KONGSBERG

QUARTERLY REPORT

3RD QUARTER 2017

We have been through a period of significant restructuring since 2015 that includes reductions in staff, organisational changes including closing down businesses and new establishments. Throughout this period the main focus has at the same time been to deliver to the expectations of the customer. We have succeeded in this. Many important positions have been secured in relation to future solutions and important programs. Now comes a period where we seek to realise these positions. Fast growth is not expected, but we consider our growth potential to be significant. We have also reduced our cost base. Our recipe for success remains the same – world class delivery on existing projects as well as future positions and contracts!

Geir Håøy, President & CEO

HIGHLIGHTS

KOG Low revenues and order intake in Q3, but after a long period of restructuring, the quarterly results show a positive development. The Group is strongly positioned both in relation to future defence programs and within existing and new technologies for the civil sector.

KM Restructurings and a reduced cost base are now beginning to yield improved profitability.

KDS Delivers good results and is well positioned for key programs in both the short and long term.

KPS Restructuring costs related to the merger with KDS give a negative quarterly EBITDA.

KDI Considerably investments in R&D, equaling ~25 per cent of revenues in 2017. Has secured important positions with major players both within the oil & gas-, wind and merchant marine markets.

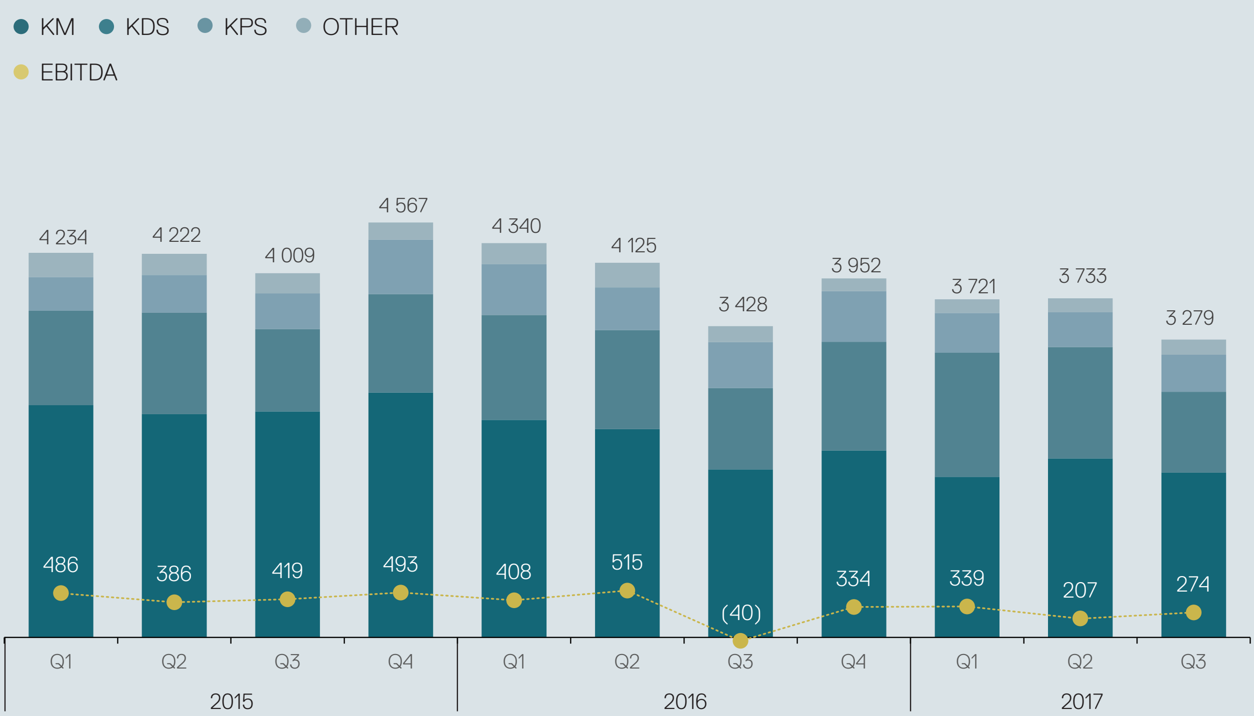
KEY FIGURES

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2017**	2016	**2017**	2016	2016
Operating revenues	**3 279**	3 428	**10 733**	11 893	15 845
EBITDA	**274**	(40)	**820**	883	1 217
EBITDA (%)	**8,4**	(1,2)	**7,6**	7,4	7,7
EBIT	**162**	(162)	**473**	504	692
EBIT (%)	**4,9**	(4,7)	**4,4**	4,2	4,4
Earnings before tax	**128**	(203)	**388**	460	729
Earnings after tax	**79**	(144)	**289**	389	651
EPS (NOK)	**0,66**	(1,20)	**2,41**	3,25	5,44
New orders	**2 429**	4 067	**8 415**	11 307	14 319

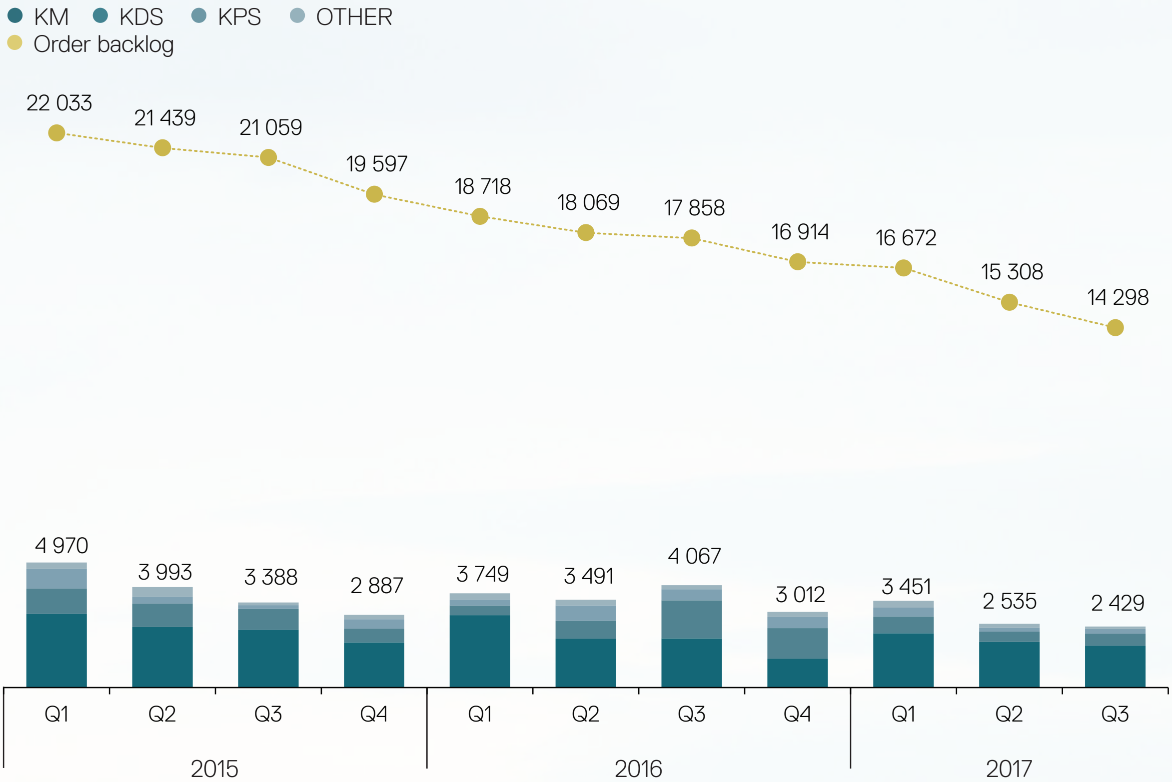
	30.9.	30.6.	31.12.
MNOK	**2017**	2017	2016
Equity ratio (%)	**33,6**	32,4	31,7
Net interest-bearing debt [1]	**1 991**	1 642	2 195
Working capital [2]	**2 158**	1 772	2 533
ROACE (%) [3]	**7,5**	3,8	8,2
Order backlog	**14 298**	15 308	16 914
No. of employees	**6 870**	6 908	7 159

[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

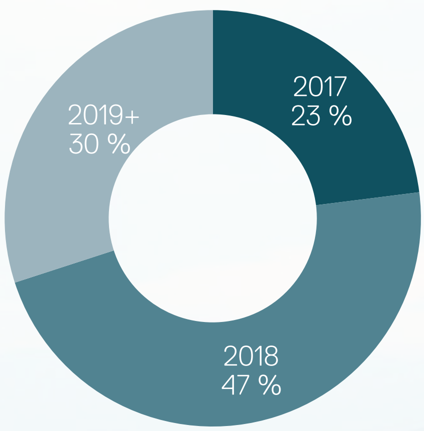


NEW ORDERS & ORDER BACKLOG

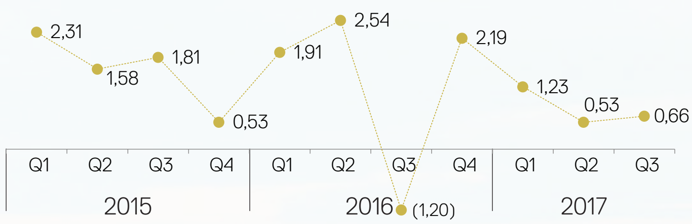


ORDER BACKLOG

Breakdown by delivery dates



EPS



PERFORMANCE, MARKET AND ORDERS

Group operating revenues for Q3 are MNOK 3,279, which is 4.3 per cent down compared to the same quarter in 2016. KM and KDS have operating revenues approximately equal to the same quarter last year, while KPS' operating revenues are 19.8 per cent lower.

The quarterly EBITDA margin is 8.4 per cent, which includes restructuring costs related to the merger of KDS (MNOK 25) and KPS (MNOK 60). In addition comes restructuring costs of MNOK 5 in KM. The minus 1.2 per cent EBITDA margin in Q3 last year was affected by MNOK 354 related to impairment of the backlog in KM and to MNOK 45 in restructuring costs. KDS continues to deliver strong margins and good performance within all the core segments.

The order intake in Q3 is MNOK 2,429, which gives a book/bill of 0.74 compared to 0.68 previous quarter. The order backlog at the end of the quarter is MNOK 14,298. The order intake can vary considerably over time as a result of large single orders within the defence areas, and it is low at the moment. The order intake within the defence segment is expected to be higher in Q4 compared to the preceding quarters of 2017.

Accumulated revenues in 2017 are MNOK 10,733, which is 9.8 per cent lower than the same period last year. KM and KPS have lower operating revenues, while KDS has a growth of 10.8 per cent. The EBITDA margin is 7.6 per cent, compared to 7.4 per cent in the same period last year. EBITDA per Q3 2017 is affected negatively by restructuring costs amounting to MNOK 231 in KM, KPS and KDS. In addition, the cumulative EBITDA has been reduced by a net value of MNOK 60 as a result of the repurchase of forward exchange contracts and reversal of provisions in KPS. The EBITDA margins for the same period in 2016 were affected negatively by MNOK 365, partly due to impairments and restructuring in KM.

CASH FLOW

KONGSBERG has a net reduction in cash and cash equivalents in Q3 of MNOK 618, and an accumulated net reduction of MNOK 249 in 2017. The bond loan KOG06 has been redeemed by MNOK 257 in the quarter. Working capital has increased by MNOK 386 in the quarter, which is mainly due to the increased capital tie-up on projects in KDS. Net interest-bearing debt has increased by MNOK 349 this quarter. So far this year, a dividend of MNOK 450 has been paid to the shareholders, while MNOK 206 has been received in dividend from associated companies. The bridge facility that was established in connection with the purchase of the shares in Patria Oyj has been redeemed by MEUR 53, and an MNOK 300 certificate loan has been issued. The reduction in net interest-bearing debt so far this year is MNOK 204.

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2017**	2016	**2017**	2016	2016
EBITDA	**274**	(40)	**820**	883	1 217
Change in net current assets and other operating related items	**(470)**	159	**330**	(812)	(408)
Net cash flow from operating activities	**(196)**	**119**	**1 150**	**71**	**809**
Net cash flow from investing activities	**(91)**	(228)	**(377)**	(3 228)	(3 343)
Net cash flow from financing activities	**(294)**	(27)	**(1 001)**	2 683	2 668
Effect of changes in exchange rates on cash and cash equivalents	**(37)**	(51)	**(21)**	(84)	(53)
Net change in cash and cash equivalents	**(618)**	**(187)**	**(249)**	**(558)**	**81**

BALANCE SHEET

Interest-bearing debt at the end of Q3 consists of five bond loans amounting to MNOK 3,250, a certificate loan issued in Q2 of MNOK 300 and other interest-bearing debt of MNOK 80. The bond loan KOG06 matured in Q3, with an outstanding amount of MNOK 257. See Note 5 as well. At the end of Q3, the group has MNOK 1,639 in cash and cash equivalents and a net interest-bearing debt of MNOK 1,991. The MNOK 300 certificate loan will mature in Q4.

In addition, the group has a syndicated credit facility of NOK 2.3 billion and an overdraft facility of MNOK 500. At the end of Q3, these remained undrawn.

The equity ratio at the end of Q3 is 33.6 per cent. The equity book value is up by MNOK 100 this quarter. Accumulated equity is up by MNOK 193 so far in 2017.

	30.9.	30.6.	31.12.
MNOK	**2017**	2017	2016
Equity	**6 918**	6 818	6 725
Equity ratio (%)	**33,6**	32,4	31,7
Total assets	**20 577**	21 056	21 196
Working capital	**2 158**	1 772	2 533
Gross interest-bearing liabilities	**3 630**	3 899	4 083
Cash and cash equivalents	**1 639**	2 257	1 888
Net interest-bearing liabilities	**1 991**	1 642	2 195

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). In this manner, the Group seeks to mitigate the effects of currency fluctuations over a period of up to two years. At the end of the quarter, the company's portfolio of cash flow hedges has a real value of minus MNOK 202, which has a negative impact on the equity book value. See Note 5 as well.

PRODUCT DEVELOPMENT

KONGSBERG continuously invests in product development, both through self-financed and customer-funded programmes. The Group has expensed MNOK 204 in Q3 for product development and maintenance. In addition, MNOK 45 has been recognised. Self-financed product development and maintenance in Q3 amounted to MNOK 249. So far this year, MNOK 683 has been expensed for product development and maintenance, while MNOK 145 has been capitalised. See the table in Note 6.

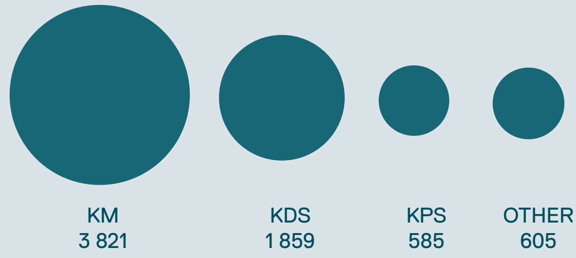
The largest capitalised projects are related to the development of the JSM missile, weapon stations, remote towers for airports and within the new integrated vessel solutions called Triangle.

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 6,870 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 38 this quarter.

NUMBER OF EMPLOYEES BY AREA



OTHER ACTIVITIES

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

KDI was established in 2016 as an important step in the development of the next generation of digital products and services.

OTHER MATTERS

KONGSBERG focuses its defence business

The Group's two defence areas have been merged to gain competitive edge. This new business area, Kongsberg Defence & Aerospace, will further strengthen its position in the growing defence market. The merger means that Kongsberg Protech Systems is integrated as a division on par with the current five divisions in Kongsberg Defence Systems. As of 1 October 2017, Eirik Lie, President in Kongsberg Defence Systems, has been heading the new business area Kongsberg Defence & Aerospace. The business area has been operative since 1 October 2017 and will be reported jointly from Q4 2017.

The merger involves a more focused, coordinated and effective defence unit that will create value and growth by delivering advanced defence technology to its customers and partners. As a result of the merger the new business area will adjust the capacity in the individual functions and achieve other efficiency gains, which is expected to give annual cost savings in the region of MNOK 100 from 2018.

New CFO in KONGSBERG as of 1 November

Gyrid Skalleberg Ingerø takes over as CFO on 1 November 2017. Acting CFO Harald Aarø will continue in the job until Skalleberg Ingerø assumes the position.

KM

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2017**	2016	**2017**	2016	2016
Revenues	**1 815**	1 849	**5 552**	6 538	8 597
EBITDA	**176**	(255)	**398**	211	280
EBITDA (%)	**9,7**	(13,8)	**7,2**	3,2	3,3
New orders	**1 670**	1 957	**5 643**	6 784	7 940

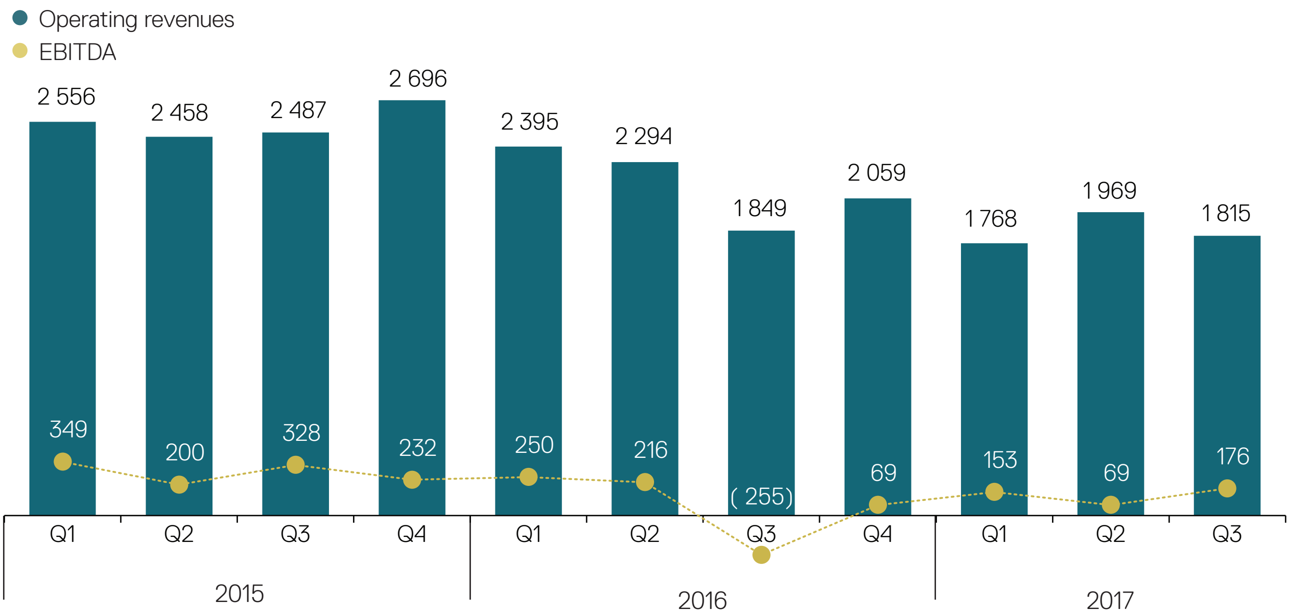
	30.9.	30.6.	31.12.
MNOK	**2017**	2017	2016
Order backlog	**4 908**	5 197	5 137
No. of employees	**3 821**	3 876	4 157

PERFORMANCE

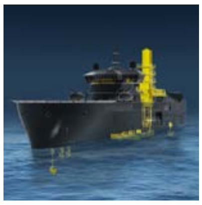
Q3 revenues were MNOK 1,815, which is down 1.8 per cent compared to the same quarter last year. Operating revenues are 2.9 per cent lower than average for this year's first two quarters, but this is mainly down to normal fluctuations. The aftermarket activity now appears to have stabilised after a longer period with reduced volume. There is a positive development within LNG and Greenfield, and fisheries continue to deliver strong figures.

The quarterly EBITDA is MNOK 176, corresponding to an EBITDA margin of 9.7 per cent, and includes restructuring costs of MNOK 5. KM has in the last two years carried out significant organisational changes and capacity adjustments that are beginning to yield improved profitability. This has been necessary both for dealing with lower demand in the in certain markets and intensified competition. Some markets are still challenging, but we expect the new organisation and business model to make KM more robust and better adapted to the current market situation and projected development.

OPERATING REVENUES & EBITDA



Operating revenues at Q3 are MNOK 5,552, which is down 15.1 per cent compared to the same period last year. The reduction is mainly a result of the weak offshore market. The EBITDA margin is 7.2 per cent, compared to 3.2 per cent last year. So far in 2017, MNOK 85 in restructuring costs have been recognised.



MARKET AND ORDERS

The order intake in Q3 was MNOK 1,670, which gives a book/bill of 0.92. The accumulated order intake at Q3 was MNOK 5,643, which equals a book/bill of 1.02.

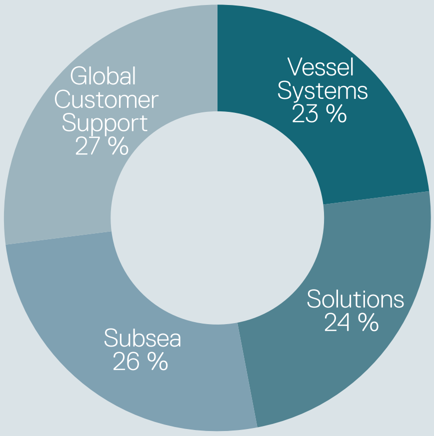
This year KM has won several strategically important contracts within the four technological development areas identified by the Group in the maritime market:

- *Integrated solutions:* Several contracts have been won this year for integrated solutions, including one with German company Fassmer Werft for delivery of a unique technical solution to the (LNG powered) research vessel Atair II. In Q3 KM signed a contract for an integrated vessel solution with Flensburger Schiffbau-Gesellschaft (FSG), a subsidiary of the Siem Group. This is the second passenger ferry contract (RoPax) Kongsberg Maritime has signed with FSG. The contract has a value of approximately MEUR 20 and includes engineering, procurement and project management in addition to delivery and installation of marine technology on a LNG powered passenger ferry owned by the French company Brittany Ferries Ltd.
- *Digitalisation:* Over 100 LNG vessels currently have KONGSBERG Information Management System installed, which enables significantly increased efficiency through improved qualitative utilisation of data from the many thousand sensors on board such vessels.
- *Remote Services:* Almost 500 vessels are now equipped in a way that allows remote service. One year ago there were fewer than 100. This enables substantial efficiency gains, which benefits both KM and the shipowners.
- *Autonomy:* KM is currently involved in 9 commercial autonomy projects, including Yara Birkeland, the world's first autonomous, electric and emission-free container vessel. KONGSBERG is responsible for developing and supplying all key technology on board the vessel, including control systems, sensors and necessary integration for remote and autonomous operations, as well as electrical propulsion, batteries and control systems.

KM's after-market revenues are not included in the business area's order backlog. KM has a well-established after-market network that serves more than 18,000 vessels with KM equipment, and the after-market activities amount to around a third of KM's turnover.

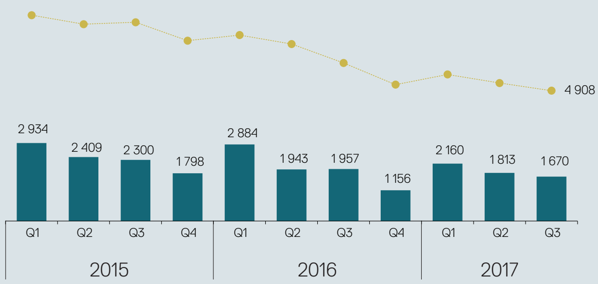
OPERATING REVENUES

YTD by division



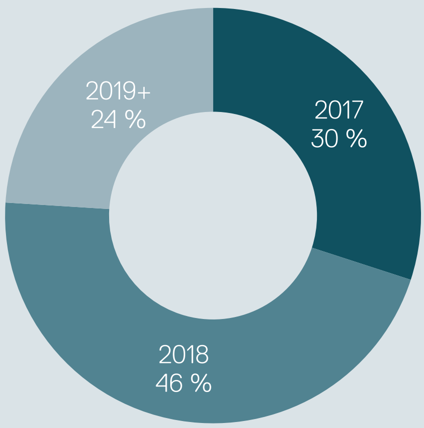
ORDERS

● New orders
● Order backlog



ORDER BACKLOG

Breakdown by delivery dates



KDS

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2017**	2016	**2017**	2016	2016
Revenues	**890**	897	**3 482**	3 142	4 336
EBITDA	**142**	169	**533**	528	801
EBITDA (%)	**16,0**	18,8	**15,3**	16,8	18,5
New orders	**483**	1 516	**1 563**	2 613	3 819

	30.9.	30.6.	31.12.
MNOK	**2017**	2017	2016
Order backlog	**6 168**	6 579	8 076
No. of employees	**1 859**	1 862	1 837

PERFORMANCE

Q3 operating revenues were MNOK 890, which is level with the same quarter last year.

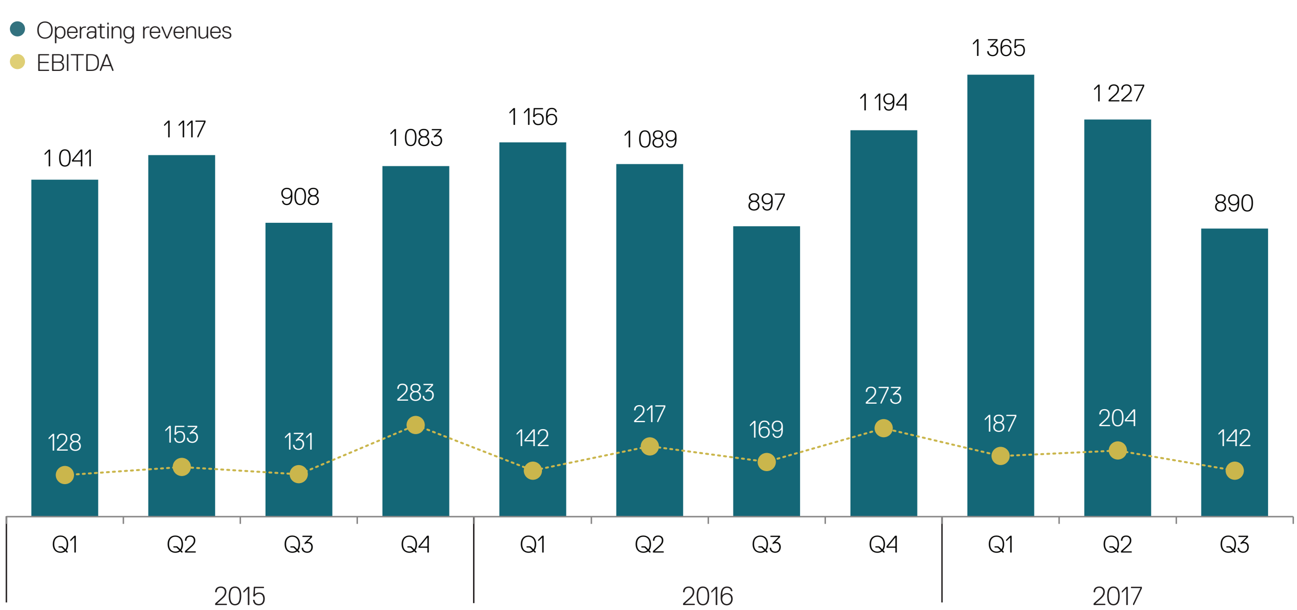
EBITDA is MNOK 142, corresponding to an EBITDA margin of 16.0 per cent. EBITDA includes MNOK 25 in restructuring costs and a MNOK 10 share of net income from Patria. In Q3 last year, the share of net income from Patria was MNOK 20.

Accumulated operating revenues at Q3 are MNOK 3,482, which is up 10.8 per cent compared to the same period last year. The EBITDA margin is 15.3 per cent, which is about 1.5 percentage point lower than the same period last year, mainly due to a MNOK 48 reduction in share of net income from Patria.

The major supply and development projects are on schedule.

As mentioned under the section “Other matters” on page 7, KDS and KPS are merged into one business area, and will be reported jointly as Kongsberg Defence & Aerospace from Q4 2017.

OPERATING REVENUES & EBITDA



MARKET AND ORDERS

The order intake in Q3 was MNOK 483. Several important framework agreements have been signed this quarter that give KDS a strong position within the satellite sector, helicopter maintenance and defence digitalisation.

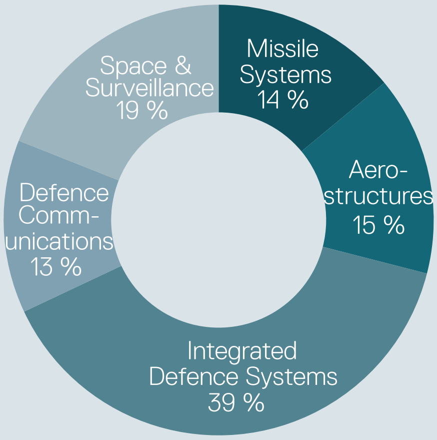
- Kongsberg Satellite Services (KSAT) has signed a contract for the delivery of ground station services to the National Aeronautic and Space Administration (NASA). KSAT will deliver operational services for receiving data from and control of weather forecasting satellites. The agreement has a value of MNOK 360.
- In July KDS signed a framework agreement with the Norwegian Defence Logistics Organisation (NDLO) for maintenance of gearboxes in Norwegian Sea King helicopters. The agreement runs until 2020, with the possibility of up to three years of further extension. The framework agreement has a potential value of up to MNOK 300.
- Digitalisation is making an impact in most markets, and defence is no exception. This summer KDS entered a contract with Hanwha Land Systems for the delivery of Integrated Combat Solution (ICS) to Finland's new artillery. Finland is procuring K9 Thunder 155mm artillery from South Korea, where KONGSBERG's ICS is installed. ICS is a modern digitalisation solution based on open standards for connection, integration of sensors, weapons, communication networks and security systems for the next generation of military vehicles.

KDS has a product portfolio that is well positioned to meet future needs and expected market development. There is considerable interest for KONGSBERG's missiles and air defence systems. There is high market activity in relation to several large programmes both in Europe, the USA and Asia. KONGSBERG is the largest supplier of equipment and services for the aerospace industry in the Nordic region, and the activity in this segment is growing.

The defence market is characterised by relatively few, but large contracts. Hence, fluctuations in amount of new orders are regarded to be normal. The order intake in the last quarters shows this, and it has resulted in a decreasing order backlog. KONGSBERG is currently in negotiations on several larger programs, something that is expected to improve the order backlog in the time to come. Decisions about defence investments are often time consuming. The customers of large defence systems are the defence authorities in the countries in question. These customers consider national security and domestic economic development as significant factors, in addition to product price and performance, when purchasing defence equipment.

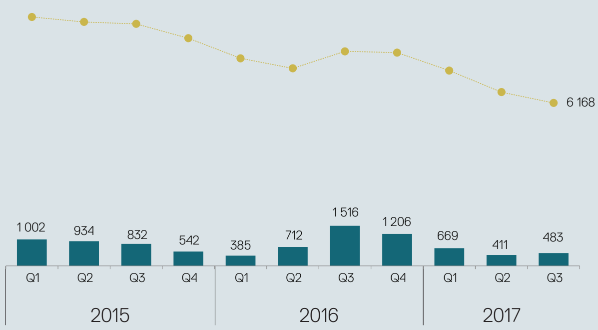
OPERATING REVENUES

YTD by division



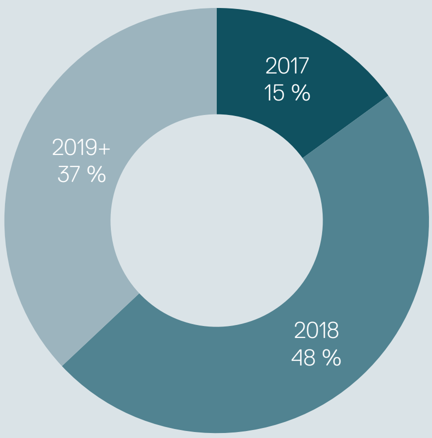
ORDERS

- New orders
- Order backlog



ORDER BACKLOG

Breakdown by delivery dates



KPS

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2017**	2016	**2017**	2016	2016
Revenues	**406**	506	**1 230**	1 537	2 096
EBITDA	**(53)**	24	**(71)**	103	126
EBITDA (%)	**(13,1)**	4,7	**(5,8)**	6,7	6,0
New orders	**177**	433	**689**	1 264	1 705

	30.9.	30.6.	31.12.
MNOK	**2017**	2017	2016
Order backlog	**2 370**	2 602	2 912
No. of employees	**585**	587	600

PERFORMANCE

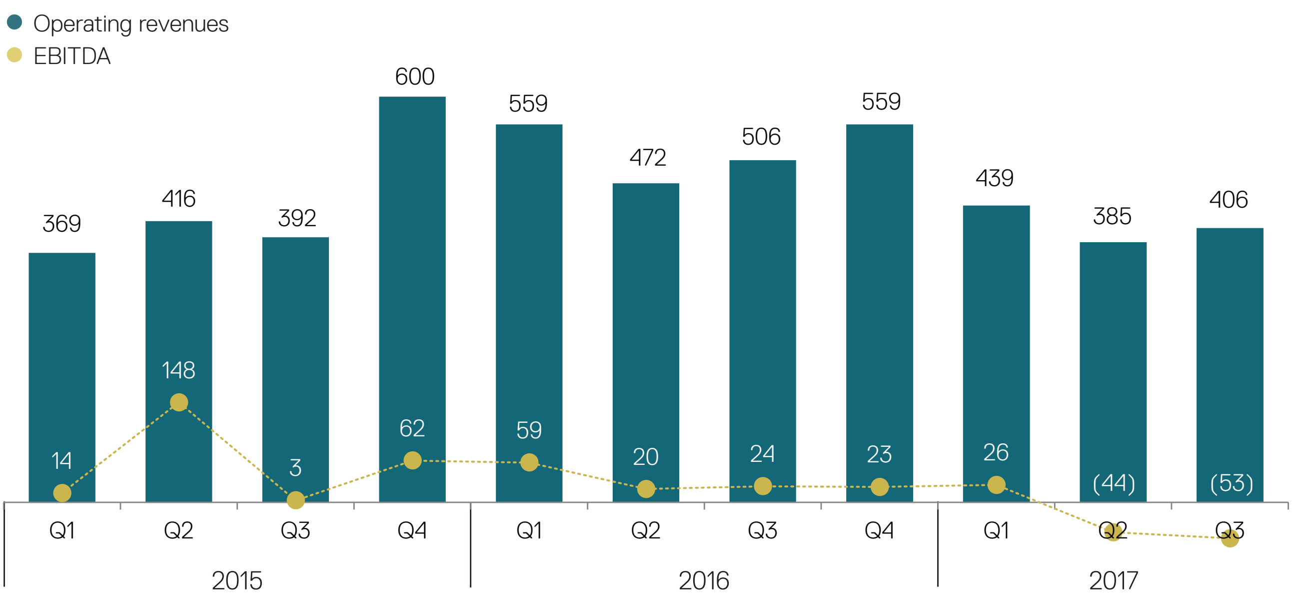
KPS had MNOK 406 in operating revenues in Q3, which corresponds to the average of this year's first two quarters but is less than the same quarter last year.

EBITDA is minus MNOK 53. EBITDA includes MNOK 60 in restructuring costs related to the merger between KDS and KPS to Kongsberg Defence and Aerospace (KDA). Activity is high within market and product development, especially in connection with the medium calibre investment that will deliver an important contribution to the business area's development in the years to come.

Operating revenues at Q3 are MNOK 1,230, which is down 20.0 per cent compared to the same period last year. The reduction is mainly a result of lower delivery volume for weapon stations. The EBITDA margin is minus 5.8 per cent and includes negative effects of MNOK 119 associated with the above mentioned effects as well as repurchases of forward exchange contracts and reversal of provisions in KPS in Q2 2017.

The project deliveries are on schedule.

OPERATING REVENUES & EBITDA



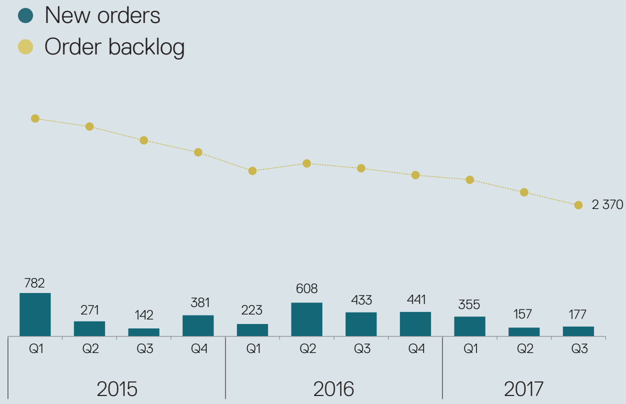
MARKET AND ORDERS

The order intake in Q3 was MNOK 177. No major single contracts have been signed this quarter.

There is still high activity in the market, but due to the customers' comprehensive decision-making processes makes the time for contract signing less predictible.

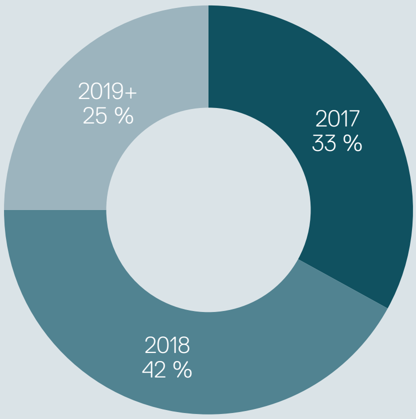
During the last 15 years, KPS has grown to become the world's leading supplier of remotely controlled weapon stations. More than 18,500 systems have been sold to customers in 18 countries. The US Army is, both directly and via vehicle suppliers, our largest customer. In 2017 the work continues to maintain KPS's position in the USA in order to ensure continued contracts for CROWS after 2017. At the same time, there is a strong focus on growth related to medium calibre, the establishment of new positions in the market for RWS outside of the USA and the aftermarket.

ORDERS



ORDER BACKLOG

Breakdown by delivery dates



PATRIA

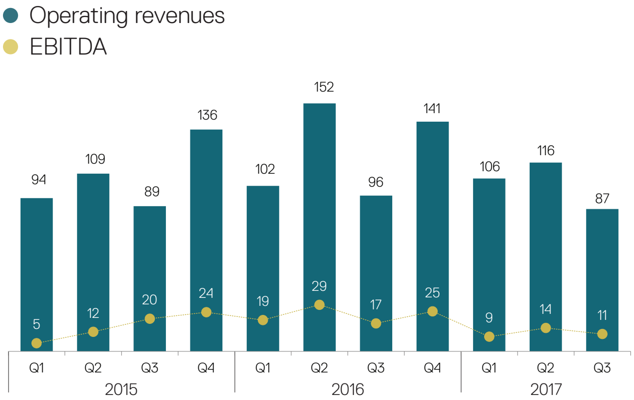
Patria is Finland's leading supplier of technology solutions and maintenance services within defence, security and aviation. The company has an international organisation with about 2,800 employees and owns 50 per cent of the shares in Nammo. KONGSBERG owns 49.9 per cent of the shares in Patria.

HIGHLIGHTS

- Turnover is down 9 % compared to the same quarter last year, primarily in the Aviation and Land Systems divisions.
- EBITDA so far this year is 10.9 per cent compared to 18.6 per cent in 2016.
- Patria has implemented two efficiency improvement programs in 2017, thereby reducing the number of employees by more than 100 people in the course of the year.
- In October Patria announced that they had acquired 60 per cent of Milrem LCM, the largest player within maintaining defence equipment in Estonia. This is an important part of Patria's strategy with regards to growth within the Northern European defence maintenance market.

OPERATING REVENUES & EBITDA (100%)

MEUR



KEY FIGURES (100%)

	1.7. - 30.9.		1.1. - 30.9.		
MEUR	**2017**	2016	**2017**	2016	2016
Operating revenues	**87**	96	**309**	349	490
EBITDA	**11**	17	**34**	65	90
EBITDA (%)	**12**	18	**11**	19	18
Net income after tax	**6**	10	**18**	42	63
New orders	**54**	41	**225**	192	269
Order backlog	**770**	918	**770**	918	858

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

	1.7. - 30.9.		1.1. - 30.9.		24.5. - 31.12.	
	2017		2017		2016	
Millions	EUR	NOK	EUR	NOK	EUR	NOK
EBITDA	11		34		60	
Financial items, taxes, depreciations and amortisation	(5)		(16)		(16)	
Net income after tax	6		18		44	
KONGSBERG's share of net income in the period (49.9 %) [1)]		21		67		183
Amortisation of excess values after tax		(11)		(35)		(40)
Share of net income recognised in KDS for the period		**10**		**32**		**143**

[1)] *Share of Patria's net income after tax adjusted for minority interests*

OUTLOOK

The overall outlook for the KONGSBERG is good. There have been implemented major adjustments in several parts of the organization that have given a positive effects on the cost base. Order intake is expected to increase going forward, however, this will not have immediate effect on operating revenues, but provides a sound basis for long term growth.

KM has established a strong position within complex, integrated solutions and sees growth in this area. The subsea segment and after-market activity is on a relatively stable level. A slightly lower operating income is expected in Q4 2017 compared to the same quarter of 2016. For 2018 it is expected that operating revenues will stabilise with some growth toward the end of the period. As in 2017, the underlying earning levels will in 2018 depend on project composition and market conditions. However, it is expected that the extensive restructuring of the business area will continue to improve profitability.

The defence areas are well positioned for considerable contract opportunities going forward. The Group chose to merge KDS and KPS in Q3 to strengthen its total competitive edge. The change has already been implemented and the units will be reported as the new business area Kongsberg Defence & Aerospace (KDA) as of Q4 2017.

Kongsberg Defence Systems' development so far in 2017 confirms the strong position and growth opportunities in this business area. The order coverage for 2017 is very good, which provides the basis for a strong Q4 in 2017. A higher order intake is expected in Q4 than for the first three quarters of the year. Profitability is expected to remain good. There are many programs to be decided in the coming years, and this could potentially give a high order intake in 2018.

Kongsberg Protech Systems has a strong market position with its product portfolio. Higher activity is expected, especially within the medium calibre segment in Q4, which will increase operating revenues. The order coverage for 2018 is currently quite low. This can give a reduction in operating revenues. Investment decisions have in recent years taken longer in the weapon station market, at the same time as the long-term growth potential for KPS is significant.

The main focus for Kongsberg Digital in 2017 is still building up and developing the business and developing future-oriented, digital solutions. KDI invests considerably in R&D, and has secured important positions with major players both within the oil & gas-, wind- and merchant marine markets. This makes the foundation for solid growth from 2019–2020 and beyond.

Kongsberg, 25 October 2017

The Board in Kongsberg Gruppen ASA

KEY FIGURES BY QUARTER

KOG	2017				2016					2015				
MNOK	**2017**	Q3	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**10 733**	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	**820**	274	207	339	**1 217**	334	(40)	515	408	**1 784**	493	419	386	486
EBITDA %	**7,6**	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	**8 415**	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	**14 298**	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	**557**	188	120	249	**835**	220	(125)	422	318	**1 405**	387	320	299	399
EBITA %	**5,2**	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**	Q3	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**5 552**	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	**398**	176	69	153	**280**	69	(255)	216	250	**1 109**	232	328	200	349
EBITDA %	**7,2**	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	**5 643**	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	**4 908**	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	**269**	134	26	109	**95**	17	(293)	170	201	**909**	178	271	155	305
EBITA %	**4,8**	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

KDS	2017				2016					2015				
MNOK	**2017**	Q3	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**3 482**	890	1 227	1 365	**4 336**	1 194	897	1 089	1 156	**4 149**	1 083	908	1 117	1 041
EBITDA	**533**	142	204	187	**801**	273	169	217	142	**695**	283	131	153	128
EBITDA %	**15,3**	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	**1 563**	483	411	669	**3 819**	1 206	1 516	712	385	**3 310**	542	832	934	1 002
Order backlog	**6 168**	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	**432**	109	172	151	**669**	239	135	184	111	**590**	260	101	126	103
EBITA %	**12,4**	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**	Q3	Q2	Q1	**2016**	Q4	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1
Revenues	**1 230**	406	385	439	**2 096**	559	506	472	559	**1 777**	600	392	416	369
EBITDA	**(71)**	(53)	(44)	26	**126**	23	24	20	59	**227**	62	3	148	14
EBITDA %	**(5,8)**	(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	**689**	177	157	355	**1 705**	441	433	608	223	**1 576**	381	142	271	782
Order backlog	**2 370**	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	**(98)**	(62)	(53)	17	**89**	13	16	10	50	**177**	50	(9)	135	1
EBITA %	**(8,0)**	(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

		1.7 - 30.9		1.1 - 30.9		
MNOK	Note	**2017**	2016	**2017**	2016	2016
Revenues	3	**3 279**	3 428	**10 733**	11 893	15 845
Operating expenses	6	**(3 049)**	(3 510)	**(10 027)**	(11 157)	(14 858)
Share of net income from joint arrangements and associated companies	4	**44**	42	**114**	147	230
EBITDA	3, 10	**274**	**(40)**	**820**	**883**	**1 217**
Depreciation		**(86)**	(85)	**(263)**	(265)	(360)
Impairment		**-**	-	**-**	(3)	(22)
EBITA	3, 10	**188**	**(125)**	**557**	**615**	**835**
Amortisation		**(26)**	(37)	**(84)**	(111)	(140)
Impairment		**-**	-	**-**	-	(3)
EBIT	10	**162**	**(162)**	**473**	**504**	**692**
Net financial items	5	**(34)**	(41)	**(85)**	(44)	37
Earnings before tax (EBT)		**128**	**(203)**	**388**	**460**	**729**
Income tax expence	9	**(49)**	59	**(99)**	(71)	(78)
Earnings after tax		**79**	**(144)**	**289**	**389**	**651**
Attributable to:						
Equity holders of the parent		**79**	(143)	**289**	390	653
Non-controlling interests		**-**	(1)	**-**	(1)	(2)
Earnings per share (EPS)/EPS diluted in NOK		**0,66**	(1,20)	**2,41**	3,25	5,44

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

		1.7 - 30.9		1.1 - 30.9		
MNOK	Note	**2017**	2016	**2017**	2016	2016
Earnings after tax		**79**	(144)	**289**	389	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		**-**	35	**-**	28	(104)
- Cashflow hedges (currency futures and interest rate swaps)	5	**233**	454	**457**	1 290	1 063
Tax effect cash flow hedges (currency futures and interest rate swaps)		**(56)**	(114)	**(110)**	(323)	(273)
Translation differences and hedge of net investments (currency)		**(155)**	(166)	**11**	(315)	(266)
Total items to be reclassified to profit or loss in subsequent periods		**22**	**209**	**358**	**680**	**420**
Items not to be reclassified to profit or loss:						
Actuarial gains/losses pensions		**-**	-	**-**	-	20
Income tax on items remaining in equity		**-**	-	**-**	-	(5)
Total items not to be reclassified to profit or loss		**-**	**-**	**-**	**-**	**15**
Comprehensive income for the period		**101**	**65**	**647**	**1 069**	**1 086**

CONDENSED STATEMENT OF FINANCIAL STATUS

		30.9.	30.6.	31.12.
MNOK	Note	**2017**	2017	2016
Property, plant and equipment		**2 646**	2 725	2 723
Intangible assets	6	**2 779**	2 780	2 746
Shares in joint arrangements and associated companies	4	**3 183**	3 175	3 174
Other non-current assets		**234**	277	264
Total non-current assets		**8 842**	**8 957**	**8 907**
Inventories		**4 808**	4 948	4 666
Trade receivables		**1 930**	1 811	2 436
Construction contracts in progress, asset		**2 247**	2 197	2 049
Other current assets		**1 111**	886	1 250
Cash and cash equivalents		**1 639**	2 257	1 888
Total current assets		**11 735**	**12 099**	**12 289**
Total assets		**20 577**	**21 056**	**21 196**
Issued capital		**982**	982	982
Retained earnings		**6 066**	6 142	6 218
Fair value of financial instruments		**(162)**	(339)	(509)
Non-controlling interests		**32**	33	34
Total equity		**6 918**	**6 818**	**6 725**
Long-term interest-bearing loans	5	**3 330**	3 342	3 820
Other non-current liabilities and provisions	2	**1 915**	1 856	1 830
Total non-current liabilities and provisions		**5 245**	**5 198**	**5 650**
Construction contracts in progress, liabilities		**3 402**	3 386	2 847
Short-term interest-bearing loans	5	**300**	557	263
Other current liabilities and provisions	2	**4 712**	5 097	5 711
Total current liabilities and provisions		**8 414**	**9 040**	**8 821**
Total equity, liabilities and provisions		**20 577**	**21 056**	**21 196**
Equity ratio (%)		**33,6**	32,4	31,7
Net interest-bearing liabilities		**1 991**	1 642	2 195

CONDENSED STATEMENT OF CHANGES IN EQUITY

	30.9.	30.6.	31.12.
MNOK	**2017**	2017	2016
Equity opening balance	**6 725**	6 725	6 127
Comprehensive income accumulated	**647**	546	1 086
Dividends	**(450)**	(450)	(510)
Treasury shares	**(2)**	(2)	5
Reversal of previous year's impairment	**-**	-	22
Dividends non-controlling interests	**-**	-	(3)
Change in non-controlling interests	**(2)**	(1)	(2)
Equity, closing balance	**6 918**	**6 818**	**6 725**

CONDENSED CASH FLOW STATEMENT

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2017**	2016	**2017**	2016	2016
Earnings before interest, tax, depreciation and amortisation	**274**	(40)	**820**	883	1 217
Change in net current assets and other operating related items	**(470)**	159	**330**	(812)	(408)
Net cash flow from operating activities	**(196)**	**119**	**1 150**	**71**	**809**
Acquisition/disposal of property, plant and equipment	**(44)**	(107)	**(223)**	(481)	(613)
Acquisition/disposal of subsidiaries and joint arrangement and associated companies	**-**	-	**-**	(2 686)	(2 786)
Net payment for the acquisition/disposal of available-for-sale-shares	**-**	-	**(6)**	139	317
Other investing activities including capitalised Self-financed development	**(47)**	(121)	**(148)**	(200)	(261)
Net cash flow from investing activities	**(91)**	**(228)**	**(377)**	**(3 228)**	**(3 343)**
Net change in interest bearing loans	**(269)**	-	**(453)**	3 248	3 252
Net interests received (paid)	**(25)**	(24)	**(82)**	(41)	(60)
Net payments for the acquisition/disposal of treasury shares	**-**	-	**(18)**	(12)	(12)
Transactions with non-controlling interests	**-**	(3)	**-**	(3)	(3)
Dividends paid to equity holders of the parent	**-**	-	**(450)**	(510)	(510)
- of which dividends from treasury shares	**-**	-	**2**	1	1
Net cash flow from financing activities	**(294)**	**(27)**	**(1 001)**	**2 683**	**2 668**
Effect of changes in exchange rates on cash and cash equivalents	**(37)**	(51)	**(21)**	(84)	(53)
Net change in cash and cash equivalents	**(618)**	**(187)**	**(249)**	**(558)**	**81**
Cash and cash equivalents opening balance	**2 257**	**1 436**	**1 888**	**1 807**	**1 807**
Cash and cash equivalents closing balance	**1 639**	**1 249**	**1 639**	**1 249**	**1 888**

NOTE 1 | GENERAL INFORMATION AND PRINCIPLES

The consolidated financial statement for Q3 (interim financial statement) covers Kongsberg Gruppen ASA, its subsidiaries and shares in joint arrangements and associated companies that are included according to the equity method.

The interim financial statement has been prepared in accordance with IAS 34 (Interim reporting), stock regulations and the additional requirements of the Securities Trading Act. The interim financial statement does not cover all information that is required in a full financial statement, and it should be read in relation to the consolidated financial statement for 2016 and the interim financial statements for Q1 and Q2 in 2017. The consolidated financial statement for 2016 was prepared in accordance with the Norwegian Accounting Act and international standards for financial reporting (IFRS) that have been determined by the EU. In the interim financial statement, KONGSBERG has applied the same accounting principles that were described in the consolidated financial statement for 2016.

The consolidated financial statement for 2016 is available at www.kongsberg.com.

The interim financial statement has not been audited.

NOTE 2 | ESTIMATES

Preparing the interim financial statement involves assessments, estimates and assumptions that affect the use of accounting principles and posted amounts for assets and obligations, revenues and expenses. Actual results may deviate from these estimates. The most important assessments in using the Group's accounting principles, and the biggest sources of uncertainty, are the same as when the consolidated financial statement for 2016 was prepared.

NOTE 3 | SEGMENT INFORMATION

	OPERATING REVENUES					EBITDA					EBITA				
	1.7. - 30.9.		1.1. - 30.9.			1.7. - 30.9.		1.1. - 30.9.			1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2017**	2016	**2017**	2016	2016	**2017**	2016	**2017**	2016	2016	**2017**	2016	**2017**	2016	2016
KM	**1 815**	1 849	**5 552**	6 538	8 597	**176**	(255)	**398**	211	280	**134**	(293)	**269**	78	95
KDS	**890**	897	**3 482**	3 142	4 336	**142**	169	**533**	528	801	**109**	135	**432**	430	669
KPS	**406**	506	**1 230**	1 537	2 096	**(53)**	24	**(71)**	103	126	**(62)**	16	**(98)**	76	89
Other	**168**	176	**469**	676	816	**9**	22	**(40)**	41	10	**7**	17	**(46)**	31	(18)
GROUP	**3 279**	**3 428**	**10 733**	**11 893**	**15 845**	**274**	**(40)**	**820**	**883**	**1 217**	**188**	**(125)**	**557**	**615**	**835**

NOTE 4 | SHARES IN JOINT ARRANGEMENTS AND ASSOCIATED COMPANIES

Specification of movement on the line "Shares in joint arrangements and associated companies" 1 January to 30 September:

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 30.9.17
Patria Oyj	49,9 %	2 689	-	(148)	32	101	2 674
Kongsberg Satellite Services AS	50,0 %	332	-	(45)	80	-	367
Other		153	-	(13)	2	-	142
Total		**3 174**	**-**	**(206)**	**114**	**101**	**3 183**

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

NOTE 5 | FINANCIAL INSTRUMENTS

Loans and credit facilities

Short-term interest-bearing loans at the end of Q3 consist mainly of a certificate loan issued in Q2 of MNOK 300 with maturity in Q4 2017. The bond loan KOG06 matured in Q3, with an outstanding amount of MNOK 257.

Long-term loans:

			30.9.2017		30.6.2017		31.12.2016	
Amount in MNOK	*Due date*	*Nominal interest rate*	*Nominal amount*	*Carrying amount*	*Nominal amount*	*Carrying amount*	*Nominelt beløp*	*Balanseført verdi*
Bond issue KOG07 - fixed interest rate	11.9.19	4,80 %	250	250	250	250	250	250
Bond issue KOG08 - floating interest rate	2.6.21	2,04 %	1 000	1 000	1 000	1 000	1 000	1 000
Bond issue KOG09 - fixed interest rate	2.6.26	3,20 %	1 000	1 000	1 000	1 000	1 000	1 000
Bond issue KOG10 - floating interest rate	5.3.20	1,69 %	550	550	550	550	550	550
Bond issue KOG11 - fixed interest rate	5.12.23	2,90 %	450	450	450	450	450	450
Bridge facility EUR - floating interest rate 2)			-	-	-	-	482	482
Other long-term loans 3)			71	71	74	74	75	75
Total long-term loans 1)			**3 321**	**3 321**	**3 324**	**3 324**	**3 807**	**3 807**
Syndicated credit facility (unused borrowing limit)	15.3.22		2 300		2 300		1 500	
Overdraft facility (unused)			500		500		500	

1) The difference between the carrying amount in "Stratement of financial position" and the amount in this note is ascribable to an interest rate swap connected to the Bond issue KOG07 with carrying amount MNOK 9 at 30.9.2017, MNOK 18 at 30.6.2017 and MNOK 13 at 31.12.2016.
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 of balances classified as cash flow hedges is increased by MNOK 457[3)] before tax in the period 1 January to 30 September 2017. Change in fair value of forward exchange contracts represents a increase of MNOK 290 in the same period. The end of quarter spot prices were USD/NOK 7.96 and EUR/NOK 9.4.

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	Rair value at 30.9.17 [1)]	Value based on agreed exchange rates	Fair value at 30.9.17 [1)]	Value based on agreed exchange rates	Change in fair value from 31.12.16	Fair value at 30.9.17 [1)]
EUR	186	-	25	-	211	(4)	(0)
USD	1 770	148	(34)	(2)	1 736	291	146
Other	(7)	-	-	-	(7)	3	-
Sum	**1 949**	**148**	**(9)**	**(2)**	**1 940**	**290**	**146**
Roll-over of currency futures [2)]		(80)		(268)		202	(348)
Total	**1 949**	**67**	**(9)**	**(269)**	**1 940**	**492 [3)]**	**(202)**

[1)] Fair value is calculated as the difference between the spot price at 30.9.2017 and the forward prices on currency contracts.

[2)] Carrying amount related to rollovers of cash flow hedges.

[3)] The difference between these two the figures, i.e. MNOK 35, 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:

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2017**	2016	**2017**	2016	2016
Product maintenance	**54**	47	**207**	156	214
Research and development cost	**150**	163	**476**	569	793
Total	**204**	**210**	**683**	**725**	**1 007**

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

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2017**	2016	**2017**	2016	2016
Self-financed development	**45**	119	**145**	198	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 in Q3 associated with related parties that in any significant way affects the Group’s financial position and profit for the period.

NOTE 8 | IMPORTANT RISK AND UNCERTAINTY FACTORS

The Group's handling of different types of risk is described in the annual report for 2016. No new serious risk and uncertainty factors have been uncovered this quarter.

NOTE 9 | TAX

The tax effective rate as of Q3 is calculated to 25.5 per cent. The effective tax rate is affected by withholding tax on dividend from foreign subsidiaries and by the inclusion of share of net income from associated companies after tax.

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.

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- THROUGH PEOPLE, TECHNOLOGY AND DEDICATION

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