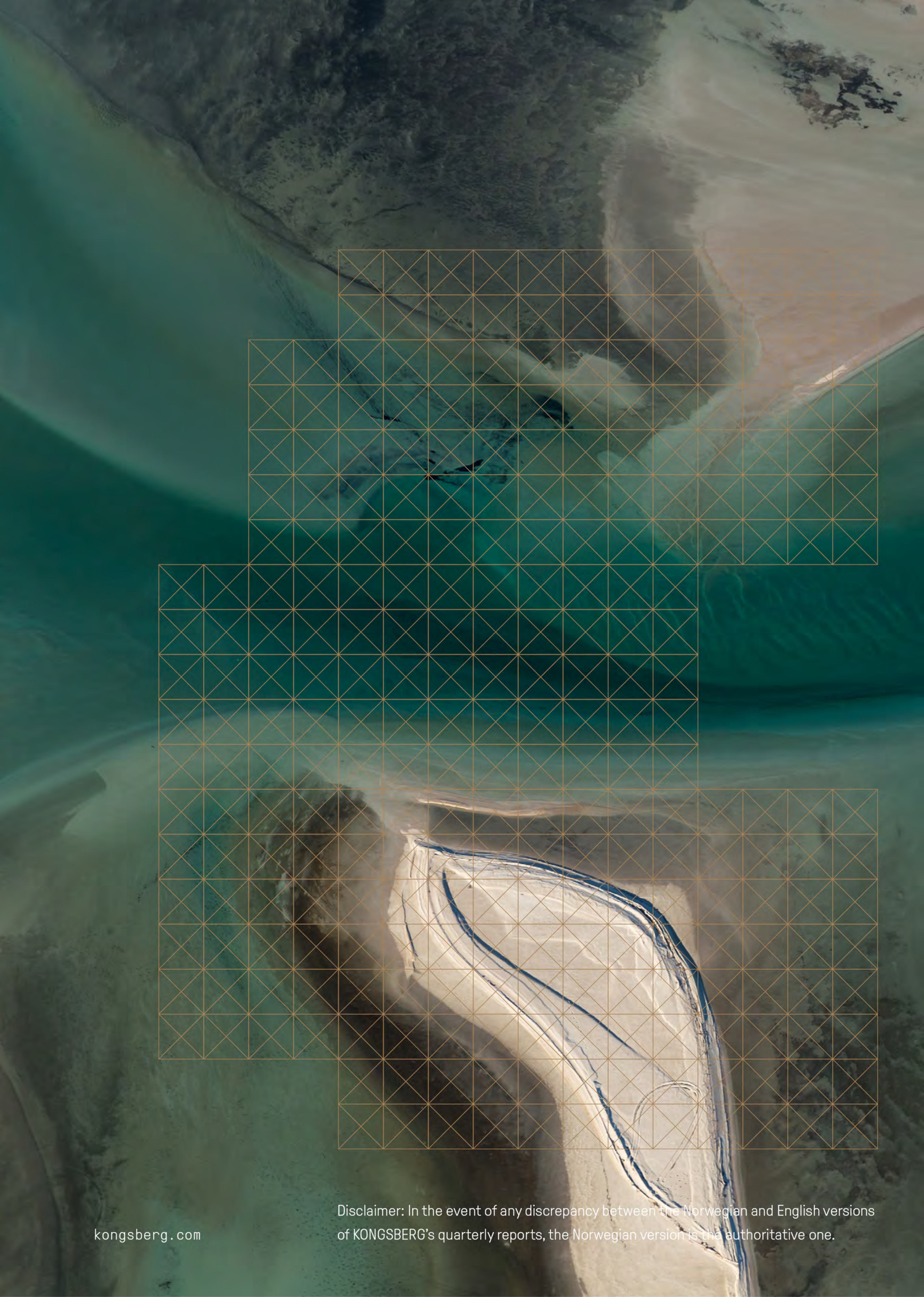
Book-to-bill ratio is order intake divided by operating revenues.

Organic growth is change in operating revenues exclusive acquired companies.

Abbreviations

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

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



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