KONGSBERG

QUARTERLY REPORT

4TH QUARTER / PRELIMINARY ANNUAL ACCOUNTS 2017

KOG

2017 can be summed up in three words: adapting, delivering and positioning. KONGSBERG has carried out major organisational changes in both the civilian and defence related business areas. The main focus in this period of restructurings has been to deliver according to the customer's expectations. In this we have succeeded. The implemented measures have already had positive effects in the second part of 2017. We have also positioned ourselves with respect to concrete projects and future-oriented technologies that will be important to KONGSBERG's earnings, especially in the long run. We anticipate a high intake of new orders, both in the short and long term. Overall we have built a solid foundation for long-term growth.

Geir Håøy, President & CEO

HIGHLIGHTS

KOG

Good order intake and cash flow in Q4. Strengthened market positions in several areas in 2017, both in the civilian and defence related sectors. Restructuring costs have had a negative impact on profit and loss statement. However, in the second half of the year we see that the measures are beginning to have a positive effect, especially in KM. The board proposes to the Annual General Meeting a dividend of NOK 3.75 per share.

KM

Good order intake and profitability in a challenging market. No major growth is expected in the near future, but solid market positions and an improved cost base gives reason for optimism in the maritime area for the coming year.

KDA

Good order intake in Q4 confirms KDA's strong position within its segments. Operating revenues are on the same level as last year, but the margins are somewhat lower, mainly because of restructuring costs.

KDI

Important positions have been secured with important players in the oil and gas, wind energy and merchant marine markets. KDI invests substantially in development.

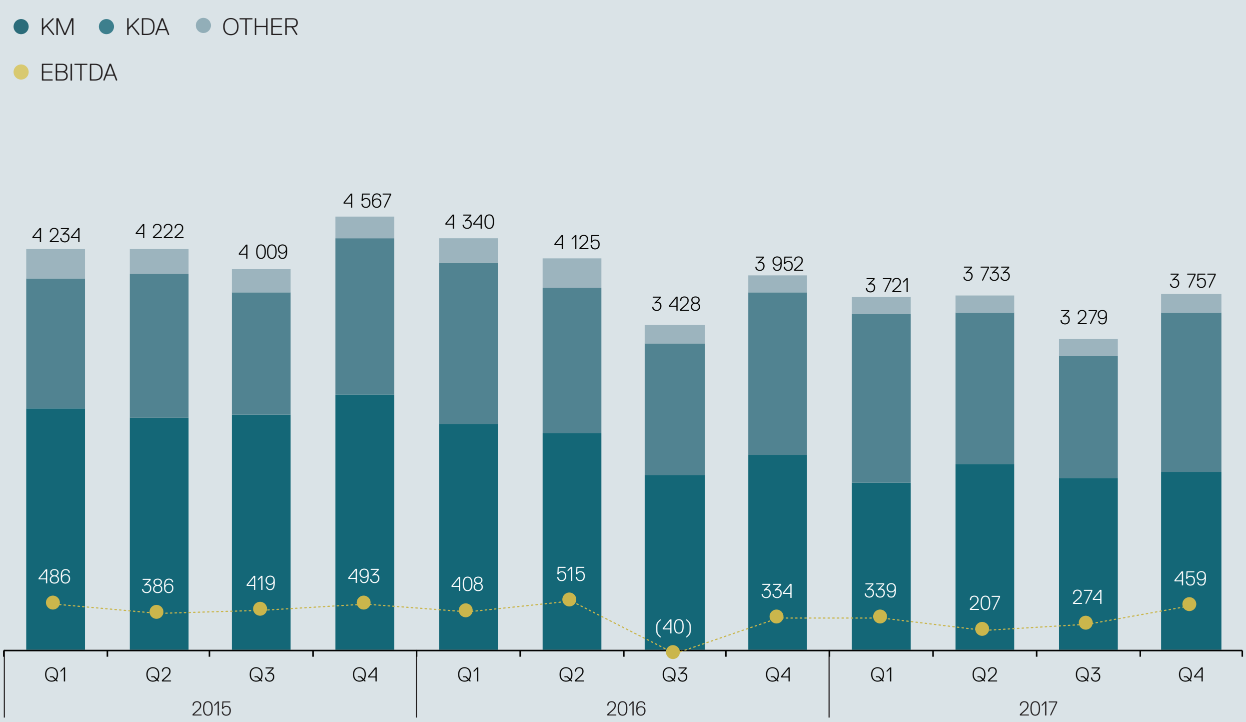
KEY FIGURES

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2017**	2016	**2017**	2016
Operating revenues	**3 757**	3 952	**14 490**	15 845
EBITDA	**459**	334	**1 279**	1 217
EBITDA (%)	**12,2**	8,5	**8,8**	7,7
EBIT	**299**	188	**772**	692
EBIT (%)	**8,0**	4,8	**5,3**	4,4
Earnings before tax	**266**	269	**654**	729
Earnings after tax	**270**	262	**559**	651
EPS (NOK)	**2,21**	2,19	**4,62**	5,44
New orders	**5 015**	3 012	**13 430**	14 319

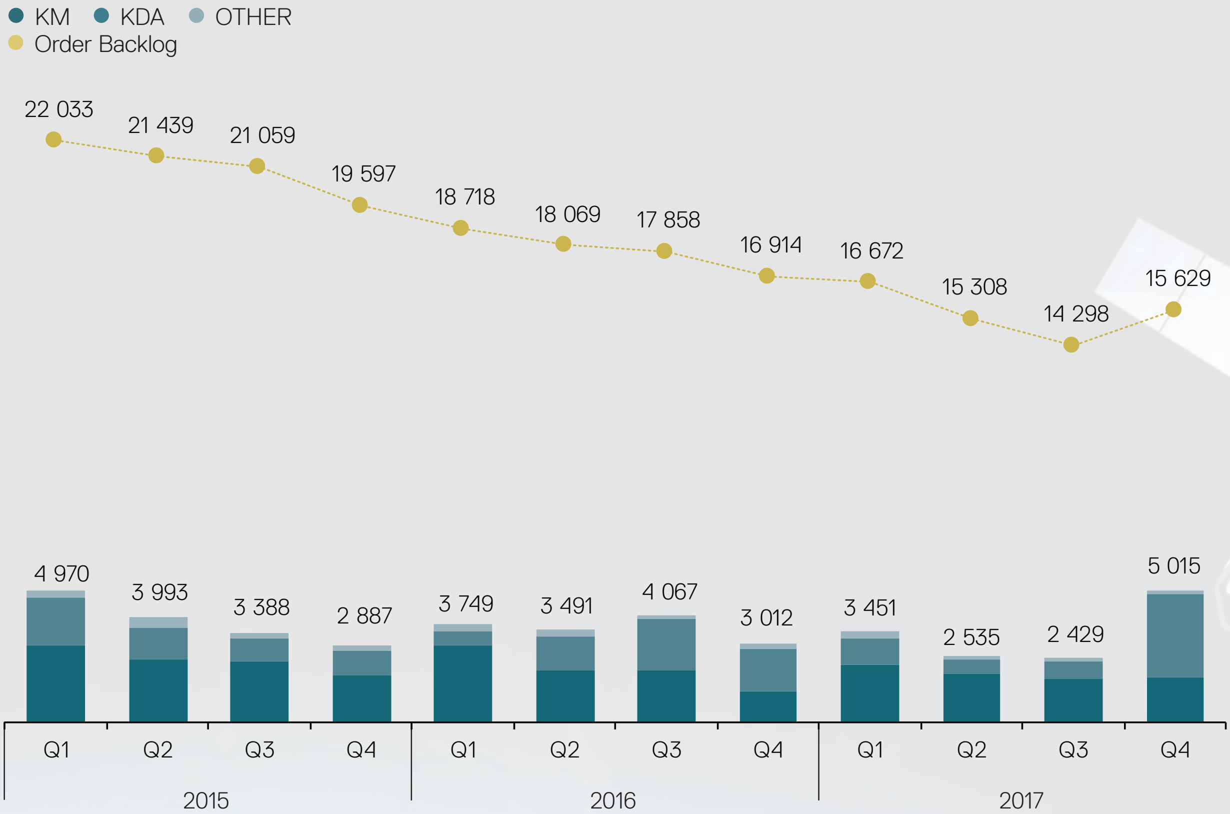
	31.12.	30.9.	31.12.
MNOK	**2017**	2017	2016
Equity ratio (%)	**35,4**	33,6	31,7
Net interest-bearing debt [1]	**384**	1 991	2 195
Working capital [2]	**955**	2 158	2 533
ROACE (%) [3]	**9,1**	7,5	8,2
Order backlog	**15 629**	14 298	16 914
No. of employees	**6 830**	6 870	7 159

[1] The net-amount of the accounting lines "Cash and cash equivalents", "Long term interest-bearing loans" and "Short-term interest-bearing loans".
[2] Current assets deducted by cash and cash equivalents, non-interest bearing short-term debt (except payable tax) and financial instruments at book value.
[3] 12 month rolling EBIT divided by 12 month average equity and net interest-bearing debt.

OPERATING REVENUES & EBITDA

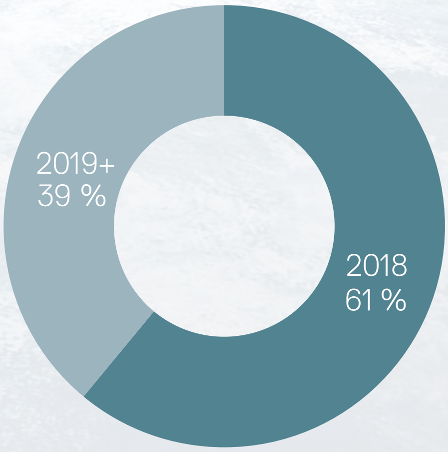


NEW ORDERS & ORDER BACKLOG

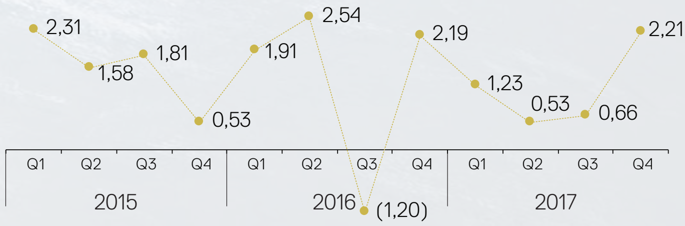


ORDER BACKLOG

Breakdown by delivery dates



EPS



PERFORMANCE, MARKET AND ORDERS

The Group's operating revenues in Q4 are MNOK 3,757, which is down 4.9 per cent compared to the same quarter in 2016. KM sees a 8.8 per cent reduction, and KDA is down 1.6 per cent.

The quarterly EBITDA margin is 12.2 per cent, including MNOK 25 in restructuring costs. Last year's Q4 EBITDA margin was 8.5 per cent.

The order intake in Q4 was MNOK 5,015, which gives a book/bill of 1.33. The order backlog at the end of the quarter is MNOK 15,629. The order intake varies considerably over time as a result of major single orders within the defence segment.

Accumulated operating revenues in 2017 are MNOK 14,490, which is 8.6 per cent lower than last year. Most of the reduction in operating revenues is related to KM and a weak offshore market. KDA's operating revenues are on the same level as last year. The Group's EBITDA margin is 8.8 per cent, compared to 7.7 per cent in 2016. In 2017, EBITDA is down by a net amount of MNOK 256 mainly due to restructuring costs. The EBITDA margin for the same period in 2016 was down by a net amount of MNOK 433 mainly because of impairments and restructurings.

CASH FLOW

KONGSBERG's cash and cash equivalents are up by MNOK 1,317 in Q4. The increase is mainly driven by an improved working capital position. Working capital is reduced by MNOK 1,203, which for the most part comes from customer payments in KDA. The Group has also redeemed a certificate loan of MNOK 300 this quarter. Net interest-bearing debt has been reduced by MNOK 1,607.

In 2017 cash and cash equivalents has increased by MNOK 1,068. The annual improvement in working capital is an important contribution to the strong cash flow. Other important impacts on the cash flow include MNOK 450 in dividend payments and MNOK 213 in received dividend from associated companies. The bridge facility that was established in connection with the purchase of the shares in Patria Oyj has in 2017 been redeemed by MEUR 53, while the KOG06 bond loan was redeemed by MNOK 257. The net reduction in net interest-bearing debt this year is MNOK 1,811.

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2017**	2016	**2017**	2016
EBITDA	**459**	334	**1 279**	1 217
Change in net current assets and other operating related items	**1 290**	404	**1 620**	(408)
Net cash flow from operating activities	**1 749**	**738**	**2 899**	**809**
Net cash flow from investing activities	**(151)**	(115)	**(528)**	(3 343)
Net cash flow from financing activities	**(318)**	(15)	**(1 319)**	2 668
Effect of changes in exchange rates on cash and cash equivalents	**37**	31	**16**	(53)
Net change in cash and cash equivalents	**1 317**	**639**	**1 068**	**81**

BALANCE SHEET

The interest-bearing debt at the end of Q4 consists of five bond loans that amount to MNOK 3,250 and other interest-bearing debt of MNOK 90. See also Note 5. At the end of Q4, the Group has MNOK 2,956 in cash and cash equivalents and a net interest-bearing debt of MNOK 384. At the beginning of Q4, the Group had a certificate loan of MNOK 300. This has been redeemed during the quarter.

Furthermore, the Group has a MNOK 2,300 syndicated credit facility and a overdraft facility of MNOK 500. At the end of Q4, these remained undrawn.

The equity ratio at the end of Q4 is 35.4 per cent. The equity book ratio is up by MNOK 447 this quarter. Accumulated equity is up by MNOK 640 in 2017.

	31.12.	30.9.	31.12.
MNOK	**2017**	2017	2016
Equity	**7 365**	6 918	6 725
Equity ratio (%)	**35,4**	33,6	31,7
Total assets	**20 821**	20 577	21 196
Working capital	**955**	2 158	2 533
Gross interest-bearing liabilities	**3 340**	3 630	4 083
Cash and cash equivalents	**2 956**	1 639	1 888
Net interest-bearing liabilities	**384**	1 991	2 195

DIVIDEND

At the Annual General Meeting on 16 May, the board proposes a dividend of NOK 3.75 per share for the accounting year of 2017. The dividend represents 81.2 per cent of the ordinary annual profit.

CURRENCY

KONGSBERG has a currency policy that means that contractual currency flows are hedged by forward contracts (fair value hedges). In addition, the Group hedges a portion of the expected new orders according to the established policy (cash flow hedges). The Group's portfolio of cash flow hedges at the end of the quarter has a fair value of minus MNOK 96, which has a negative impact on the equity book value. See also Note 5.

PRODUCT DEVELOPMENT

KONGSBERG is continuously investing in product development, financed both internally and through customer-funded programmes. Self-financed product development and maintenance in Q4 amounts to MNOK 294, of which MNOK 42 has been recognised in the balance sheet. So far this year, MNOK 935 in product development and maintenance has been expensed, and MNOK 187 has been recognised in the balance sheet. See table in Note 6.

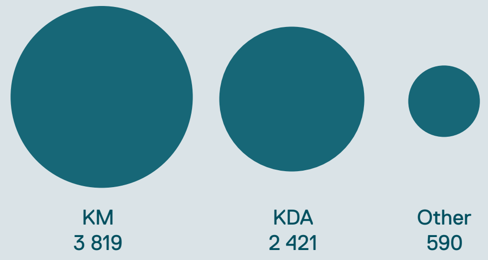
The largest capitalized projects are related to the development of the JSM missile, weapon stations, remote towers for airports and within the new integrated vessel solutions called Triangle.

Customer-financed 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 the operating revenues.

HUMAN RESOURCES

KONGSBERG has 6,830 employees at the end of the quarter, with about 35 per cent of them being employed in companies outside of Norway. The number of employees has been reduced by 40 this quarter.

NUMBER OF EMPLOYEES BY AREA



OTHER ACTIVITIES

Other activities consist of Kongsberg Digital (KDI), external operating revenues from the real estate business, Group functions and eliminations between the business areas.

KDI was established in 2016 as an important step in the development of the next generation of digitalised products and services within our core areas. In 2017, this business area has focused on securing new positions and strengthening existing ones related to digitalisation within the oil and gas, wind energy and merchant marine markets.

OTHER MATTERS

KONGSBERG has merged its defence operations

In a bid to strengthen the Group's competitiveness in the defence market, KPS and KDS were merged on 1 October 2017. As of 1 October 2017, Eirik Lie has been President of Kongsberg Defence & Aerospace. KDA is reported as one business area from Q4 2017. The merger gives a coordinated and effective defence unit that will create value and growth through delivery of advanced defence systems to customers and partners. Moreover, the new business area has adjusted the capacity. Efficiency gains are expected to give annual cost savings in the order of MMNOK 100 from 2018.

New Chief Financial Officer in KONGSBERG on 1 November.

Gyrid Skalleberg Ingerø became Chief Financial Officer on 1 November 2017. Harald Aarø acted as Chief Financial Officer until Ingerø took office. He continues as Group Executive Vice President of Business Development.

KM

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2017**	2016	**2017**	2016
Revenues	**1 877**	2 059	**7 429**	8 597
EBITDA	**244**	69	**642**	280
EBITDA (%)	**13,0**	3,4	**8,6**	3,3
New orders	**1 693**	1 156	**7 336**	7 940

	31.12.	30.9.	31.12.
MNOK	**2017**	2017	2016
Order backlog	**4 820**	4 908	5 137
No. of employees	**3 819**	3 821	4 157

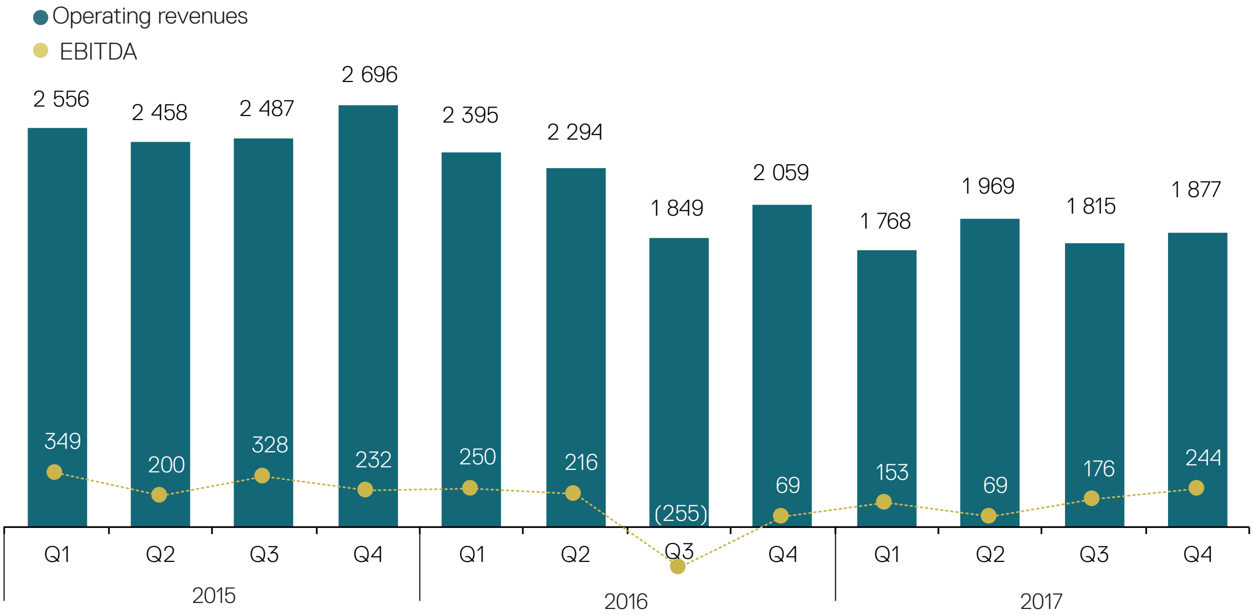
PERFORMANCE

Operating revenues in Q4 were MNOK 1,877, which is 8.8 per cent lower than the same quarter last year. The activity in the aftermarket seems to have stabilised, and there have been positive signs in recent quarters following a longer period of reduced volumes. KM has a diversified exposure towards most vessel segments. The offshore market remains weak, but there are positive developments in other markets such as MMO, research vessels, passenger ferries and fisheries.

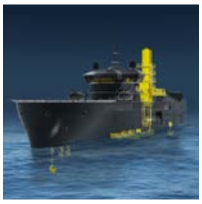
The quarterly EBITDA is MNOK 244, corresponding to an EBITDA margin of 13.0 per cent. KM has in the last two years been though major organisational changes. Capacity adjustments and the development in Q4 and the second half of the year show clear positive effects of this. The changes have been necessary in order to meet both the lower demand in certain markets and increased competition. Some markets are still challenging, but a new organisation and business model has made KM more robust and better adapted to the current market situation and expected future development.

Operating revenues in 2017 are MNOK 7,429, which is 13.6 per cent lower than in 2016. The decline is mainly due to the weak offshore market. The EBITDA margin is 8.6 per cent, compared to 3.3 per cent last year. In 2017, MNOK 93 has been recognised in restructuring costs.

OPERATING REVENUES & EBITDA



MARKET AND ORDERS



The order intake in Q4 was MNOK 1,693, which gives a book/bill of 0.9. In 2017, the order intake was MNOK 7,336, corresponding to a book/bill of 0.99. Subsea recorded a strong order intake in 2017, but it was a bit lower for traditional vessel solutions compared to 2016.

KM is exposed to several markets. The traditional offshore market, which includes drilling and offshore supply, has been weak in recent years. The order intake from these markets has therefore been very low. However, KM is also exposed to several markets that have developed positively. Examples are fisheries, research vessels and passenger ferries. New emission standards for vessels, in addition to attractive shipbuilding prices, is also favourable for the development of modern low-emission and energy-efficient solutions within several vessel segments. Autonomous underwater vehicles are another area with positive development this year.

It has been KM's strategy for several years to expand beyond the traditional delivery scopes. Establishing a separate engineering department and the Triangle concept that was launched in 2016 underlines this strategy. KM has through this increased its capacity as a supplier of complete concepts for a broad range of vessel classes. Where vessel contracts previously amounted to "a few tens of MNOK", KM has signed single contracts in 2017 worth more than MNOK 100, such as for Ro-Pax and research vessels.

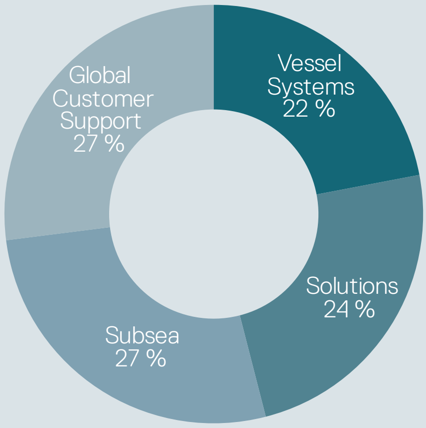
Furthermore, KM has signed important contracts in 2017 within the Group's four technological priority areas in the maritime market:

- Integrated Solutions: Four new contracts were won with the Triangle concept that integrates and coordinates vessel operations with vessel control (Dynamic Positioning) and energy distribution. Due to this concept, vessel operation can be optimised to a whole new degree than before.
- Digitalisation: KONGSBERG's Information Management System has now been installed on more than 100 LNG vessels. Considerable gains in efficiency can thus be achieved through qualitative use of the data from the many thousand sensors found on such vessels.
- Remote Services: More than 700 vessels are now equipped to be remotely serviced. One year ago this number was around 100, and by the end of Q3 in 2017 it had risen to 500. More efficient service can give considerable gains for both KM and ship-owners.
- Autonomy: KM is involved in several commercial autonomy projects, including Yara Birkeland which is among the first autonomous, electric and zero-emission container ships in the world. KONGSBERG is responsible for developing and supplying all key technology on board the ship, including control systems, sensors and necessary integration for remote and autonomous operations.

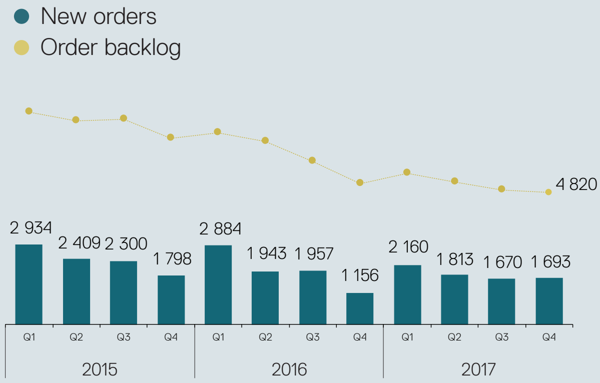
KM's after-market revenues are not included in the business area's order backlog. KM has a well-established organisation that services more than 18,000 vessels with KM equipment, and the after-market activities represent about one third of KM's turnover.

OPERATING REVENUES

YTD by division

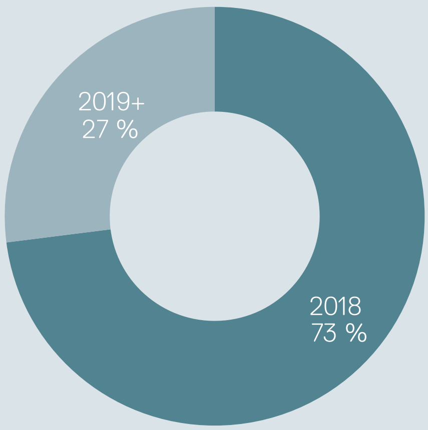


ORDERS



ORDER BACKLOG

Breakdown by delivery dates



KDA

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2017**	2016	**2017**	2016
Revenues	**1 683**	1 711	**6 333**	6 316
EBITDA	**239**	293	**702**	928
EBITDA (%)	**14,2**	17,1	**11,1**	14,7
New orders	**3 168**	1 632	**5 376**	5 426

	31.12.	30.9.	31.12.
MNOK	**2017**	2017	2016
Order backlog	**9 956**	8 476	10 910
No. of employees	**2 421**	2 444	2 437

On 1 October 2017, Kongsberg Defence Systems and Kongsberg Protech Systems were merged into Kongsberg Defence & Aerospace (KDA). KDA is reported as one unit as of Q4 2017.

PERFORMANCE

Operating revenues in Q4 were MNOK 1,683, which is 1.6 per cent lower than the same quarter last year.
The quarterly EBITDA is MNOK 239, which gives an EBITDA margin of 14.2 per cent. This includes MNOK 16 in restructuring costs and MNOK 43 in share of net income from Patria. In Q4 last year, the share of net income from Patria was MNOK 63.

Accumulated operating revenues in Q4 are MNOK 6,333, compared with MNOK 6,316 last year. The EBITDA margin is 11.1 per cent. This is down 3.6 percentage points from the previous year. The reduction is mainly the result of a lower profit share from Patria, lower delivery volumes for traditional weapon stations and MNOK 103 in restructuring costs from the merger between KDS and KPS.

The major delivery and development projects in KDA are on schedule.

OPERATING REVENUES & EBITDA

MARKET AND ORDERS

The order intake in Q4 was MNOK 3,168, compared to MNOK 1,632 in the same period last year.

- A contract was signed with the Indonesian Ministry of Defence for delivery of the NASAMS air defence system. The contract includes delivery of a full NASAMS system with command stations, radars, radios and system integration in addition to training and logistic services. The contract is worth around MNOK 600.
- A contract was signed with the Lithuanian Ministry of Defence for delivery of NASAMS. The contract is worth around MNOK 1,000.
- In December, new contracts were reported for CROWS III (entered into in 2012). The contract includes deliveries of PROTECTOR RWS Low Profile with CROWS configuration for the M1A2 Abrams Main Battle Tank as well as spare parts and engineering services. The orders add up to a value of MNOK 330.

The total order intake in 2017 was MNOK 5,376, compared to MNOK 5,426 in 2016. In addition to the important contracts that were signed in Q4, 2017 included the following contracts:

- Ground station services for NASA.
- In November, KSAT signed a contract with Oneweb for deliveries to a satellite based Internet.
- Delivery of Integrated Combat Solution (ICS) to Finland's new artillery.
- RWS to the Swiss Armed Forces.
- Maintenance of gear boxes for the Norwegian Sea King helicopters.
- A contract with the US Army for test firing of the NSM coast artillery during the 2018 RIMPAC military exercise.
- A contract was also signed with the Australian Department of Defence worth MNOK 150 for the integration of a new sensor capability in Joint Strike Missile (JSM). This is a boost for the JSM program and shows that the missile is attracting a lot of interest internationally. JSM integration in F-35 is on schedule.

2017 has also been a year where many of the business area's strong positions have been reinforced. This includes KONGSBERG being selected as a supplier of air defence systems to the Norwegian Armed Forces and of NASAMS to Australia. A joint venture with Thyssen Krupp and Atlas has been established for the delivery of command and control systems to all new submarines from German Thyssen Krupp. KONGSBERG's NSM has also been chosen by the German Navy. None of these events have yet an impact on the Group's order backlog, but they represent real opportunities for the business area profits in the future.

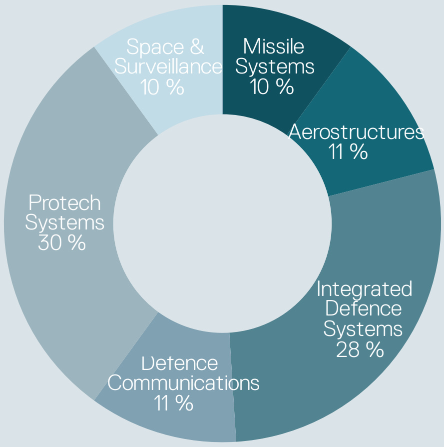
KDA's product portfolio is well positioned to meet future needs and the expected market development. Missiles, air defence systems, remote weapon stations and weapon control systems, as well as other command and control systems from KONGSBERG, are attracting a lot of attention internationally. At the same time there is high market activity towards several large programs in Europe, the US, Asia and Australia among others. KONGSBERG is also the Nordic region's largest supplier of equipment and services in the space sector, and the level of activity in this segment is increasing.

The defence market is characterised by relatively few, but large contracts. Hence, fluctuations in new orders are regarded as normal. This is also reflected by the order intake in 2017, where Q4 represents 59 per cent of the annual order intake in KDA. KONGSBERG is expecting a high order intake in the years to come as a result of KDA's strong market position within its segments. Investments in defence programs are often time consuming. The customers for large defence systems are the defence authorities in the respective countries. These customers consider national security and domestic economic development as significant factors, in addition to product price and performance, when purchasing defence equipment. National budgets and politics will therefore strongly influence if and when contracts are signed with KONGSBERG.



OPERATING REVENUES

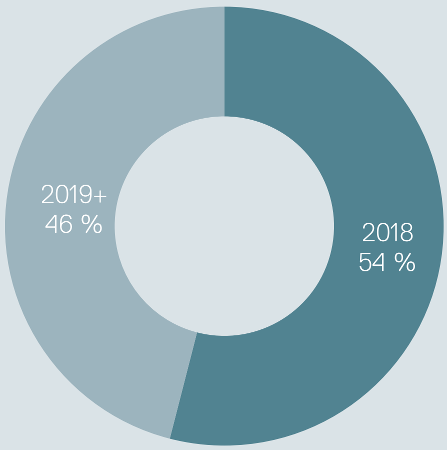
YTD by division



ORDERS

ORDER BACKLOG

Breakdown by delivery dates



PATRIA

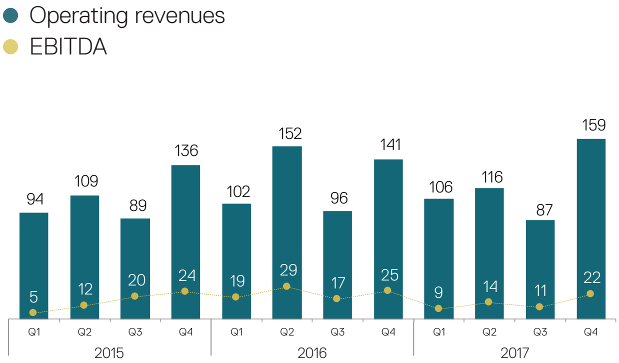
Patria is Finland's leading supplier of technology solutions and maintenance services within defence, security and aviation. The company has an international organization with about 2,800 employees and owns 50 per cent of the shares in Nammo. KONGSBERG owns 49.9 per cent of the shares in Patria.

HIGHLIGHTS

- Turnover is 13 per cent higher than in the same quarter last year.
- The reduction in turnover and operating profit in 2017 is to a large extent related to vehicle projects.
- A preliminary contract was signed in Q4 2017 for the modernisation and upgrading of the Finnish Hamina-class. The final contract was signed in January 2018 and is worth around MEUR 170.
- Two efficiency measures were implemented in 2017 to strengthen competitiveness.

OPERATING REVENUES & EBITDA (100%)

MEUR



KEY FIGURES (100%) [1)]

	1.10. - 31.12.		1.1. - 31.12.	
MEUR	**2017**	2016	**2017**	2016
Operating revenues	**159**	141	**468**	490
EBITDA	**21**	25	**55**	90
EBITDA (%)	**13,2**	17,4	**11,8**	18,3
Net income after tax	**12**	20	**30**	63
New orders	**85**	77	**310**	269
Order backlog	**690**	858	**690**	858

BRIDGE BETWEEN EBITDA AND KONGSBERG'S SHARE OF NET INCOME AFTER TAX

	1.10. - 31.12.		1.1. - 31.12.		24.5. - 31.12.	
	2017		2017		2016	
Millions	EUR	NOK	EUR	NOK	EUR	NOK
EBITDA	21		55		60	
Financial items, taxes, depreciations and amortisation	(9)		(25)		(16)	
Net income after tax	12		30		44	
KONGSBERG's share of net income in the period (49.9 %) [2)]		54		121		183
Amortisation of excess values after tax		(11)		(46)		(40)
Share of net income recognised in KDA for the period		**43**		**75**		**143**

[1)] Deviates from Patria's reported figures due to provisions made in Patria which does not affect KONGSBEGSs share of net result
[2)] Share of Patria's net income after tax adjusted for minority interests

OUTLOOK

The Group secured important positions both in the civilian and defence related areas in 2017. The potential is good regarding order intake, especially in the defence segment, and represent a good foundation for future growth. The major restructurings that have been carried out are expected to contribute to increased profitability for the Group as a whole.

KM has established a solid position as a supplier of complex, integrated solutions. This strengthens the business area's position in a vessel market where contracting in high volume markets are low. KM has a diversified exposure, and we see increased demand in markets such as fisheries, research, RO-PAX and marine robotics. There are also positive signals in the aftermarket. Operating revenues are expected to stabilize in 2018, with some growth towards the end of the year. As in 2017, the underlying earning levels will depend on the project composition and market conditions. However, the restructurings that have been carried out in the business area are expected to continue to improve profitability in KM.

The defence segments are well positioned for winning new contracts in the time to come. In the autumn of 2017, KDS and KPS were merged into Kongsberg Defence & Aerospace (KDA). This was done to further strengthen the Group's market power. KDA reinforced its positions in 2017 and a rise in order intake is therefore expected in 2018. For the KPS part of KDA, lower operating revenues are expected due to weak order coverage, especially in the last three quarters of 2018. The areas that previously belonged to KDS are expecting a good order intake going forward. Profitability is expected to remain at a good level.

In 2018, Kongsberg Digital will focus on securing new positions and strengthening existing ones related to digitalisation of core areas, such as oil and gas, wind energy and merchant marine markets. KDI will continue to invest substantially in product development.

Kongsberg, 6 February 2018

The Kongsberg Gruppen ASA Board

KEY FIGURES BY QUARTER

KOG	2017					2016					2015				
MNOK	**2017**	Q4	Q3	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**14 490**	3 757	3 279	3 733	3 721	**15 845**	3 952	3 428	4 125	4 340	**17 032**	4 567	4 009	4 222	4 234
EBITDA	**1 279**	459	274	207	339	**1 217**	334	(40)	515	408	**1 784**	493	419	386	486
EBITDA %	**8,8**	12,2	8,4	5,5	9,1	**7,7**	8,5	(1,2)	12,5	9,4	**10,5**	10,8	10,5	9,1	11,5
New orders	**13 430**	5 015	2 429	2 535	3 451	**14 319**	3 012	4 067	3 491	3 749	**15 238**	2 887	3 388	3 993	4 970
Order backlog	**15 629**	15 629	14 298	15 308	16 672	**16 914**	16 914	17 858	18 069	18 718	**19 597**	19 597	21 059	21 439	22 033
EBITA	**886**	329	188	120	249	**835**	220	(125)	422	318	**1 405**	387	320	299	399
EBITA %	**6,1**	8,8	5,7	3,2	6,7	**5,3**	5,6	(3,6)	10,2	7,3	**8,2**	8,5	8,0	7,1	9,4

KM	2017					2016					2015				
MNOK	**2017**	Q4	Q3	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**7 429**	1 877	1 815	1 969	1 768	**8 597**	2 059	1 849	2 294	2 395	**10 197**	2 696	2 487	2 458	2 556
EBITDA	**642**	244	176	69	153	**280**	69	(255)	216	250	**1 109**	232	328	200	349
EBITDA %	**8,6**	13,0	9,7	3,5	8,7	**3,3**	3,4	(13,8)	9,4	10,4	**10,9**	8,6	13,2	8,1	13,7
New orders	**7 336**	1 693	1 670	1 813	2 160	**7 940**	1 156	1 957	1 943	2 884	**9 441**	1 798	2 300	2 409	2 934
Order backlog	**4 820**	4 820	4 908	5 197	5 519	**5 137**	5 137	5 952	6 666	7 002	**6 791**	6 791	7 485	7 412	7 751
EBITA	**435**	166	134	26	109	**95**	17	(293)	170	201	**909**	178	271	155	305
EBITA %	**5,9**	8,8	7,4	1,3	6,2	**1,1**	0,8	(15,8)	7,4	8,4	**8,9**	6,6	10,9	6,3	11,9

KDA	2017					2016					2015				
MNOK	**2017**	Q4	Q3	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**6 333**	1 683	1 281	1 591	1 778	**6 316**	1 711	1 379	1 534	1 692	**5 798**	1 653	1 286	1 504	1 355
EBITDA	**702**	239	90	161	212	**928**	293	196	238	201	**919**	342	135	300	142
EBITDA %	**11,1**	14,2	7,0	10,1	11,9	**14,7**	17,1	14,2	15,5	11,9	**15,9**	20,7	10,5	19,9	10,5
New orders	**5 376**	3 168	648	559	1 001	**5 426**	1 632	1 932	1 276	586	**4 754**	908	911	1 179	1 756
Order backlog	**9 956**	9 956	8 476	9 115	10 150	**10 910**	10 910	11 055	10 491	10 756	**11 850**	11 850	12 592	12 966	13 296
EBITA	**525**	190	47	121	167	**759**	249	154	196	160	**772**	316	91	261	104
EBITA %	**8,3**	11,3	3,7	7,6	9,4	**12,0**	14,6	11,2	12,8	9,5	**13,3**	19,1	7,1	17,4	7,7

KDS	2017					2016					2015				
MNOK	**2017**	Q4	Q3	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**4 447**	965	890	1 227	1 365	**4 336**	1 194	897	1 089	1 156	**4 149**	1 083	908	1 117	1 041
EBITDA	**704**	171	142	204	187	**801**	273	169	217	142	**695**	283	131	153	128
EBITDA %	**15,9**	18,1	16,0	16,6	13,7	**18,5**	22,9	18,8	19,9	12,3	**16,8**	26,1	14,4	13,7	12,3
New orders	**4 221**	2 658	483	411	669	**3 819**	1 206	1 516	712	385	**3 310**	542	832	934	1 002
Order backlog	**7 864**	7 864	6 168	6 579	7 394	**8 076**	8 076	8 124	7 481	7 861	**8 622**	8 622	9 163	9 238	9 425
EBITA	**563**	131	109	172	151	**669**	239	135	184	111	**590**	260	101	126	103
EBITA %	**12,7**	13,6	12,2	14,0	11,1	**15,4**	20,0	15,1	16,9	9,6	**14,2**	24,0	11,1	11,3	9,9

KPS	2017					2016					2015				
MNOK	**2017**	Q4	Q3	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**1 960**	730	406	385	439	**2 096**	559	506	472	559	**1 777**	600	392	416	369
EBITDA	**(4)**	67	(53)	(44)	26	**126**	23	24	20	59	**227**	62	3	148	14
EBITDA %	**(0,2)**	9,2	(13,1)	(11,4)	5,9	**6,0**	4,1	4,7	4,2	10,6	**12,8**	10,3	0,8	35,6	3,8
New orders	**1 215**	526	177	157	355	**1 705**	441	433	608	223	**1 576**	381	142	271	782
Order backlog	**2 157**	2 157	2 370	2 602	2 829	**2 912**	2 912	3 036	3 124	2 989	**3 325**	3 325	3 541	3 790	3 935
EBITA	**(40)**	58	(62)	(53)	17	**89**	13	16	10	50	**177**	50	(9)	135	1
EBITA %	**(2,0)**	7,9	(15,3)	(13,8)	3,9	**4,2**	2,3	3,2	2,1	8,9	**10,0**	8,3	(2,3)	32,5	0,3

CONDENSED INCOME STATEMENT

		1.10. - 31.12.		1.1. - 31.12.	
MNOK	Note	**2017**	2016	**2017**	2016
Revenues	3	**3 757**	3 952	**14 490**	15 845
Operating expenses	6	**(3 371)**	(3 701)	**(13 398)**	(14 858)
Share of net income from joint arrangements and associated companies	4	**73**	83	**187**	230
EBITDA	3, 10	**459**	**334**	**1 279**	**1 217**
Depreciation		**(90)**	(95)	**(353)**	(360)
Impairment		**(40)**	(19)	**(40)**	(22)
EBITA	3, 10	**329**	**220**	**886**	**835**
Amortisation		**(30)**	(32)	**(114)**	(143)
EBIT	10	**299**	**188**	**772**	**692**
Net financial items	5	**(33)**	81	**(118)**	37
Earnings before tax (EBT)		**266**	**269**	**654**	**729**
Income tax expence	9	**4**	(7)	**(95)**	(78)
Earnings after tax		**270**	**262**	**559**	**651**
Attributable to:					
Equity holders of the parent		**265**	264	**554**	653
Non-controlling interests		**5**	(2)	**5**	(2)
Earnings per share (EPS)/EPS diluted in NOK		**2,21**	2,19	**4,62**	5,44

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

		1.10. - 31.12.		1.1. - 31.12.	
MNOK	Note	**2017**	2016	**2017**	2016
Earnings after tax		**270**	262	**559**	651
Comprehensive income for the period:					
Items to be reclassified to profit or loss in subsequent period:					
Change in fair value, financial instruments:					
- Available-for-sale shares		**-**	(132)	**-**	(104)
- Cashflow hedges (currency futures and interest rate swaps)	5	**52**	(227)	**509**	1 063
Tax effect cash flow hedges (currency futures and interest rate swaps)		**(14)**	50	**(124)**	(273)
Translation differences and hedge of net investments (currency)		**200**	49	**211**	(266)
Total items to be reclassified to profit or loss in subsequent periods		**238**	**(260)**	**596**	**420**
Items not to be reclassified to profit or loss:					
Actuarial gains/losses pensions		**(76)**	20	**(76)**	20
Income tax on items remaining in equity		**-**	-	**18**	(5)
Total items not to be reclassified to profit or loss		**(76)**	**20**	**(58)**	**15**
Comprehensive income for the period		**432**	**22**	**1 097**	**1 086**

CONDENSED STATEMENT OF FINANCIAL STATUS

		31.12.	30.9.	31.12.
MNOK	Note	**2017**	2017	2016
Property, plant and equipment		**2 658**	2 646	2 723
Intangible assets	6	**2 803**	2 779	2 746
Shares in joint arrangements and associated companies	4	**3 358**	3 183	3 174
Other non-current assets		**204**	234	264
Total non-current assets		**9 023**	**8 842**	**8 907**
Inventories		**3 961**	4 808	4 666
Trade receivables		**2 117**	1 930	2 436
Construction contracts in progress, asset		**2 018**	2 247	2 049
Other current assets		**746**	1 111	1 250
Cash and cash equivalents		**2 956**	1 639	1 888
Total current assets		**11 798**	**11 735**	**12 289**
Total assets		**20 821**	**20 577**	**21 196**
Issued capital		**982**	982	982
Retained earnings		**6 473**	6 066	6 218
Fair value of financial instruments		**(124)**	(162)	(509)
Non-controlling interests		**34**	32	34
Total equity		**7 365**	**6 918**	**6 725**
Long-term interest-bearing loans	5	**3 340**	3 330	3 820
Other non-current liabilities and provisions	2	**2 080**	1 915	1 830
Total non-current liabilities and provisions		**5 420**	**5 245**	**5 650**
Construction contracts in progress, liabilities		**3 388**	3 402	2 847
Short-term interest-bearing loans	5	**-**	300	263
Other current liabilities and provisions	2	**4 648**	4 712	5 711
Total current liabilities and provisions		**8 036**	**8 414**	**8 821**
Total equity, liabilities and provisions		**20 821**	**20 577**	**21 196**
Equity ratio (%)		**35,4**	33,6	31,7
Net interest-bearing liabilities		**384**	1 991	2 195

CONDENSED STATEMENT OF CHANGES IN EQUITY

	31.12.	30.9.	31.12.
MNOK	**2017**	2017	2016
Equity opening balance	**6 725**	6 725	6 127
Comprehensive income accumulated	**1 097**	546	1 086
Dividends	**(450)**	(450)	(510)
Treasury shares	**(2)**	(2)	5
Reversal of previous year's impairment	**-**	-	22
Dividends non-controlling interests	**(3)**	-	(3)
Change in non-controlling interests	**(2)**	(1)	(2)
Equity, closing balance	**7 365**	**6 818**	**6 725**

CONDENSED CASH FLOW STATEMENT

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2017**	2016	**2017**	2016
Earnings before interest, tax, depreciation and amortisation	**459**	334	**1 279**	1 217
Change in net current assets and other operating related items	**1 290**	404	**1 620**	(408)
Net cash flow from operating activities	**1 749**	**738**	**2 899**	**809**
Acquisition/disposal of property, plant and equipment	**(105)**	(132)	**(328)**	(613)
Acquisition/disposal of subsidiaries and joint arrangement and associated companies	**-**	(100)	**-**	(2 786)
Net payment for the acquisition/disposal of available-for-sale-shares	**(5)**	178	**(11)**	317
Other investing activities including capitalised Self-financed development	**(41)**	(61)	**(189)**	(261)
Net cash flow from investing activities	**(151)**	**(115)**	**(528)**	**(3 343)**
Net change in interest bearing loans	**(287)**	4	**(740)**	3 252
Net interests received (paid)	**(28)**	(19)	**(110)**	(60)
Net payments for the acquisition/disposal of treasury shares	**-**	-	**(18)**	(12)
Transactions with non-controlling interests	**(3)**	-	**(3)**	(3)
Dividends paid to equity holders of the parent	**-**	-	**(450)**	(510)
- of which dividends from treasury shares	**-**	-	**2**	1
Net cash flow from financing activities	**(318)**	**(15)**	**(1 319)**	**2 668**
Effect of changes in exchange rates on cash and cash equivalents	**37**	31	**16**	(53)
Net change in cash and cash equivalents	**1 317**	**639**	**1 068**	**81**
Cash and cash equivalents opening balance	**1 639**	**1 249**	**1 888**	**1 807**
Cash and cash equivalents closing balance	**2 956**	**1 888**	**2 956**	**1 888**

NOTE 1 | GENERAL INFORMATION AND PRINCIPLES

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

The interim financial statements have been drawn up in compliance with IAS 34 (interim reporting), stock exchange regulations and the additional requirements in the Norwegian Securities Trading Act. The interim financial statements do not include all information that is required in the full financial statements, and they should be related to the consolidated financial statements for 2016 and the Q1 to Q3 interim financial statements for 2017. The 2016 consolidated financial statements have been prepared in accordance with the Norwegian Accounting Act and international standards for financial reporting (IFRS) that have been set by the European Union. KONGSBERG has applied the accounting policies that were outlined in the 2016 consolidated financial statements for the interim financial statements.

As of 1 January 2018, KONGSBERG is implementing two new accounting policies: IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The Group does not expect these accounting policies to have a material effect on the income statement or the 2017 statement of the financial position. However, we will assess our definitions of the individual accounting lines for working capital (see definition in Note 10) in connection with the implementation of IFRS 15. This will probably lead to some re-classifications that may affect inventories, accounts receivable and construction contracts in progress, but not the overall working capital.

The 2016 consolidated financial statements is available at www.kongsberg.com.

The interim financial statements have not been revised.

NOTE 2 | ESTIMATES

The interim financial statements are based on assessments, estimates and assumptions that affect the use of accounting policies and recognised assets, liabilities, revenues and expenses. Actual results may deviate from these estimates. The most important assessments related to the Group's accounting policies, and the biggest sources of uncertainty, are the same as when the 2016 consolidated financial statements were prepared.

NOTE 3 | SEGMENT INFORMATION

KONGSBERG has merged its defence operations

On 1 October 2017, Kongsberg Defence Systems and Kongsberg Protech Systems were merged into Kongsberg Defence & Aerospace (KDA). The merger was carried out to strengthen the Group's competitiveness in the defence market. KDA is reported as one unit as of Q4 2017. The comparison figures have been restated.

	OPERATING 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	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
KM	**1 877**	2 059	**7 429**	8 597	**244**	69	**642**	280	**166**	17	**435**	95
KDA	**1 683**	1 711	**6 333**	6 316	**239**	293	**702**	928	**190**	249	**525**	759
Other	**197**	182	**728**	932	**(24)**	(28)	**(65)**	9	**(27)**	(46)	**(74)**	(19)
GROUP	**3 757**	**3 952**	**14 490**	**15 845**	**459**	**334**	**1 279**	**1 217**	**329**	**220**	**886**	**835**

NOTE 4 | SHARES IN JOINT ARRANGEMENTS AND ASSOCIATED COMPANIES

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

MNOK	Owner-ship	Carrying amount 1.1.17	Additions in the period	Dividends received in the period	Share of net income in the period [1]	Other items and comprehensive income in the period	Carrying amount 31.12.17
Patria Oyj	49,9 %	2 689	-	(148)	75	190	2 806
Kongsberg Satellite Services AS	50,0 %	332	-	(45)	101	-	388
Other		153	19	(20)	12	-	164
Total		**3 174**	**19**	**(213)**	**188**	**190**	**3 358**

[1] Share of net income is included after adjustment for tax and amortisation of excess values.

NOTE 5 | FINANCIAL INSTRUMENTS

Loans and credit facilities

At the end of Q4, the Group has no short-term interest-bearing loans. A certificate loan of MNOK 300 that was issued in Q2 2017 was been redeemed in its entirety in Q4.

Long-term loans:

Amount in MNOK	*Due date*	*Nominal interest rate*	*31.12.2017 Carrying amount [1]*	*30.9.2017 Carrying amount [1]*	*31.12.2016 Carrying amount [1]*
Bond issue KOG07 - fixed interest rate	11.9.19	4,80 %	250	250	250
Bond issue KOG08 - floating interest rate	2.6.21	2,02 %	1 000	1 000	1 000
Bond issue KOG09 - fixed interest rate	2.6.26	3,20 %	1 000	1 000	1 000
Bond issue KOG10 - floating interest rate	5.3.20	1,66 %	550	550	550
Bond issue KOG11 - fixed interest rate	5.12.23	2,90 %	450	450	450
Bridge facility EUR - floating interest rate [2]			-	-	482
Other long-term loans [3]			80	71	75
Interest rate swaps			10	9	13
Total long-term loans			**3 340**	**3 330**	**3 820**
Syndicated credit facility (unused borrowing limit)	15.3.22		2 300	2 300	1 500
Overdraft facility (unused)			500	500	500

[1] The carrying amount is equal to nominal amount
[2] The bridge facility was MEUR 160 on issue in May 2016. As of 31 March 2017, outstanding amount of MEUR 53 was reclassified to short-term liabilities. The bridge facility was fully repaid in April 2017.
[3] "Other long-term loans" consists of smaller loans in local banks in some of the Group's subsidiaries.

Forward exchange contracts and interest rate swaps

Fair value on balances classified as cash flow hedges has been increased by MNOK 509[2)] before tax in the period 1 January – 31 December 2017. Changes in fair value of unrealized forward exchange contracts represent a MNOK 170 increase in the same period. The spot rates at the end of the quarter were USD/NOK 8.20 and EUR/NOK 9.83.

Forward exchange contracts classified as cash flow hedges:

	Due in 2017		Due in 2018 or later		Total		
MNOK (before tax)	Value based on agreed exchange rates	Fair value at 31.12.17 [1)]	Value based on agreed exchange rates	Fair value at 31.12.17 [1)]	Value based on agreed exchange rates	Change in fair value from 31.12.16	Fair value at 31.12.17 [1)]
EUR	1 163	(5)	-	-	1 163	(8)	(5)
USD	1 932	11	(50)	-	1 882	155	10
Other	(671)	20	-	-	(671)	23	20
Sum	**2 424**	**26**	**(50)**	**-**	**2 374**	**170**	**26**
Roll-over of currency futures		(74)		(48)		428	(122)
Total	**2 424**	**(48)**	**(50)**	**(48)**	**2 374**	**598 [2)]**	**(96)**

[1)] Fair value is calculated as the difference between the spot price at 31.12.2017 and the forward prices on currency contracts.

[2)] The difference between these two the figures, i.e. MNOK 89, is ascribable to a change in the fair values of basis swaps and interest rate swaps.

NOTE 6 | SELF-FINANCED DEVELOPMENT

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

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2017**	2016	**2017**	2016
Product maintenance	**65**	58	**272**	214
Research and development cost	**187**	224	**663**	793
Total	**252**	**282**	**935**	**1 007**

Self-financed development recognised in the balance sheet for the period:

	1.10. - 31.12.		1.1. - 31.12.	
MNOK	**2017**	2016	**2017**	2016
Self-financed development	**42**	64	**187**	262

The largest capitalised projects are related to the development of JSM, weapon stations (including the MCT-30) and remote towers for airports, all of which are within the defence segment, and within the “Triangle” concept in KM.

NOTE 7 | RELATED PARTIES

The board is not aware of any changes or transactions regarding related parties that affect the Group’s financial position or profit in any substantial way for the period.

NOTE 8 | IMPORTANT RISK AND UNCERTAINTY FACTORS

The Group's assessment of different risk factors is given in the annual report for 2016. No new important risk and uncertainty factors have been detected during the quarter.

NOTE 9 | TAX

Effective tax rate per Q4 is estimated to 14.5 per cent. The effective tax rate is affected by withholding tax on dividend from foreign subsidiaries, and because the share of net income from associated companies is recognised after tax. In addition, the approved changes in the tax rate from 24 to 23 per cent from 2018 will cause a reduction in this year's tax costs of MNOK 50.

NOTE 10 | 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.

EBITDA/EBITA/EBIT

KONGSBERG considers EBITDA/EBITA/EBIT to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is an abbreviation for 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 financial statements for 2016. The same applies for EBITA and EBIT.

Net interest-bearing debt

Net interest-bearing debt is the net amount of the accounting lines "Cash and cash equivalents", "Long-term interest-bearing loans" and "Short-term interest-bearing loans".

Restructuring costs

KONGSBERG defines restructuring costs as salaries and social security tax upon termination of employment (such as severance and gratuity) in connection with workforce reductions. In addition, comes house rent and related costs or one-time payments upon termination of leases before the lease expiry for areas that are being vacated, and certain other costs related to the restructuring processes.

Return on Average Capital Employed (ROACE)

ROACE is defined as 12 months rollover EBIT divided by 12 month average of the entered equity and net interest-bearing debt. The definition has been changed as of Q3 2017, and corresponding figures are changed accordingly.

Working capital

Working capital is defined as current assets deducted by cash and cash equivalents, non-interest bearing short-term debt, except payable tax, and financial instruments recognised at fair value. The definition has been changed as of Q2 2017, and corresponding figures are changed accordingly.

Book/bill

Order intake divided by operating revenues.

NOTES

NOTES

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