KONGSBERG

200

Q4 / PRELIMINARY ANNUAL ACCOUNTS 2013

KONGSBERG reports operating revenues in Q4 2013 of MNOK 4 745 (MNOK 4 209) and an EBITDA of MNOK 611 (MNOK 573), resulting in an EBITDA margin of 12.9 per cent (13.6 per cent). Kongsberg Maritime, Kongsberg Defence Systems and Kongsberg Oil & Gas Technologies have higher EBITDA than in Q4 2012, while Kongsberg Protech Systems has seen a reduction. During Q4, the Group booked MNOK 3 697 (MNOK 3 717) in new orders.

The provisional financial statements for 2013 show operating revenues of MNOK 16 323 (MNOK 15 652), an increase of 4.3 per cent compared with 2012. EBITDA was MNOK 2 142 in 2013, down from MNOK 2 294 in 2012. The provisional net profit for the year came to MNOK 1 225 (MNOK 1 304), corresponding to NOK 10.24 per share (NOK 10.91).

In November 2013 KONGSBERG announced a new dividend policy saying that dividend over time was to constitute between 40 and 50 per cent of the annual results. Based on this the board's proposal of ordinary dividend for fiscal year 2013 is NOK 4.25/share (NOK 3.75/share) corresponding to a payout ratio of 41.5 per cent. In addition the board proposes an extraordinary dividend of NOK 1.00/share with regards to KONGSBERG's 200-anniversary. The total dividend proposal is NOK 5.25/share corresponding to a payout ratio of 51.3 per cent.

HIGHLIGHTS

- **A good Q4 2013** resulted in 4.3 per cent growth in operating revenues in 2013 compared with 2012.
- **Sound Q4 EBITDA** of MNOK 611, resulting in an EBITDA for 2013 of MNOK 2 142 (MNOK 2 294).
- **Strong net cash flow** from operating activities amounting to MNOK 1 066 in Q4 and MNOK 1 983 for 2013 as a whole (MNOK 207).
- **Ordinary dividend** NOK 4.25/share (NOK 3.75/share) and an extraordinary anniversary dividend of NOK 1.00/share, totaling NOK 5.25/share corresponding to a payout ratio of 51.3 per cent.
- **Kongsberg Maritime** had a record-high influx of orders and experienced 10.4 per cent year-on-year growth in operating revenues.
- **Kongsberg Defence Systems** reported a strong Q4, featuring operating revenues of MNOK 1 619 and EBITDA of MNOK 218. This was partly because KDS was awarded a bridging contract for phase III of the JSM.
- **Kongsberg Protech Systems** booked many new orders in Q4 compared with earlier quarters in 2013.
- **Kongsberg Oil & Gas Technologies** improved its operating revenues by 66.7 per cent in Q4 compared with Q4 2012. The EBITDA margin was 8.2 per cent in Q4
- **The DELTAONE improvement programme** was implemented in Q4 2013. The ambition has been specified to NOK 1 billion in annual savings by the end of 2016.

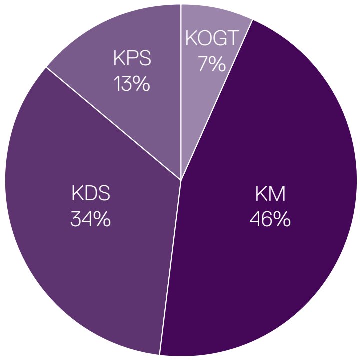
KEY FIGURES

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2013**	2012	**2013**	2012
Operating revenues	**4 745**	4 209	**16 323**	15 652
EBITDA	**611**	573	**2 142**	2 294
EBITDA (%)	**12,9**	13,6	**13,1**	14,7
EBIT	**472**	442	**1 659**	1 840
EBIT (%)	**9,9**	10,5	**10,2**	11,8
Earnings before tax	**465**	423	**1 644**	1 809
Earnings after tax	**375**	299	**1 225**	1 304
EPS (NOK)	**3,14**	2,51	**10,24**	10,91
New orders	**3 697**	3 717	**15 043**	14 605

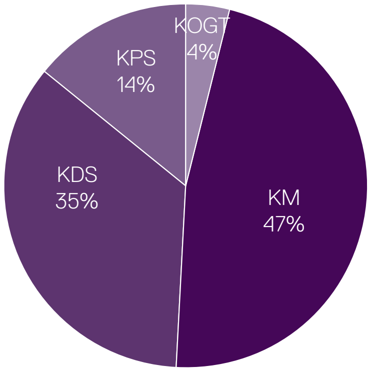
	31.12.	30.9.	31.12.
MNOK	**2013**	2013	2012
Equity ratio (%)	**38,2**	37,3	38,6
Net interest-bearing dept	**(1 935)**	(1 067)	(1 198)
Work capital	**3 319**	3 508	3 528
ROACE [1] (%)	**21,5**	21,4	26,6
Order backlog	**15 687**	16 711	16 523
No. of employees	**7 493**	7 436	7 259

[1] *EBIT / average (booked equity + gross interest bearing liabilities), based on last 12 months.*

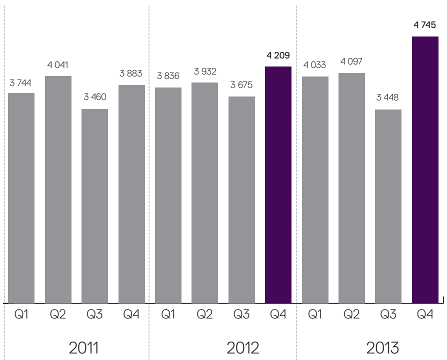
OPERATING REVENUES BY AREA
Q4



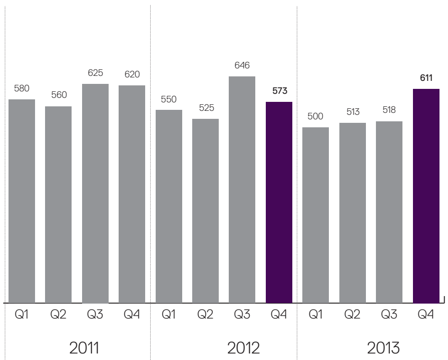
EBITDA BY AREA
Q4



OPERATING REVENUES



EBITDA



EPS

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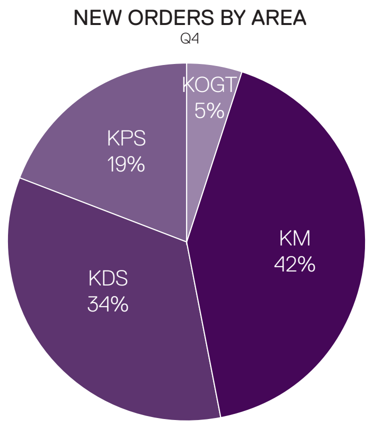
We are reporting an exceptionally good Q4 based on record-high operating revenues, a sound EBITDA and a strong cash flow. Operations went smoothly in 2013, strengthening our platform throughout the year for the achievement of future goals. 2014 marks KONGSBERG's 200 years anniversary and we are well prepared to keep going strong for another 200 years.

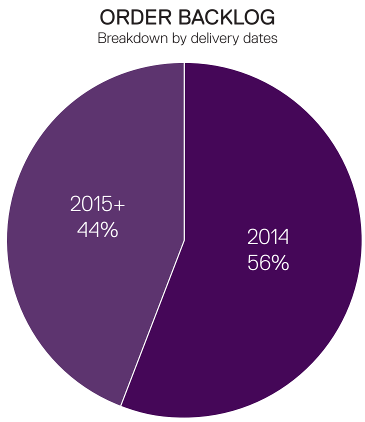
Walter Qvam, CEO

PERFORMANCE AND THE ORDER SITUATION

Operating revenues totalled MNOK 4 745 in Q4 2013, up 12.7 per cent compared with Q4 2012. EBITDA was MNOK 611 (MNOK 573), resulting in an EBITDA margin of 12.9 per cent (13.6 per cent). KM, KDS and KOGT have all seen higher operating revenues. KPS' operating revenues were lower than in Q4 2012. The same three business areas had improved EBITDAs compared with Q4 2012, while KPS experienced a substantial decline. Earnings before tax came to MNOK 465 (MNOK 423) in Q4, while earnings after tax were MNOK 375 (MNOK 299). New orders totalled MNOK 3 697 (MNOK 3 717) in Q4 2013, translating into a book/bill of 0.78.

The provisional net profit for 2013 shows operating revenues of MNOK 16 323 (MNOK 15 652), up 4.3 per cent, while EBITDA was MNOK 2 142 (MNOK 2 294). This gives an EBITDA margin of 13.1 per cent, down from 14.7 per cent in 2012. Except for KPS, all business areas improved their EBITDAs in 2013. As previously mentioned, the reduction at KPS is due to lower volumes and deliveries on contracts with lower contribution margins. The accumulated EBT was MNOK 1 644 (MNOK 1 809), and the consolidated net profit after tax came to MNOK 1 225 (MNOK 1 304). The return on average employed capital (ROACE) was 21.5 per cent in 2013 (26.6 per cent).





Order backlog at the end of Q4 2013, MNOK 15 687

CASH FLOW

KONGSBERG saw a net increase in bank deposits and cash equivalents of MNOK 896 in Q4. The net cash flow from operating activities in Q4 was MNOK 1 066 (MNOK 884). The Q4 cash flow was generally good throughout the Group. Moreover, several major payments were received from KDS' customers. During 2013, the net cash flow from operating activities improved by MNOK 1 776 compared with 2012, reaching MNOK 1 983 (MNOK 207). The cash flow can vary from quarter to quarter due to the customers' terms of payment, payments to subcontractors and capital tied up in projects.

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2013**	2012	**2013**	2012
EBITDA	**611**	573	**2 142**	2 294
Change in net current assets and other operating related items	**455**	311	**(159)**	(2 087)
Net cash flow from operating activities	**1 066**	**884**	**1 983**	**207**
Net cash flow from investing activities	**(180)**	(243)	**(775)**	(713)
Net cash flow used in financing activities	**5**	(2)	**(480)**	(49)
Effect of changes in exchange rates on cash and short-term deposits	**5**	(10)	**35**	(19)
Net change in cash and short-term deposits	**896**	**629**	**763**	**(574)**

BALANCE SHEET

At the end of Q4 2013, the Group had net interest-bearing liabilities of MNOK -1 935, compared with MNOK -1 067 at the end of Q3. Consolidated bank deposits and cash equivalents totalled MNOK 3 272 at end quarter, compared with MNOK 2 376 at the end of Q3. KONGSBERG's equity was MNOK 6 657 (38.2 per cent), compared with MNOK 6 275 (37.3 per cent) at the end of Q3. KONGSBERG has an undrawn credit facility of MNOK 1 000 that will expire in July 2015.

	31.12.	30.9.	31.12.
MNOK	**2013**	2013	2012
Equity	**6 657**	6 275	6 274
Equity ratio(%)	**38,2**	37,3	38,6
Total assets	**17 435**	16 808	16 274
Working capital	**3 319**	3 508	3 528
Gross interest-bearing liabilities	**1 337**	1 309	1 311
Gross bank deposits and cash equivalents	**3 272**	2 376	2 509
Net interest-bearing liabilities	**(1 935)**	(1 067)	(1 198)

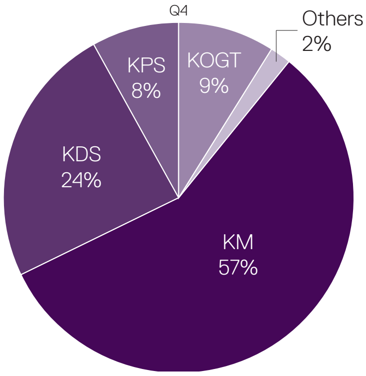
IMPROVEMENT PROGRAMME – DELTAONE

DELTAONE is a group wide improvement programme launched to strengthen profitability and competitiveness by making fundamental improvements. The programme was announced on KONGSBERG's Capital Markets Day on 7 November 2013 and, since then, the project has concentrated on identifying potential improvements in ongoing and new initiatives. This has led to an updated ambition, with potential efficiency improvement gains of NOK 1 billion in annual effects by the end of 2016.

HUMAN RESOURCES

KONGSBERG had 7 493 co-workers at the end of 2013, an increase of 57 during the quarter. The number of employees increased by a total of 234 in 2013. KOGT reported the biggest increase in 2013, i.e. 203 individuals, largely as a result of acquisitions and general growth in the Norwegian business activities. KM augmented its workforce by 97, mainly in companies outside of Norway. KPS scaled down the number of employees during the year, downsizing to adapt to the level of activity. The reduction was accomplished in its entirety by offering employees other positions with KONGSBERG, as well as by voluntary attrition.

NUMBER OF EMPLOYEES BY BUSINESS AREA



CHANGES IN CORPORATE EXECUTIVE MANAGEMENT AS FROM 1 JANUARY 2014

On 1 January 2014, Hege Skryseth became a member of the Corporate Executive Management with responsibility for strategic human resources and talent development and strategic communication/marketing. In autumn 2013, Hege Skryseth came to KONGSBERG from a position as CEO of Microsoft Norway. In addition to her current role as Corporate Compliance Officer, Lene Svenne will also be in charge of the Group's Enterprise Risk Management. Johnny Løcka has moved into a new role, assuming responsibility for the Group's property portfolio, industrial and government relations in the Kongsberg area, and emergency preparedness and safety.

OTHER ACTIVITIES

Other activities mainly consist of eliminations and external operating revenues for Property Operations. The figures provided in this report for the sake of comparison have been adjusted in the light of the fact that KOGT is now being reported as a separate business area.

KEY FIGURES

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2013**	2012	**2013**	2012
Revenues	**2 201**	2 043	**8 264**	7 485
EBITDA	**292**	251	**1 179**	1 050
EBITDA (%)	**13.3**	12.3	**14.3**	14.0
New orders	**1 579**	1 668	**8 455**	8 438

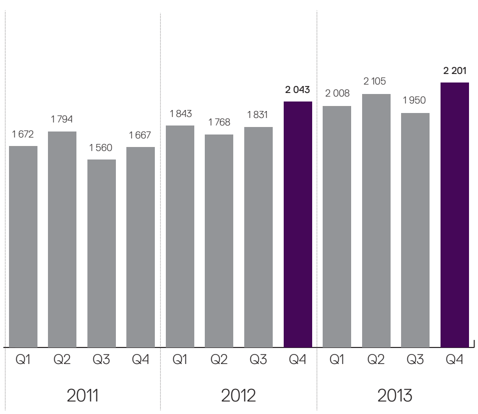
	31.12.	30.9.	31.12.
MNOK	**2013**	2013	2012
Order backlog	**6 529**	7 125	6 042
No. of employees	**4 260**	4 227	4 163

PERFORMANCE

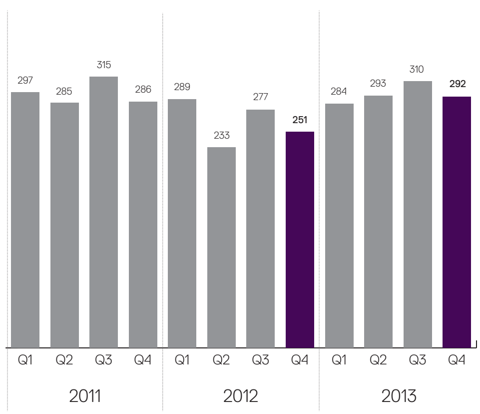
Activity levels were high at KM once again in Q4, with year-on-year increases in operating revenues, EBITDA and EBITDA margins. Operating revenues added up to MNOK 2 201 during the quarter (MNOK 2 043). EBITDA was MNOK 292 (MNOK 251), resulting in an EBITDA margin of 13.3 per cent (12.3 per cent).

Operating revenues totalled MNOK 8 264 in 2013 (MNOK 7 485), up 10.4 per cent compared with 2012. EBITDA was MNOK 1 179 (MNOK 1 050), leading to an EBITDA margin of 14.3 per cent (14.0 per cent). Following a decline in the EBITDA margin through 2012, mainly as a result of higher costs and market pressure on prices, the margin stabilised again in 2013. The main reasons for this are strong operations due to both efficiency of deliveries and a lower level of costs.

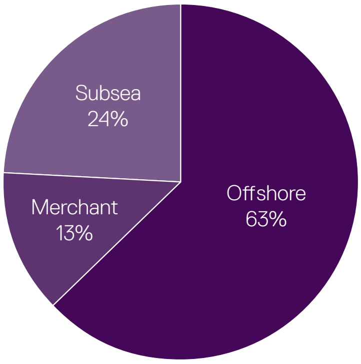
OPERATING REVENUES



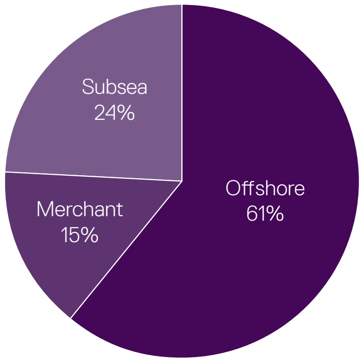
EBITDA



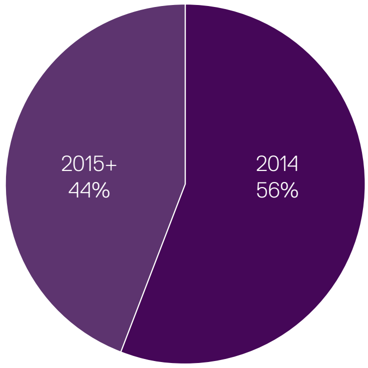
OPERATING REVENUES YTD 2013



OPERATING REVENUES YTD 2012



ORDER BACKLOG
Breakdown by delivery dates



Order backlog at the end of Q4 2013, MNOK 6 529

MARKETS AND NEW ORDERS

The value of new orders signed in Q4 aggregated MNOK 1 579 (MNOK 1 668). The backlog of orders was valued at MNOK 6 529 at end quarter. The strong backlog of orders gives relatively good predictability for the future.

Once again in Q4, KM maintained the strong position it has carved out in the market for advanced offshore vessels. 'Full picture' delivery contracts for advanced offshore vessels made a strong contribution to new orders. In October, KM announced that it had won contracts for 'Full picture' deliveries for 11 advanced offshore units, including nine drilling units, one accommodation unit and one advanced multi-functional construction vessel. Contracts were also announced for four LNG vessels. The vessels will be built by Samsung Heavy Industries (SHI) and Hyundai Heavy Industries (HHI) in South Korea, and at the Cosco Shipyard in China. The contracts confirm the strong position KM enjoys among Southeast Asian shipyards and their customers.

KM's subsea activities were buoyant in Q4, with new orders on a par with those booked in Q4 2012. New orders from the offshore segment are also reflected in the subsea segment, e.g. in respect of subsea navigation and acoustic blow-out preventer (BOP) systems. These systems are sold as part of 'Full Picture' deliveries, but also as separate products.

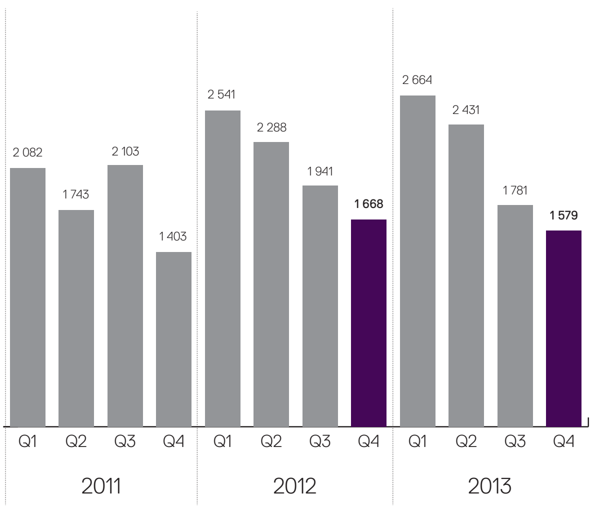
Over the past few years, there have been fewer orders for newbuildings in the market for merchant vessels. This has also affected KM's influx of orders from this segment. In 2013, we saw several signals to indicate that this market is improving. This segment booked 25 per cent more new orders in Q4 2013 than in Q4 2012. Among other awards, it won a prestigious contract for deliveries to what will be the world's largest, most advanced container ships. The contract is for a total of 10 vessels with options for seven more. The Merchant Division appears to be in a good position for continued positive development in the merchant fleet segment.

2013 – Further confirmation of a strong market position

2013 was yet another robust year for KM. Revenues climbed by 10.4 per cent, bringing the EBITDA margin to 14.3 per cent, 0.3 percentage points higher than in 2012. The business area confirmed its strong market positions and, despite keener competition in several markets, it booked a record-high influx of new orders. The focus on the offshore supply market has been successful and KM has won a larger share of this market. Contracting for newbuildings picked up in the merchant fleet market during the year. Parts of KM's subsea activities are closely linked to trends in the offshore market, as reflected in the solid order intake from this segment. The demand for KM's autonomous underwater vehicles (AUVs) is also good.

Great advances have been made on the equipment front as oil and gas exploration and production activities move into deeper waters and face more demanding conditions. The bar has also been raised in respect of efficient, reliable service and customer support. KM has made formidable investments in the development of products, technology and customer support. This puts the business area in a good position not only with a state-of-the-art product portfolio, but also as a reliable, efficient choice for customers.

NEW ORDERS



KONGSBERG DEFENCE SYSTEMS

KEY FIGURES

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2013**	2012	**2013**	2012
Revenues	**1 619**	1 258	**4 554**	4 654
EBITDA	**218**	148	**520**	478
EBITDA (%)	**13.5**	11.8	**11.4**	10.3
New orders	**1 292**	903	**3 232**	3 514

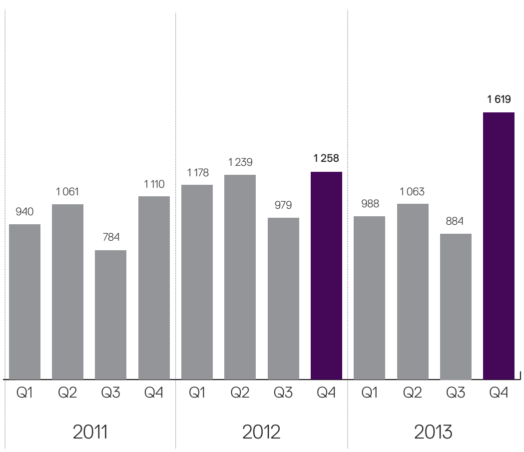
	31.12.	30.9.	31.12.
MNOK	**2013**	2013	2012
Order backlog	**5 489**	5 816	6 817
No. of employees	**1 761**	1 755	1 747

PERFORMANCE

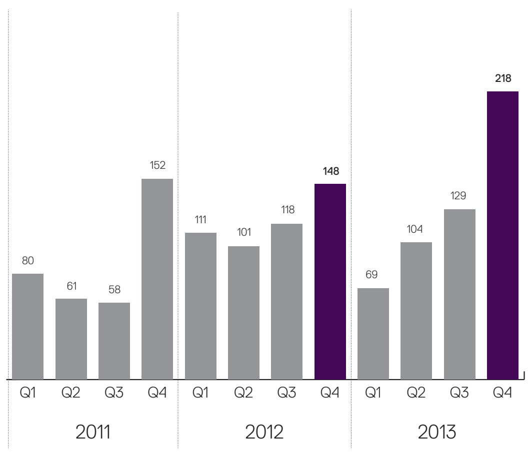
Operating revenues ended at MNOK 1 619(MNOK 1 258). EBITDA came to MNOK 218 (MNOK 148), resulting in an EBITDA margin of 13.5 per cent (11.8 per cent). The funding agreement for the bridging phase of phase III of the development contract for the Joint Strike Missile (JSM) was signed in Q4, and had favourable one-off effect on operating revenues and EBITDA in Q4. Significant milestones were achieved in several of the major delivery programmes in Q4. This, in conjunction with generally smooth operations, largely accounts for the strong EBITDA margin.

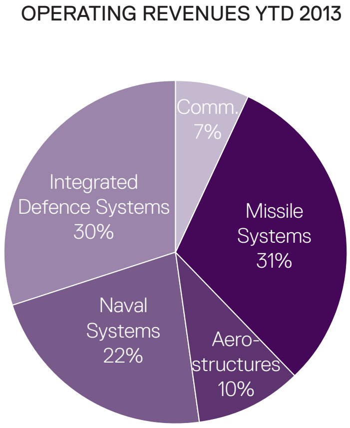
In 2013, operating revenues totalled MNOK 4 554 (MNOK 4 654), while EBITDA was MNOK 520 (MNOK 478).

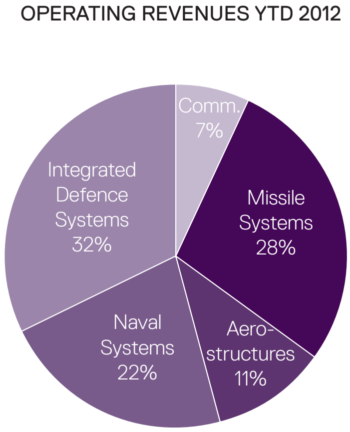
OPERATING REVENUES

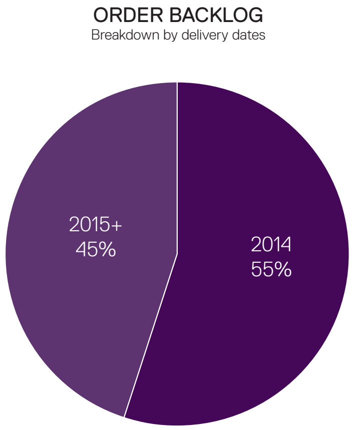


EBITDA









Order backlog at the end of Q4 2013, MNOK 5 489

MARKETS AND NEW ORDERS

New orders aggregated MNOK 1 292 (MNOK 903) in Q4. The Norwegian Defence Logistics Organization (FLO) accounted for a large part of the new orders in Q4:

- The funding agreement for the bridging phase of phase III of the development contract for the Joint Strike Missile (JSM) Phase II of JSM has been completed, and to ensure continued expertise and momentum in the transition between JSM phases II and III, FLO has signed a so-called bridging phase contract in anticipation of a parliamentary hearing and its approval for the development of JSM phase III. The contract is valued at MNOK 480. It is expected that the JSM phase III development contract will be signed in 2014.
- A delivery contract valued at MNOK 133 for Sea Protector weapons stations for the Navy's combat vessels.
- Framework agreement for the operation and maintenance of systems on the Navy's vessels and at their training centres. The framework agreement will run for six years, and has a scope of MNOK 165. Beyond this, the agreement gives FLO the option to order additional services, spare parts and other equipment as needed.

A new Penguin contract was signed in Q4. The customer is the Armed Forces of New Zealand, which will be installing Penguin Mk II Mod 7 missiles on its new Kaman SH-2G Super Seasprite maritime helicopters. This contract confirms that the Penguin missile is still a leader in its segment. The Penguin missile was developed by KONGSBERG 40 years ago. The model currently being sold has been upgraded several times and is considered to be the best in its segment when it comes to scope, manoeuvrability and countering threats.

2013 – A year with a rapid pace of deliveries and robust marketing activities

The level of activity has remained strong in terms of deliveries, development and marketing. Deliveries of NSM missiles to Norway are on schedule and the Armed Forces conducted several successful tests in 2013. The coastal artillery system featuring NSM missiles scheduled for delivery to Poland is also on schedule, and deliveries will continue in 2014. Deliveries are also on schedule for the anti-aircraft contract with Finland that was signed in 2009. The JSM development project is maintaining a high level of activity. In spring 2013, Norway received an important message from the F-35 programme's Joint Executive Steering Board, confirming that the JSM will be integrated on the F-35. KONGSBERG has started work on the final phase of the development project and is expecting a formal phase III contract in 2014.

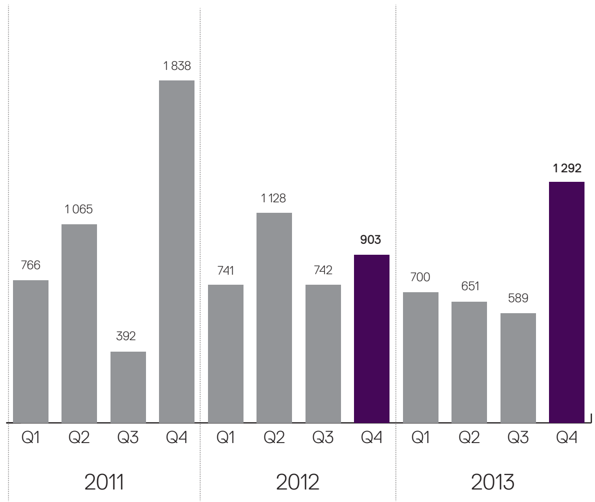
Several key nations are cutting their defence budgets. This budgetary uncertainty may also affect KONGSBERG. However, KDS has a portfolio of state-of-the-art, advanced and cost-effective niche products that are considered to be well positioned for the future needs of many countries. Fluctuations in new orders are normal in the defence market, which is marked by relatively few but large-scale contracts.

NASAMS to OMAN – contract announced in January 2014

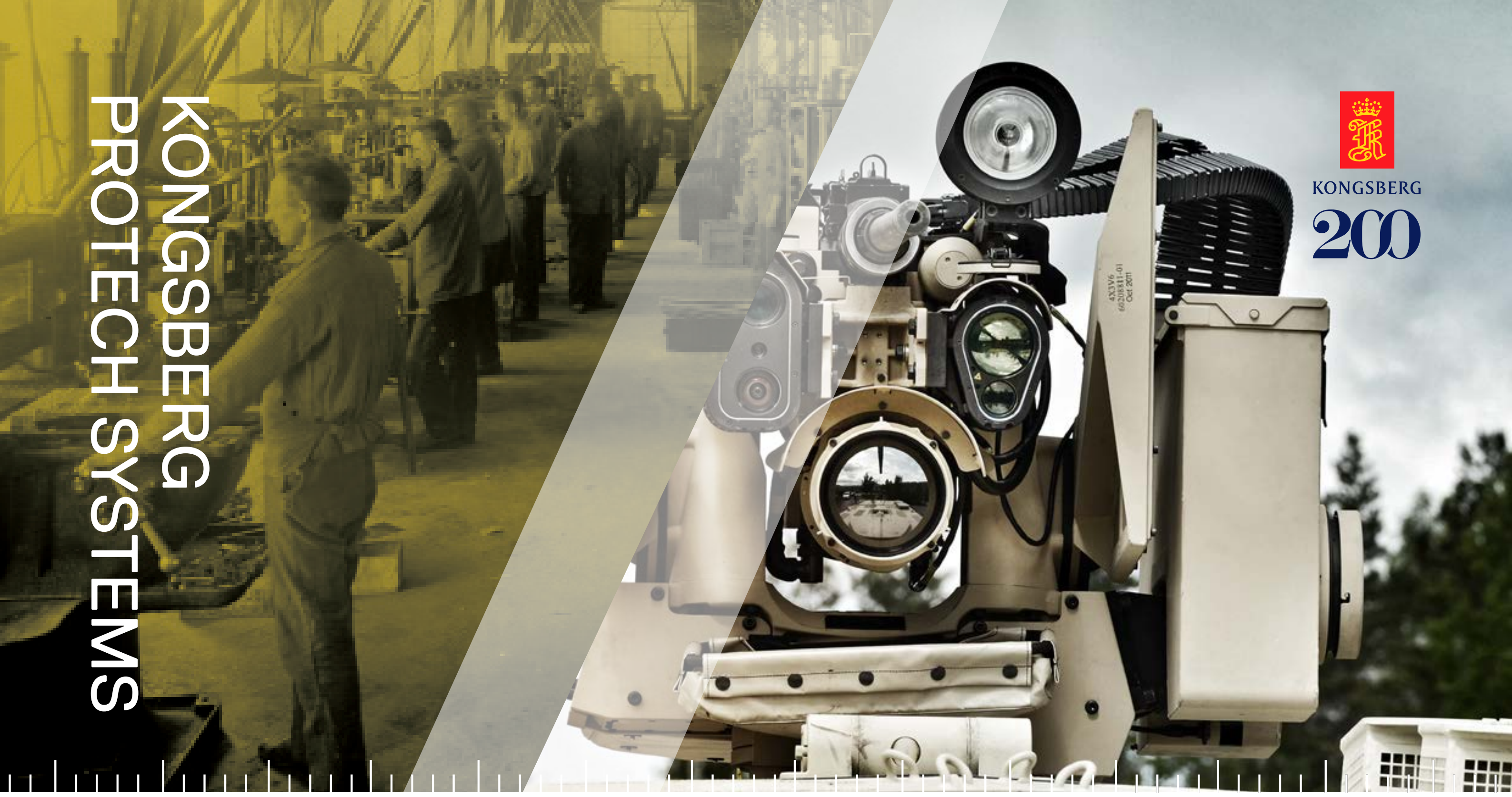
On 23 January 2014, KONGSBERG reported that its strategic US partner for many years, Raytheon, had signed a NASAMS (National Advanced Surface-to-Air Missile System) air defence contract with Oman. In collaboration with the US authorities, as the party responsible for the system, Raytheon sells NASAMS on the international market. KONGSBERG is a subcontractor to Raytheon for elements of NASAMS, and the scope of the contract for KONGSBERG is NOK 3.7 billion. This is the largest delivery contract in KONGSBERG's history.

NASAMS is a defence system developed to defend ground-based civilian and military installations from airborne threats. In Norway, NASAMS were deployed when President Obama attended the Nobel Peace Prize award ceremony in 2009. The system has operated 24/7 for the past eight years to protect the airspace over the US capital, Washington, D.C. Several countries have opted for NASAMS as their air defence system, including Norway, Finland, The Netherlands, the USA, Spain and now also Oman.

NEW ORDERS



KONGSBERG PROTECH SYSTEMS



KEY FIGURES

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2013**	2012	**2013**	2012
Revenues	**636**	758	**2 420**	2 876
EBITDA	**90**	179	**419**	727
EBITDA (%)	**14.2**	23.6	**17.3**	25.3
New orders	**703**	980	**2 005**	1 957

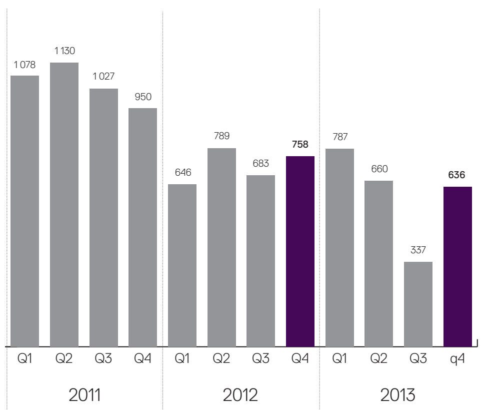
	31.12.	30.9.	31.12.
MNOK	**2013**	2013	2012
Order backlog	**2 805**	2 739	3 218
No. of employees	**644**	643	724

PERFORMANCE

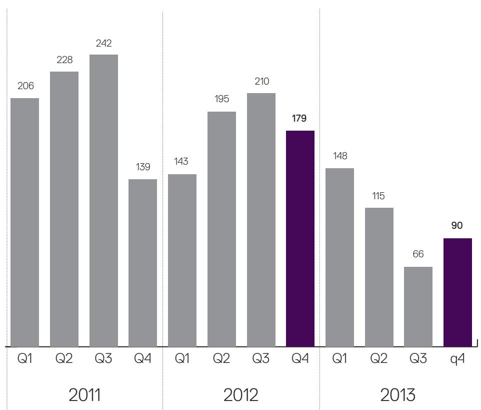
Q4 operating revenues added up to MNOK 636 (MNOK 758). EBITDA was MNOK 90 (MNOK 179), resulting in an EBITDA margin of 14.2 per cent (23.6 per cent). Q4 deliveries were mainly to the CROWS and Stryker programmes in the US, as well as to Croatia and for the Nordic programme.

Aggregated operating revenues for 2013 came to MNOK 2 420 (MNOK 2 876), while EBITDA was MNOK 419 (MNOK 727). The main explanation for the decrease in operating revenues is a reduction in deliveries to the CROWS programme compared with previous years. The margin remains good, although lower than in 2012. The reduction in this context is primarily attributable to changes in the product mix relative to last year and lower margins under current contracts.

OPERATING REVENUES



EBITDA



MARKETS AND NEW ORDERS

New orders in Q4 added up to MNOK 703 (MNOK 980). During the quarter, a contract valued at MNOK 196 was signed with the Swiss Armed Forces. The contract covers deliveries of PROTECTOR weapons control systems, as well as logistics for the Swiss armoured personnel carrier programme, GMTF RP 13. Orders valued at MNOK 362 were received for the CROWS programme under the framework agreement signed in August 2012.

2013 – Confirmed market position, but declining delivery volumes

Throughout 2013, KPS maintained its strong position in the market for remotely operated weapon control systems. As announced in Q3, the level of activity picked up towards year end as a result of major deliveries in Q4. The business area's product is experiencing lower demand. This is experienced both through a decline in new orders, and through delivery programmes that have had a tendency to be pushed back somewhat.

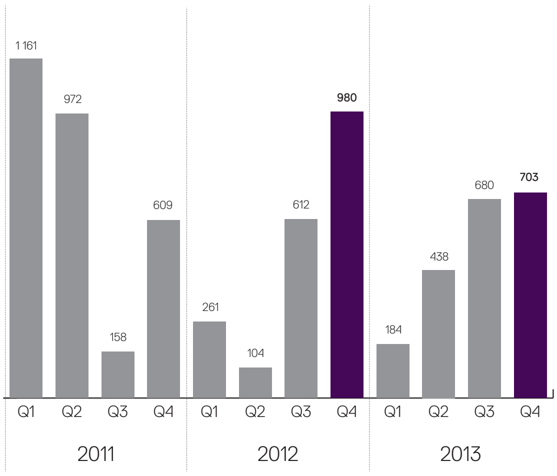
MCRWS is the business area's most important development programme in recent years. Interest in the product picked up considerably through 2013, especially in the latter half of the year. It is not certain when the first contract will be signed, but the market potential is considered to be substantial.

DELIVERIES

KPS is affected by budgetary uncertainty in several key countries. The business area is running strong marketing campaigns in several countries, but decisions are taking longer than what was the case earlier. The margin on the projects being delivered today is lower than under the CROWS II framework contract that was signed in 2007. The total impact of this is expected to bring a reduction in results from ordinary operations in 2014 compared with 2013.

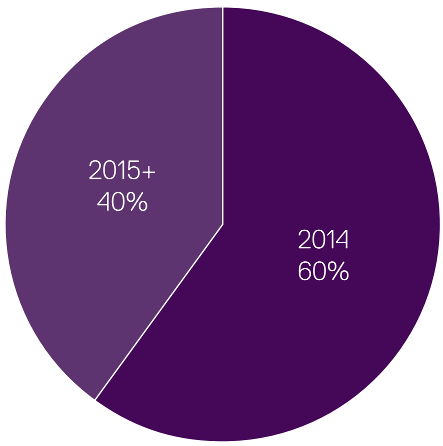
There is a shift not only in where operating revenues are generated geographically, but also in relation to the breakdown between new sales/after-market sales. From 2009 to 2011, the US accounted for nearly 90 per cent of the business area's operating revenues. In 2013, this percentage was down to some 60 per cent. Operating revenues from countries other than the US have more than doubled over the past five years at the same time as operating revenues from the US are currently less than half of the average between 2009 and 2011. The proportion of new systems to after-market sales is also changing. In the record-year 2010, more than 4 000 new systems were delivered. In contrast, some 1 000 systems were delivered in 2013. However, while after-market activities have remained more stable over the period, they vary somewhat from year to year depending on how customers handle the procurement of spare parts.

NEW ORDERS



ORDER BACKLOG

Breakdown by delivery dates



Order backlog at the end of Q4 2013, MNOK 2 805

KONGSBERG OIL & GAS TECHNOLOGIES

KEY FIGURES

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2013**	2012	**2013**	2012
Revenues	**305**	183	**1 077**	702
EBITDA	**25**	(5)	**49**	44
EBITDA (%)	**8.2**	(2.7)	**4.5**	6.3
New orders	**186**	180	**1 385**	750

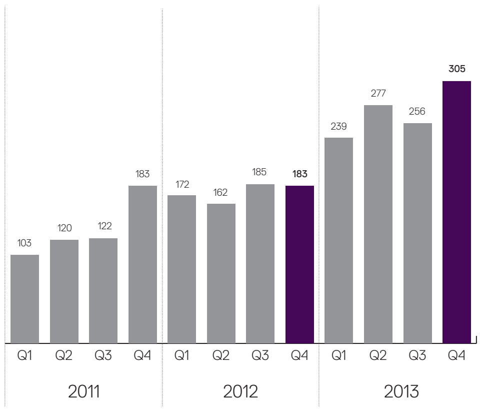
	31.12.	30.9.	31.12.
MNOK	**2013**	2013	2012
Order backlog	**734**	855	293
No. of employees	**709**	692	506

PERFORMANCE

Q2 operating revenues amounted to MNOK 305 (MNOK 183). EBITDA was MNOK 25 (MNOK -5), resulting in an EBITDA margin of 8.2 per cent (-2.7 per cent). Q4 operating revenues were relatively equally divided between Software & Services and the Subsea Division.

In 2013, operating revenues came to NOK 1 077 million (MNOK 702), while EBITDA ended at MNOK 49 (MNOK 44). The increase in operating revenues is largely attributable to the acquired companies Apply Nemo and Advali, but there was also substantial growth in Software & Services in general, as operating revenues climbed by 26 per cent year-on-year. The segment Software & Services also showed pronounced improvement in its profits compared with 2012

OPERATING REVENUES



EBITDA

MARKETS AND NEW ORDERS

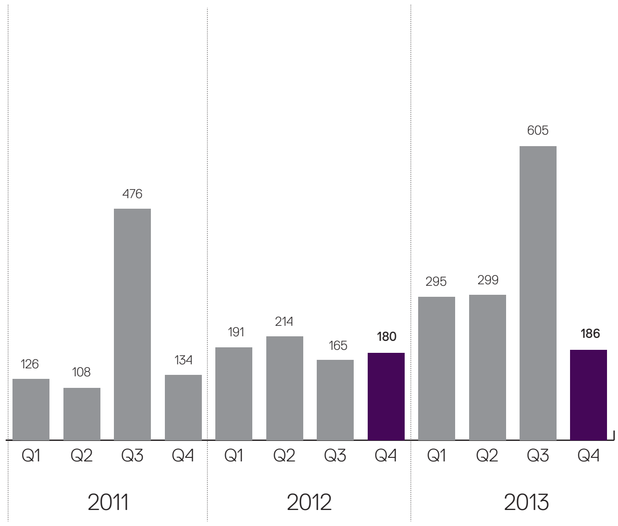
New orders in Q4 aggregated MNOK 186 (MNOK 180). The influx of new orders consists of a combination of several smaller contracts related to KOGT's products for real-time decision-making systems for drilling operations, SiteCom, and minor EPC contracts. Operations are also expanding for the business area's services and software solutions related to process simulation and integrated operations.

2013 – Integration of new companies and commercial success with core products

KOGT is in a ramp-up phase and is being positioned for further growth. The business area's earnings can vary based on the progress of certain individual larger projects and major sales of licensed software products. Over the past year, the business area has had commercial success with several of its solutions based on core products like SiteCom, K-Spice and LedaFlow. New orders for software and related services ended about 30 per cent higher in 2013 than in 2012.

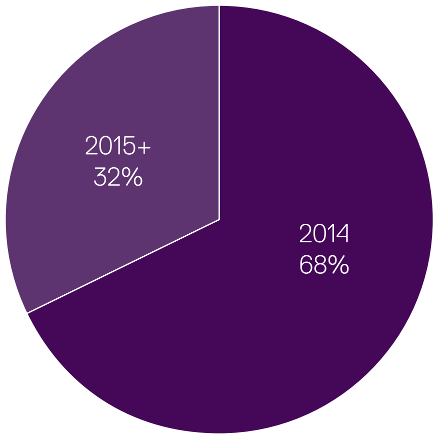
In the subsea area, there was heavy emphasis on the integration of Kongsberg Nemo in 2013. The process has been successful and, in August, the business area was rewarded with a prestigious contract for Statoil's Polarled project. If January 2014, KOGT's share of the Polarled project was reduced by about MNOK 200 as a result of Statoil's decision to cancel parts of the Polarled project, an offshoot of the Kristin field. Notwithstanding, the remainder still represents a substantial contract for KOGT. Since 2011, KOGT has been BP's partner in a development programme entitled BP Well Advisor. The programme generated positive results for BP in 2013, and the companies have agreed to continue working together in 2014.

NEW ORDERS



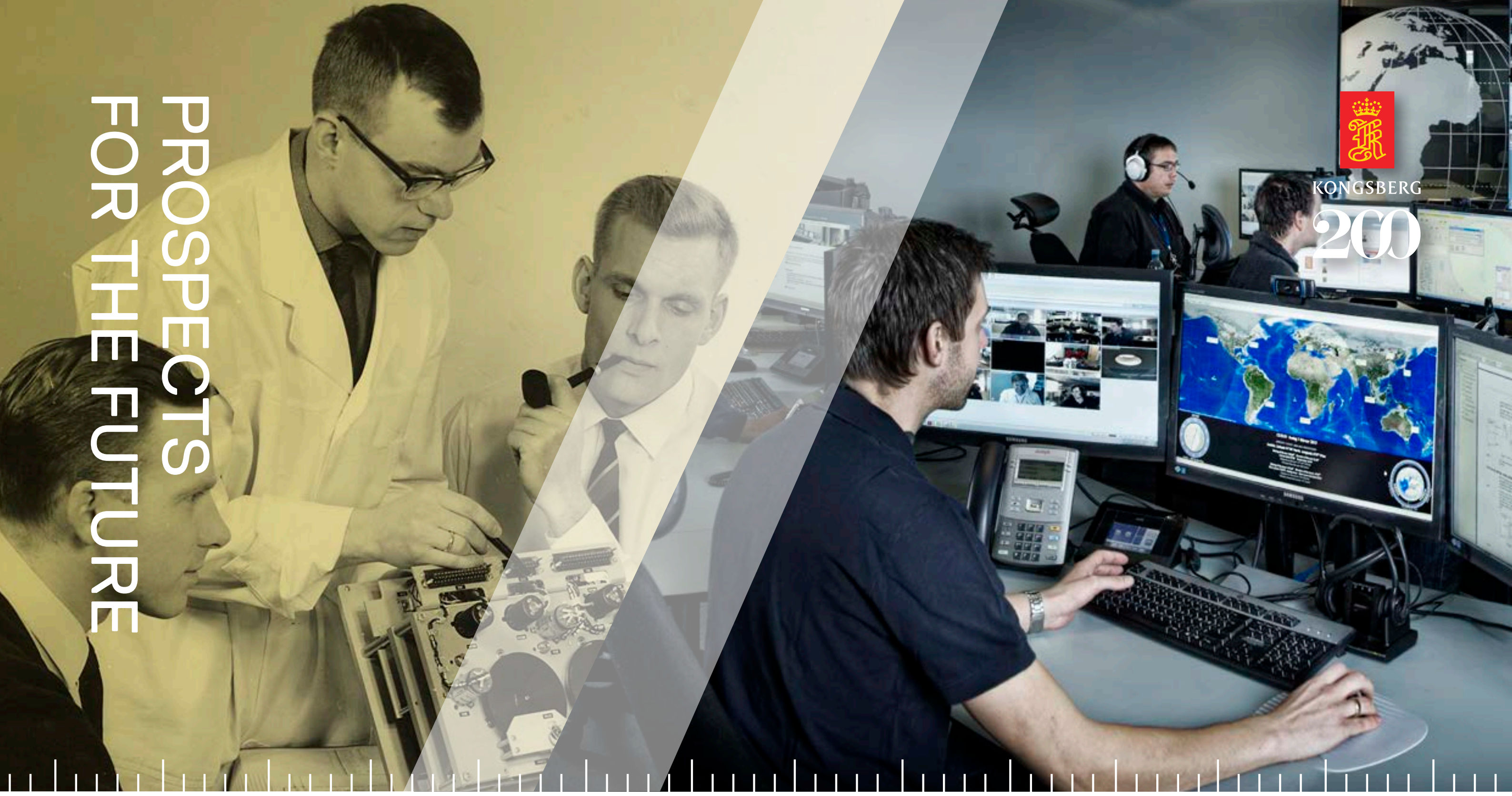
ORDER BACKLOG

Breadown by delivery dates



Order backlog at the end of Q4 2013, MNOK 734

PROSPECTS FOR THE FUTURE



Kongsberg Maritime expects a continued high level of activity for the offshore and subsea divisions in 2014. The merchant marine market showed promising signs in 2013, which over time should have a positive impact on the segment. Further focus on the global after market and customer support will continue to be important in 2014. Along with a strong influx of new orders in recent years, this provides a sound platform for the business area's level of activity in 2014.

Kongsberg Defence Systems is in the final phase of several major delivery programmes. KDS signed a major new agreement in January 2014 for delivery of the air-defence system NASAMS. There are several important long-term opportunities for sales and further development for missiles, submarine systems, air-defence systems, communication systems, etc. in the years ahead. This situation, along with a well-filled order book, provides a sound platform for the business area's level of activity.

Kongsberg Protech Systems is a global leader in remotely operated weapon control systems, and has broadened its product portfolio. KPS is considered well positioned to deal with anticipated future demand. However, the business area is exposed to generally lower demand in its markets, especially in the US, and customers' procurement decisions are taking more time than before. Accordingly, business is expected to be somewhat slower in 2014 than in 2013 and the margins from ordinary operations are expected to be lower compared to 2013.

Kongsberg Oil & Gas Technologies is a business area under development, and a niche supplier to the oil and oil services industry in Norway and abroad. Stricter efficiency standards in the drilling and production phase are expected to lead to promising opportunities for the business area's products. The business area is well positioned in several important areas of the oil and gas industry.

KONGSBERG has a strong order backlog and strong market positions in merchant marine, offshore and defence. This provides a firm foundation for business activities in 2014.

Kongsberg, 6 February 2014

Kongsberg Gruppen ASA's Board of Directors

KEY FIGURES BY QUARTER

KM	2013					2012				
MNOK	**2013**	**Q4**	Q3	Q2	Q1	**2012**	Q4	Q3	Q2	Q1
Revenues	**8 264**	**2 201**	1 950	2 105	2 008	**7 485**	2 043	1 831	1 768	1 843
EBITDA	**1 179**	**292**	310	293	284	**1 050**	251	277	233	289
EBITDA %	**14.3**	**13.3**	15.9	13.9	14.1	**14.0**	12.3	15.1	13.2	15.7
New orders	**8 455**	**1 579**	1 781	2 431	2 664	**8 438**	1 668	1 941	2 288	2 541
Order backlog	**6 529**	**6 529**	7 125	7 219	6 893	**6 042**	6 042	6 477	6 443	5 769
EBITA	**1 018**	**252**	268	253	245	**908**	207	241	200	260
EBITA %	**12.3**	**11.4**	13.7	12.0	12.2	**12.1**	10.1	13.2	11.3	14.1

KDS	2013					2012				
MNOK	**2013**	**Q4**	Q3	Q2	Q1	**2012**	Q4	Q3	Q2	Q1
Revenues	**4 554**	**1 619**	884	1 063	988	**4 654**	1 258	979	1 239	1 178
EBITDA	**520**	**218**	129	104	69	**478**	148	118	101	111
EBITDA %	**11.4**	**13.5**	14.6	9.8	7.0	**10.3**	11.8	12.1	8.2	9.4
New orders	**3 232**	**1 292**	589	651	700	**3 514**	903	742	1 128	741
Order backlog	**5 489**	**5 489**	5 816	6 112	6 534	**6 817**	6 817	7 170	7 418	7 504
EBITA	**407**	**186**	101	77	43	**372**	120	92	75	85
EBITA %	**8.9**	**11.5**	11.4	7.2	4.4	**8.0**	9.5	9.4	6.1	7.2

KPS	2013					2012				
MNOK	**2013**	**Q4**	Q3	Q2	Q1	**2012**	Q4	Q3	Q2	Q1
Revenues	**2 420**	**636**	337	660	787	**2 876**	758	683	789	646
EBITDA	**419**	**90**	66	115	148	**727**	179	210	195	143
EBITDA %	**17.3**	**14.2**	19.6	17.4	18.8	**25.3**	23.6	30.7	24.7	22.1
New orders	**2 005**	**703**	680	438	184	**1 957**	980	612	104	261
Order backlog	**2 805**	**2 805**	2 739	2 396	2 617	**3 218**	3 218	2 997	3 069	3 753
EBITA	**362**	**76**	52	102	132	**654**	155	193	179	127
EBITA %	**15.0**	**11.9**	15.4	15.5	16.8	**22.7**	20.4	28.3	22.7	19.7

KOGT	2013					2012				
MNOK	**2013**	**Q4**	Q3	Q2	Q1	**2012**	Q4	Q3	Q2	Q1
Revenues	**1 077**	**305**	256	277	239	**702**	183	185	162	172
EBITDA	**49**	**25**	18	8	(2)	**44**	(5)	35	5	9
EBITDA %	**4.5**	**8.2**	7.0	2.9	(0.8)	**6.3**	(2.7)	18.9	3.1	5.2
New orders	**1 385**	**186**	605	299	295	**750**	180	165	214	191
Order backlog	**734**	**734**	855	505	484	**293**	293	303	560	498
EBITA	**34**	**15**	17	6	(4)	**39**	(6)	33	5	7
EBITA %	**3.2**	**4.9**	6.6	2.2	(1.7)	**5.6**	(3.3)	17.8	3.1	4.1

KONGSBERG	2013					2012				
MNOK	**2013**	**Q4**	Q3	Q2	Q1	**2012**	Q4	Q3	Q2	Q1
Revenues	**16 323**	**4 745**	3 448	4 097	4 033	**15 652**	4 209	3 675	3 932	3 836
EBITDA	**2 142**	**611**	518	513	500	**2 294**	573	646	525	550
EBITDA %	**13.1**	**12.9**	15.0	12.5	12.4	**14.7**	13.6	17.6	13.4	14.3
New orders	**15 043**	**3 697**	3 688	3 773	3 885	**14 605**	3 717	3 495	3 669	3 724
Order backlog	**15 687**	**15 687**	16 711	16 398	16 733	**16 523**	16 523	17 084	17 587	17 667
EBITA	**1 797**	**515**	434	430	418	**1 971**	477	566	450	478
EBITA %	**11.0**	**10.9**	12.6	10.5	10.4	**12.6**	11.3	15.4	11.4	12.5

CONDENSED INCOME STATEMENT FOR THE PERIOD

		1.10. - 31.12.		1.1. - 31.12.	
MNOK	Note	**2013**	2012	**2013**	2012
Revenues	1	**4 745**	4 209	**16 323**	15 652
Operating expenses		**(4 134)**	(3 636)	**(14 181)**	(13 358)
EBITDA		**611**	**573**	**2 142**	**2 294**
Depreciation		**(96)**	(96)	**(345)**	(323)
EBITA	**1**	**515**	**477**	**1 797**	**1 971**
Amortisation		**(43)**	(33)	**(138)**	(119)
Impairment		**-**	(2)	**-**	(12)
EBIT		**472**	**442**	**1 659**	**1 840**
Net financial items	8	**(7)**	(19)	**(15)**	(31)
Earnings before tax (EBT)		**465**	**423**	**1 644**	**1 809**
Income tax	10	**(90)**	(124)	**(419)**	(505)
Earnings after tax		**375**	**299**	**1 225**	**1 304**
Attributable to:					
Non-controlling interests		**(2)**	(2)	**(3)**	(5)
Equity holders of the parent		**377**	301	**1 228**	1 309
Earnings per share (EPS). NOK		**3.14**	2.51	**10.24**	10.91
Earnings per share. diluted NOK		**3.14**	2.51	**10.24**	10.91

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

		1.10. - 31.12.		1.1. - 31.12.	
MNOK	Note	**2013**	2012	**2013**	2012
Earnings after tax		**375**	299	**1 225**	1 304
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Change. fair value of financial instr. and hedge instr. for cash flow hedges:	5				
- Change. cash flow hedges and int. rate swap agreements		**(4)**	(1)	**(7)**	16
- Change. available-for-sale inv.		**(43)**	163	**(461)**	110
Tax effect. cash flow hedges and int. rate swap agreements		**12**	(46)	**129**	(30)
Translation differences, foreign currency		**22**	(40)	**123**	(63)
Net items that may be reclassified subsequently to profit or loss		**(13)**	**76**	**(216)**	**33**
Items that will not be reclassified to profit or loss:					
Actuarial gains/losses pensions	9	**28**	5	**(239)**	(117)
Tax on items recognised against statement of comprehensive income		**(8)**	(1)	**67**	32
Net items that will not be reclassified to profit or loss:		**20**	**4**	**(172)**	**(85)**
Comprehensive income		**382**	**379**	**837**	**1 252**

CONDENSED STATEMENT OF FINANCIAL STATUS

MNOK	Note	31.12. 2013	30.9. 2013	31.12. 2012
Property, plant and equipment		**2 655**	2 622	2 602
Intangible assets	4	**3 137**	3 117	2 750
Other non-current assets	5	**295**	288	280
Total non-current assets		**6 087**	**6 027**	**5 632**
Inventories		**2 943**	3 004	3 465
Trade receivables		**2 238**	2 131	1 815
Other current assets		**2 895**	3 270	2 853
Cash and short-term deposits		**3 272**	2 376	2 509
Total current assets		**11 348**	**10 781**	**10 642**
Total assets		**17 435**	**16 808**	**16 274**
Paid-in equity		**982**	982	982
Retained earnings		**5 799**	5 379	5 074
Fair value of financial instruments		**(132)**	(97)	207
Non-controlling interests		**8**	11	11
Total equity		**6 657**	**6 275**	**6 274**
Long-term interest-bearing debt	5	**811**	1 309	1 311
Other non-current liabilities and provisions	9	**1 938**	1 951	1 575
Total non-current liabilities and provisions		**2 749**	**3 260**	**2 886**
Construction contracts under construction, liabilities		**2 548**	2 691	2 284
Short term interest bearing debt.	5	**526**	-	-
Other current liabilities and provisions	3	**4 955**	4 582	4 830
Total current liabilities and provisions		**8 029**	**7 273**	**7 114**
Total equity, liabilities and provisions		**17 435**	**16 808**	**16 274**
Equity ratio(%)		**38.2**	37.3	38.6
Net interest-bearing liabilities		**(1 935)**	(1 067)	(1 198)
Net interest-bearing debt/EBITDA(%)		**n/a**	n/a	n/a

CONDENSED STATEMENT OF CHANGES IN EQUITY

MNOK	31.12. 2013	30.9. 2013	31.12. 2012
Equity opening balance	**6 274**	6 274	5 484
Comprehensive income	**837**	455	1 252
Dividends	**(450)**	(450)	(450)
Treasury shares	**(3)**	(5)	(6)
Acquisition / disposals non-controlling interests	**-**	-	(2)
Dividends non-controlling interests	**(2)**	-	(1)
Change in non-controlling interests	**1**	1	(3)
Equity, closing balance	**6 657**	**6 275**	**6 274**

CONDENSED CASH FLOW STATEMENT

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2013**	2012	**2013**	2012
Earnings before interest, tax, depreciation and amortisation	**611**	573	**2 142**	2 294
Change in net current assets and other operating related items	**455**	311	**(159)**	(2 087)
Net cash flow from operating activities	**1 066**	**884**	**1 983**	**207**
Acquisition of property, plant and equipment	**(121)**	(165)	**(346)**	(523)
Acquisition of subsidiaries and non-controlling interests	**(17)**	(56)	**(346)**	(69)
Net payment of loans and acquisition/sale of shares	**-**	-	**-**	-
Other investing activities	**(42)**	(22)	**(83)**	(121)
Net cash flow from investing activities	**(180)**	**(243)**	**(775)**	**(713)**
New loans raised and repayment	**2**	(2)	**-**	419
Net interest received (paid)	**4**	-	**(11)**	6
Net payments for the purchase/sale of treasury shares	**1**	-	**(17)**	(19)
Transactions with non-controlling interests	**(2)**	-	**(2)**	(5)
Dividends paid to equity holders of the parent	**-**	-	**(450)**	(450)
Net cash flow used in financing activities	**5**	**(2)**	**(480)**	**(49)**
Effect of changes in exchange rates on cash and short-term deposits	**5**	(10)	**35**	(19)
Net change in cash and short-term deposits	**896**	**629**	**763**	**(574)**
Cash and short-term deposits opening balance	**2 376**	**1 880**	**2 509**	**3 083**
Cash and short-term deposits, closing balance	**3 272**	**2 509**	**3 272**	**2 509**

NOTES TO THE QUARTERLY ACCOUNTS

	REVENUES				EBITDA				EBITA			
	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	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
KM	**2 201**	2 043	**8 264**	7 485	**292**	251	**1 179**	1 050	**252**	207	**1 018**	908
KDS	**1 619**	1 258	**4 554**	4 654	**218**	148	**520**	478	**186**	120	**407**	372
KPS	**636**	758	**2 420**	2 876	**90**	179	**419**	727	**76**	155	**362**	654
KOGT	**305**	183	**1 077**	702	**25**	(5)	**49**	44	**15**	(6)	**34**	39
Other	**(16)**	(33)	**8**	(65)	**(14)**	-	**(25)**	(5)	**(14)**	1	**(24)**	(2)
THE GROUP	**4 745**	**4 209**	**16 323**	**15 652**	**611**	**573**	**2 142**	**2 294**	**515**	**477**	**1 797**	**1 971**

NOTE 1 – INFORMATION BY SEGMENT

NOTE 2 - GENERAL INFORMATION AND PRINCIPLES

The consolidated (interim) Q4 accounts encompass Kongsberg Gruppen ASA, its subsidiaries, jointly controlled activities included proportionally using the proportionate consolidation method, and the Group's stakes in associates.

The interim accounts have been drawn up in accordance with IAS 34 for interim reporting, the Stock Exchange regulations and the supplementary requirements in Norway's Securities Trading Act. The interim accounts do not include all the information required for a full financial statement and should therefore be read in the light of the consolidated accounts for 2012. The consolidated accounts for 2012 comply with the rules in the Norwegian Accounting Act and with international financial reporting standards, as laid down by the EU. KONGSBERG has applied the same accounting policies as are described in the consolidated accounts for 2012, with the exception of factors mentioned in Note 8 - Policy changes pursuant to IAS 19.

The consolidated accounts for 2012 are available upon request from the Group's headquarters in Kongsberg or at www.kongsberg.com.

The interim accounts have not been audited.

NOTE 3 – ESTIMATES

The preparation of the interim accounts entails the use of valuations, estimates and assumptions that affect the application of the accounting policies and the amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The material assessments underlying the application of the Group's accounting policies and the main sources of uncertainty are the same as for the consolidated accounts for 2012.

NOTE 4 – EQUITY-FINANCED DEVELOPMENT

Development costs of MNOK 187 (MNOK 233) were charged against income in Q4 2013. In addition, MNOK 42 (MNOK 16) in equity-financed development was capitalised in Q4. Similarly, during the period from 1 Jan. -31 Dec. 2013, MNOK 728 (MNOK 719) was charged against income and MNOK 80 (MNOK 114) was capitalised.

NOTES TO THE QUARTERLY ACCOUNTS

NOTE 5 – FINANCIAL INSTRUMENTS

First year's instalment payments on long-term loans
The first year's instalment payments on long-term loans, MNOK 500, were reclassified to short-term interest-bearing loans in Q4.

Credit facilities
KONGSBERG has undrawn overdraft facilities of MNOK 1 000.

Other non-current assets
The value of available-for-sale shares has been reduced by MNOK 7 since year end. There was decrease of MNOK 4 in Q4.

Currency futures, options and interest swap agreements
Assets classified as cash flow hedges (prognosis hedges) were reduced by MNOK 461 [2)] before tax in 2013. Of this amount, the change in the capitalised value of currency futures accounted for a reduction of MNOK 209 during the same period. The currency exchange rates on the spot market at end quarter were NOK 6.07/USD 1 and NOK 8.36/EUR 1.

	Falling due in 2013		Falling due in 2014 or later		Total		
MNOK (before tax)	Value based on agreed exchange rates	Net excess value at 31 Dec. 13	Value based on agreed exchange rates	Net excess value at 31 Dec. 13	Value based on agreed exchange rates	Change in excess value from 31 Dec. 12	Net excess value at 31 Dec. 13
EUR	882	(31)	465	(18)	1 346	(75)	(49)
USD	7 582	17	1 444	(4)	9 027	(134)	13
Deferred gain [1)]	-	(93)	-	(68)	-	(250)	(161)
Total	**8 464**	**(107)**	**1 909**	**(90)**	**10 373**	**(459)**[2)]	**(197)**

1) The gain arises when the prognosis hedges mature and new hedges are secured for the projects. Any gains/losses that arise are deferred and realised proportional to the progress of the project.
2) The difference between these two figures is due to a change in holdings of interest swap agreements that is not reflected in the currency list.

NOTE 6 – RELATED PARTIES

Note 27 to the Annual Report for 2012 refers to an agreement regarding a State guarantee furnished by the Ministry of Trade and Industry for the construction of the composite plant. The condition for the guarantee now longer applied since the Norwegian parliamentary decision to authorise the government to order the first aircraft of the F-35 programme.

Beyond this, in connection with related parties, the Board is not aware of any changes or transactions that would have a material impact on the Group's financial position or profit for the period.

NOTE 7 – KEY RISK AND UNCERTAINTY FACTORS

No significant new risk or uncertainty factors were discovered during the quarter. For a description of how the Group deals with different risks, please see the Annual Report for 2012.

NOTE 8 – POLICY CHANGE AS A RESULT OF CHANGES IN ACCORDANCE WITH IAS 19

As from 1 Jan. 2013, under "Employee benefits", IAS 19 allows the funding element of net pension expenses to be presented as a funding element instead of being included in net pension expenses in EBITDA. Moreover, the rate of return in excess of the discount rate will be presented as other comprehensive income. KONGSBERG has chosen to implement this in its reports as from Q1 2013. The principle has been applied retrospectively, and the comprehensive income statement for 2012 has been adjusted. The comparative figures in the Q3 report have been adjusted as follows:

	Reported for 1 Jan. - 31 Dec. 12	Restated comparative figures for 1 Jan. - 31 Dec. 12	Reported for 1 Oct. - 31 Dec. 12	Restated comparative figures for 1 Oct. - 31 Dec. 12
EBITDA	2 308	2 294	576	573
Net financial items	(23)	(31)	(17)	(19)
Tax	(511)	(505)	(126)	(124)
EBT	1 320	1 304	302	299
Net interest effect to OCI	-	16	-	4
EPS	11,05	10,91	2,53	2,51

NOTE 9 – PENSION LIABILITIES

The new K-2013 mortality table was implemented as of Q3. The one-off effect of MNOK -267 before tax has been recognised in the overall results.

NOTE 10 – CHANGED TAX RATE

A significant share of KONGSBERG's operating revenues is related to construction contracts. As a result of formidable temporary differences between the profit for accounting purposes and for tax purposes, the adopted change in the tax rate to 27 per cent will entail a reduction in this year's total taxes of MNOK 33. This is the main reason that the effective tax rate is 25.5 per cent (27.9 per cent in 2012). In 2013, KONGSBERG is not in a tax-paying position for the companies that make up the Norwegian tax group.

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Disclaimer: in the event of any discrepancy between the Norwegian and English versions of Kongsbergs Quarterlyreports, the Norwegian version is the authoritative one.

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