QUARTERLY REPORT 1ST QUARTER 2020

KONGSBERG

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KONGSBERG

GEIR HÅØY
President & CEO

"The COVID-19 outbreak has had major repercussions for the global economy, and authorities in countries around the world have introduced multiple restrictions. Despite this, KONGSBERG had less of an effect on performance for the quarter. A record-high order backlog at the start of the year and a strong after-market have contributed to good activity and results in Q1. KONGSBERG is showing growth in all business areas, and order intake is solid throughout the Group. At the same time, we realise that we will be more affected by the COVID-19 situation and current restrictions going forward.

A number of measures have been implemented to adapt the organisation to the current situation and to aim for ensuring health, safety, workplaces and liquidity, as well as delivering on our obligations to customers and other important stakeholders. Among our employees, customers and partners, there is great motivation and the ability to find solutions enabling us to deliver both new projects and other assignments. Our international set-up, including employees in 40 countries, also helps to ensure proximity to customers and to deliver assignments locally.

To a certain extent, there is great uncertainty to the entire value chain in the future, given travel restrictions, quarantine regulations and other considerations to protect people from infection. In addition, the major decline in oil-price will reduce investment levels as well as activity within certain segments going forward. We expect that results will be affected by this in the coming quarters. Our experience is that the authorities are handling the crisis well, but I would like to emphasise the importance of increased focus by national and international authorities on restarting activities that generate value creation."

Highlights

KONGSBERG	Growth, increased order intake and improved EBITDA in Q1. Limited COVID-19 effect on Q1 results. Implementation of significant measures relating to infection limitation and ensuring operations and income. The sale of Hydroid Inc. is reported under “discontinued operations” and is not included in the EBITDA for the quarter.
KONGSBERG MARITIME	Increased order intake, 20 per cent growth in operating revenues (including CM pro-forma revenue in Q1 2019) and good results despite a low level of contracting in the market for new vessels. US subsidiary Hydroid Inc. sold to Huntington Ingalls Industries (HII) for MUSD 350. KONGSBERG also entered into a strategic cooperation agreement with HII, extending the reach of KM’s product portfolio, in particular in the US military market.
KONGSBERG DEFENCE & AEROSPACE	42 per cent growth in operating revenues to MNOK 1,942. EBITDA margin at the same level as Q1 last year. Order backlog stable at around NOK 20 billion. The order intake for the quarter was mainly driven by RWS sales to a number of customers as well as good order intake for the missile division.
KONGSBERG DIGITAL	Operating revenues were 3.5 per cent higher than Q1 last year, mainly driven by the Energy division. The book/bill in the quarter was 1.04.

Key figures

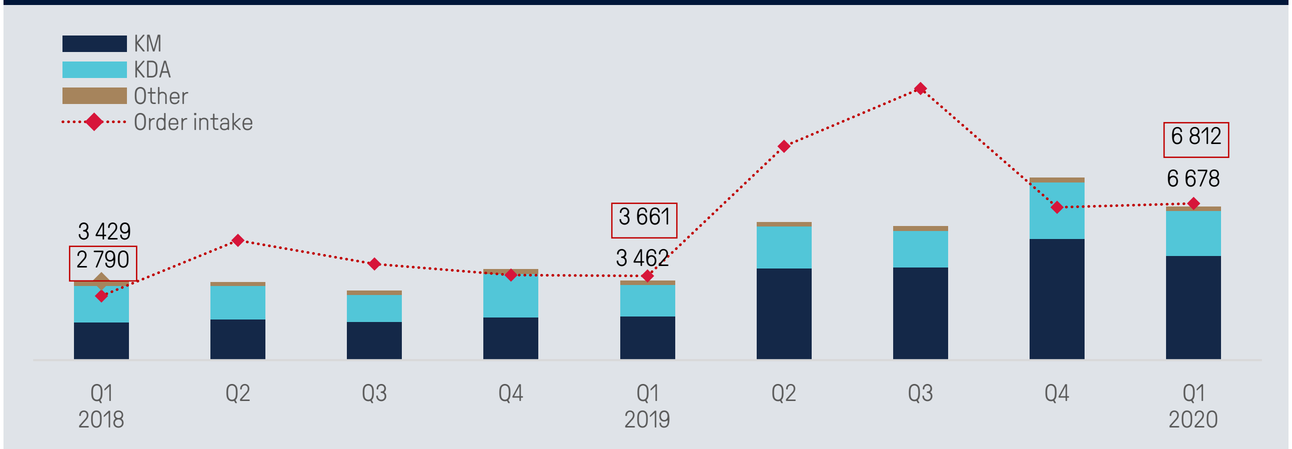
KONGSBERG sold Hydroid Inc., a wholly owned subsidiary in the Kongsberg Maritime business area, on 26 March 2020. Hydroid's contribution to results, order intake and order backlog has been adjusted out of the key figures in the quarterly report and reported as "discontinued operations". Hence, key figures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

	1.1. - 31.3.		
MNOK	**2020**	2019	2019
Operating revenue	**6 678**	3 462	23 245
EBITDA	**643**	381	2 134
EBITDA (%)	**9,6**	11,0	9,2
EBIT	**301**	209	1 050
EBIT (%)	**4,5**	6,0	4,5
Earnings before tax from continuing operations	**257**	190	833
Earnings after tax from continuing operations	**198**	140	596
Earnings after tax including discontinued operations	**1 638**	170	717
EPS continued operations (NOK)	**1,04**	0,78	3,22
EPS included discontinued operations (NOK)	**9,09**	0,95	3,98

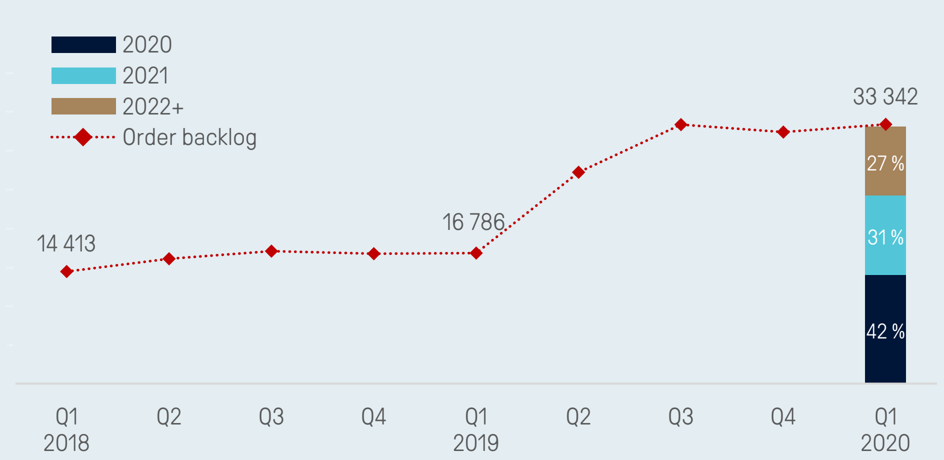
	31.3.	31.12.
MNOK	**2020**	2019
Equity ratio (%)	**35,1**	32,5
Net interest-bearing debt [1]	**(5 983)**	(1 565)
Working Capital [2]	**(871)**	17
ROACE (%) [3]	**10,1**	10,0
Order backlog	**33 342**	32 347
No. of employees	**10 621**	10 793

1) Net interest-bearing debt is the net amount of the accounting lines "Cash and cash equivalents" and "Short- and long-term interest-bearing liabilities, excluding leasing commitments"
2) Current assets (except cash and cash equivalents) minus non-interest-bearing liabilities (except taxes payable). Financial Instruments recognised at fair value are not included in working capital.
3) 12-month rolling EBIT excluding IFRS 16 divided by the 12-month mean of recognised equity and net interest-bearing debt. Net interest-bearing debt has been adjusted for the purchase price of Rolls-Royce Commercial Marine in relation to what was reported in Q1 2019.

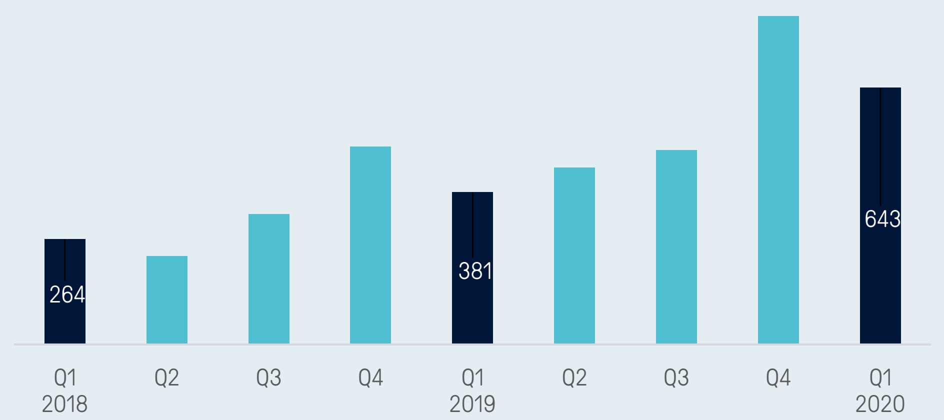
OPERATING REVENUE AND ORDER INTAKE



ORDER BACKLOG

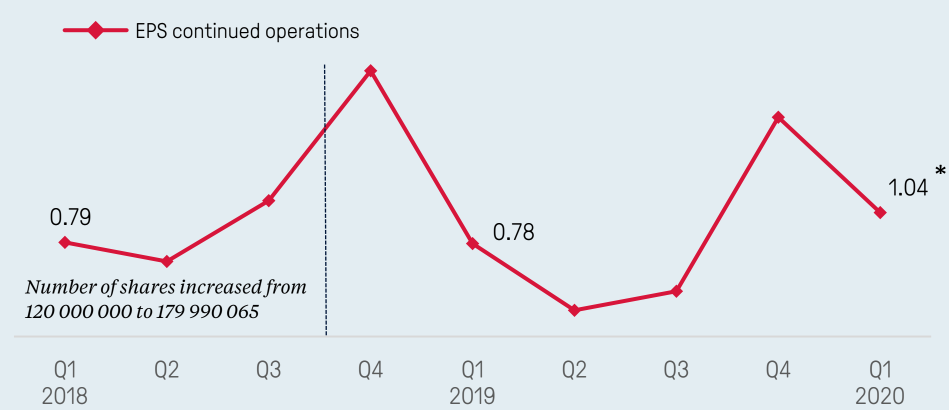


EBITDA



2018 figures are exclusive IFRS 16

EPS
Continued operations



2018 figures are exclusive IFRS 16

*EPS Q1 2020 9,09 due to discontinued operations

Performance, market and orders

During Q1, operating revenues amounted to MNOK 6,678, compared to MNOK 3,462 in the same quarter last year. Including pro forma operating revenues for Commercial Marine, comparable operating revenues in Q1 2019 were MNOK 5,333. This represents an increase of 25 per cent.

EBITDA during Q1 was MNOK 643, an EBITDA margin of 9.6 per cent, compared to MNOK 381 (11.0 per cent) in the same quarter last year. Including pro forma figures for CM Q1 2019, EBITDA would be MNOK 348 and the EBITDA margin 6.5 per cent. Adjusted EBITDA[1] in Q1 2020 was MNOK 682.

[1] See the definitions in Note 14.

Presentation of adjusted EBITDA Q1 2020 (MNOK):

	Q1 2020	Q1 2019	2019
Adjusted EBITDA	682	353	2 449
EBITDA effect, profit from sale of Kongsberg Evotec	-	107	107
Integration costs Commercial Marine	(32)	(79)	(279)
Restructuring costs Commercial Marine	(7)	-	(143)
EBITDA reported	643	381	2 134

The sale of Hydroid resulted in a preliminary calculated profit after tax of MNOK 1,420, which has been recognised as a result of operations being discontinued. Profit after tax from Hydroid in the quarter amounted to MNOK 20 (MNOK 29), which is also classified as a result of operations being discontinued. Profits from discontinued operations totalled MNOK 1,440 after tax (MNOK 121 in 2019).

During Q1, order intake amounted to MNOK 6,812, compared to MNOK 3,661 in the same quarter last year. This gives a book-to-bill ratio for the quarter of 1.02. Including pro forma order intake for CM, order intake was MNOK 5,634 in Q1 2019.

The order backlog at the end of Q1 was MNOK 33,342, compared with MNOK 32,347 at the end of the year and MNOK 16,786 at the same time last year. Part of the increased order backlog is due to the effects of currency fluctuations on order backlogs outside Norway.

OPERATING REVENUES
6 678
MNOK

EBITDA-MARGIN
9,6%

ORDER INTAKE
6 812
MNOK

Cash flow

Kongsberg recorded a net increase in cash and cash equivalents of MNOK 3,883 in Q1. Net cash flow from operations was MNOK 940. EBITDA was MNOK 643 from continuing operations. EBITDA from discontinued operations were MNOK 40. Changes in net current assets and other operationsrelated items contributed MNOK 257 in positive cash flow. There were considerable payments from KDA customers during the period. At the same time, there was an increase in trade receivables, particularly within KM. Cash flow from investment activities was MNOK 3,449. The main reason was the settlement relating to the sale of Hydroid Inc. The Group will have to pay approximately MNOK 650 in taxes related to the transaction later in 2020. In addition, tax will be levied on the allocation of the funds. Cash flow from financing activities was negative by MNOK 850. This includes the MNOK 550 repayment of KOG10 bond. In addition, the Group showed MNOK 344 in positive exchange differences related to cash holdings outside Norway.

NET INTEREST-BEARING DEBT

(5 983)

MNOK

EQUITY RATIO

35,1%

Balance sheet

The Group has interest-bearing debt totalling MNOK 3,554. At the end of the quarter, long-term interest-bearing debt consists of five bonds totaling MNOK 3,450, and other long-term interest-bearing debt of MNOK 23. MNOK 550 for bond loan KOG10 was repaid in Q1. Total short-term interest-bearing debts amount to MNOK 81. See Note 7. At the end of Q1, the Group had MNOK 9,537 in cash and cash equivalents, compared to MNOK 5,654 at the end of Q4 2019.

At the end of the quarter, net interest-bearing debt closed at MNOK -5,983, compared to MNOK -1,565 at the end of 2019. This change was mainly due to an increase in cash and cash equivalents as a result of the settlement received for the sale of Hydroid Inc., which took place in March 2020. In addition, the Group have a syndicated and committed credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. These were unused at the end of Q1 2020.

The overall balance sheet has increased by MNOK 3,291 so far this year, mainly as a result of the settlement and deferred tax relating to the sale of Hydroid, changes in the value of currency derivatives securing the order backlog, and a reduction due to the repayment of bond.

	31.3.	31.12.
MNOK	2020	2019
Equity	14 989	12 810
Equity ratio (%)	35,1	32,5
Total assets	42 713	39 422
Working capital [1]	(871)	17
Gross interest-bearing debt	3 554	4 089
Cash and cash equivalents	9 537	5 654
Net interest bearing debt [1]	(5 983)	(1 565)

1) See definition note 14

Currency

The company's currency policy states that contractual currency flows are hedged by forward contracts (fair value hedges). The net value of our hedges has been significantly reduced as a result of the depreciation of the Norwegian krone against relevant currencies during the quarter and the change from the end of the year represents a reduction of MNOK 2,257. In addition, a proportion of the currency exposure in expected major contracts can be secured. This occurs where the probability of being awarded the contract is high (cash flow hedges). The company's portfolio of cash flow hedges had a fair value of MNOK -40 at the end of the quarter, which is recognised in equity. The fair value here represents unrealised profits/losses in relation to agreed rates. Also see Note 7 for a numerical representation.

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

The Group's currency policy implies that the accounting income recognition will largely be based on exchange rates secured at historical levels. This will result in a limited short-term effect on results if the functional currency of the Group (NOK) suddenly weakens or strengthens sharply.

Product development

KONGSBERG is continually investing in product development, both through self-financed and customer-funded programmes. Self-financed product development and maintenance during the quarter totalled MNOK 406, of which MNOK 64 was capitalised. See the table in Note 8. Development posted on the balance sheet for the quarter is mainly related to projects in KDI and KDA.

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

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



Human resources

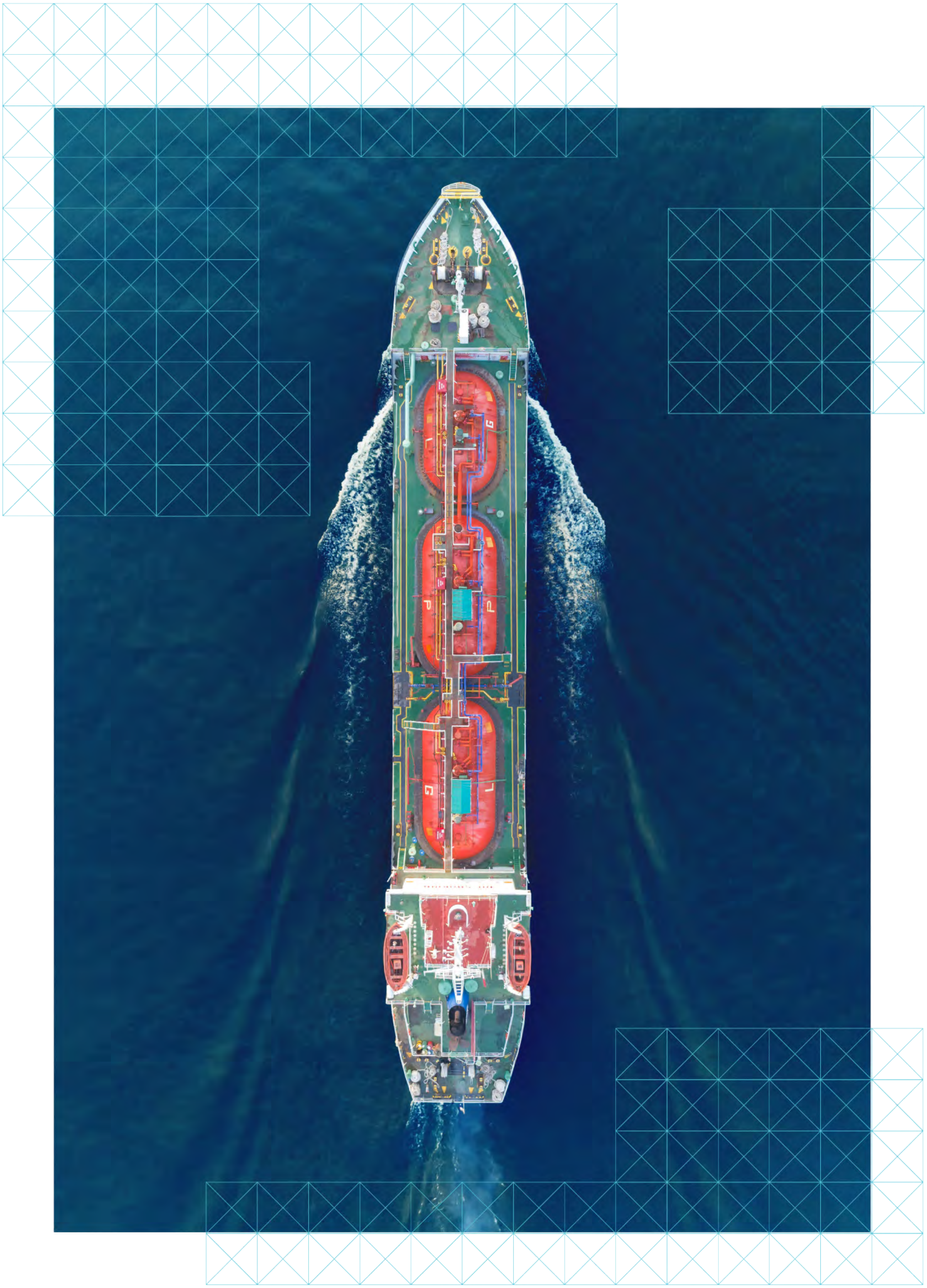
The company had 10,621 employees at the end of the quarter. This represents a reduction of 172 employees during the quarter, mainly related to the sale of Hydroid. In relation to the restructuring of CM, it was announced that the number of employees will be reduced by about 450. By the end Q1, all of these had finished work, signed a final agreement or been notified that their employment would be terminated.

Number of employees by business area

Other activities

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

KDI had revenues of MNOK 207, which is 3.5 per cent higher than Q1 2019. The increase was within the Energy area. The bookto-bill ratio during the quarter was 1.04.



KONGSBERG MARITIME

Background

From Q1 2020 onwards, Kongsberg Maritime (KM) will be reported as one unit. Separate figures for Commercial Marine (CM) will then no longer be reported, as CM is now considered a fully integrated part of KM. Historical pro forma figures for CM prior to KM ownership will be provided where relevant.

During Q1, KM completed the sale of the US subsidiary Hydroid Inc. This means that all Hydroid figures have been removed from results for KONGSBERG and Kongsberg Maritime for Q1 and previous quarters, and net figures are listed on a separate line in the overall results as “discontinued operations”.

Performance

Operating revenues reached MNOK 4,543 in Q1 compared to MNOK 1,905 in the same quarter last year. CM was taken over by KM on 1 April 2019. Including pro forma Q1 CM, revenue was MNOK 3,776 in 2019. This means that Q1 growth was 20 per cent. All divisions showed growth during the period.

EBITDA was MNOK 390 in Q1, an EBITDA margin of 8.6 per cent compared to MNOK 206 (10.8 per cent) in the same quarter the previous year. In Q1 2020, a total of MNOK 39 in integration and restructuring costs was recognised relating to the integration of CM. The corresponding amount was MNOK 79 in Q1 2019. In addition, KM recognized a gain of MNOK 107 in Q1 2019 relating to the sale of Kongsberg Evotec. Adjusted for this, EBITDA for Q1 2020 was MNOK 429, corresponding to a margin of 9.5 per cent, compared to MNOK 178, corresponding to a margin of 9.3 per cent, in Q1 2019.

The integration and restructuring costs in Q1 were mainly connected to the consolidation and streamlining of IT systems, as well as restructuring processes.

As part of the acquisition of CM, an extensive integration program has been implemented. The savings will come from the merging of offices, reductions in overheads and streamlining of the product portfolio. Restructuring measures were also implemented, which together mean a reduction of about 450 full-time equivalents. The process for all of this has now been concluded.

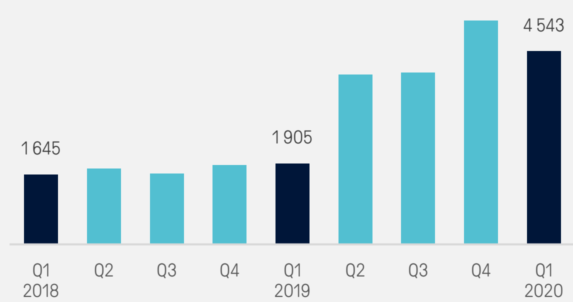
Overall, the integration program has shown isolated effects in Q1 2020 of MNOK 135 and KONGSBERG is on track with its target of MNOK 500 in savings by the end of 2020.

KEY FIGURES

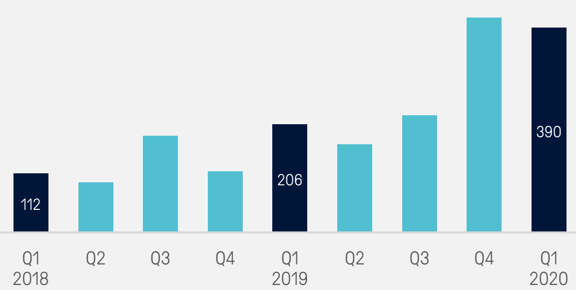
	1.1. - 31.3.		
MNOK	2020	2019	2019
Operating revenues	4 543	1 905	15 198
EBITDA	390	206	1 005
EBITDA (%)	8,6	10,8	6,6
Order Intake	4 813	2 306	14 427

	31.3.	31.12.
MNOK	2020	2019
Order backlog	12 404	11 311
No. of employees	6 991	7 212

Operating revenue



EBITDA



Sale of Hydorid Inc.

In February 2020, Kongsberg Maritime AS signed an agreement to sell the subsea technology company Hydroid, Inc. in the USA for MUSD 350 to Huntington Ingalls Industries (HII), the largest supplier of vessels to the US Navy. The sale was completed on 26 March 2020. Along with the sale, a strategic cooperation agreement regarding subsea technology and maritime solutions was initiated between the parties. The agreement is based on the complementary experience, expertise and technology of the two companies and the aim is to increase the ability of both parties to sell products and solutions in the subsea segment, both in the US and globally. KM bought Hydroid for MUSD 80 in 2007.

At the end of 2019, Hydroid had an order backlog of MNOK 783. In 2019 the company delivered revenues of MNOK 840, with EBITDA at MNOK 145. During KMS ownership in Q1 2020, Hydroid had operating revenues of MNOK 268, EBITDA of MNOK 40 and an order intake of MNOK 80. Hydroid's results have been adjusted out of KMS results, both in terms of Q1 2020 and historical comparative figures.

Market og orders

Order intake in Q1 was MNOK 4,813, equivalent to a book-to-bill ratio of 1.06, compared to MNOK 2,306 in Q1 2019. CM pro forma order intake for Q1 2019 was MNOK 1,973.

The increase in order intake relates to the delivery divisions Integrated Solutions and Propulsion & Engines. The largest contract is for around MNOK 300 for deliveries from both these divisions for three new expedition vessels for the company Mystic Cruises. In addition, after-market order intake is greater than the corresponding period last year.

At the end of Q1 2020, KM had an order backlog of MNOK 12,404. Contracts totalling MNOK 336 were cancelled during the quarter.

KM and COVID-19

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

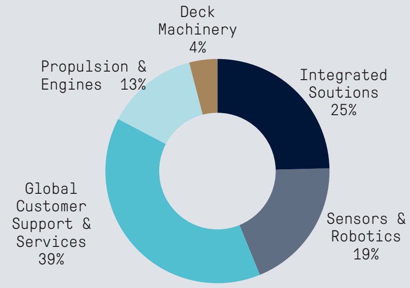
A number of measures have been introduced to keep operations as normal as possible, to ensure that cost levels are appropriate to the level of activity and to limit infection. Among the measures are extended work-from-home where possible, digital customer support solutions, temporary staff reductions and other cost-saving measures, along with significant risk protection measures. In addition, the decision has been taken to put certain less-critical development projects on hold.

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

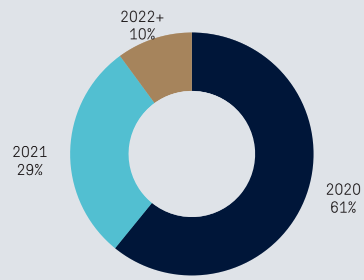
Kongsberg Maritime has major operations in Asia, mainly in China, South Korea and Singapore. In this region, where the coronavirus outbreak originated and began to spread alarmingly in January, the authorities seem to have gained control of the situation and society seems to be returning to something of a more normal situation.

The COVID-19 situation has not significantly affected the business area's performance in Q1 2020, but we expect a greater effect in the coming quarters.

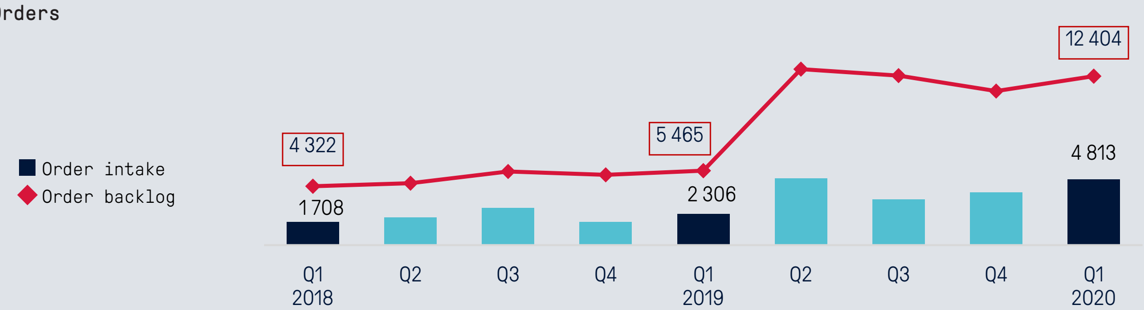
Operating revenue YTD by division



Order backlog
Breakdown by delivery date



Orders



KONGSBERG DEFENCE & AEROSPACE

Performance

As a result of the record-high order backlog entering 2020, operating revenues have increased significantly. **Operating revenues amounted to MNOK 1 942 in Q1**, compared to MNOK 1 369 the same quarter last year, an increase of 42 per cent. There was increased activity in all divisions, except Space & Surveillance where operating revenues in Q1 were on a par with last year. Kongsberg Aviation Maintenance Services, which was purchased in the summer of 2019, had a turnover of MNOK 127 in the quarter. Projects and production are largely following their established plans and agreed milestones.

The projects with the highest revenues in the quarter were:

- Production for the F-35 programme, where KONGSBERG is the sole supplier of certain composite and titanium parts
- The American CROWS program, where KONGSBERG has been the sole, direct supplier of remote weapon stations to the US Army since 2007
- The air defence contract (NASAMS) with Qatar, signed in July 2019, that was the largest single contract signed in the history of KONGSBERG to date.

EBITDA was MNOK 241 in Q1, an EBITDA margin of 12.4 per cent compared to MNOK 171 (12.5 per cent) in the same quarter the previous year. All divisions have increased or maintained their EBITDA compared with Q1 2019.

Income from associated companies in KDA is included in the EBITDA with MNOK 10 (6) for Q1. Patria accounts for MNOK -6 (-17) for Q1, and Kongsberg Satellite Services accounts for MNOK 20 (25) for the corresponding period. Also see Note 6.

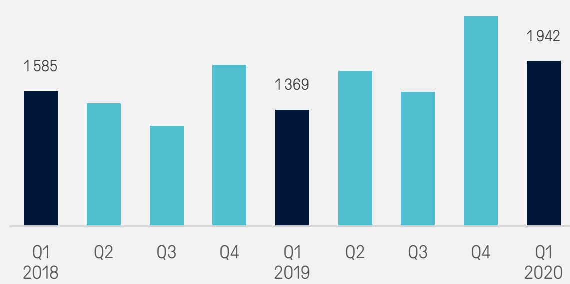
Patria recorded operating revenues of MEUR 118.1 during Q1, compared to MEUR 105.1 during the same quarter last year. The majority of this increase comes from Belgium Engine Center, which was purchased in the summer of 2019. In Q1, EBITDA amounted to MEUR 9, compared to MEUR 5.4 in the same period in 2019. All divisions, except for Land Systems, have slightly improved EBITDA figures. See Note 6.

KEY FIGURES

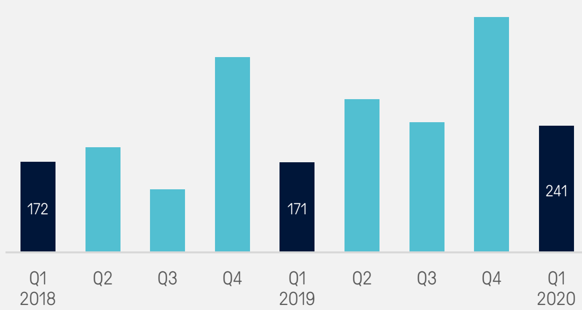
	1.1. - 31.3.		
MNOK	2020	2019	2019
Operating revenues	**1 942**	1 369	7 245
EBITDA	**241**	171	1 157
EBITDA (%)	**12,4**	12,5	16,0
Order Intake	**1 769**	1 137	16 060

	31.3.	31.12.
MNOK	2020	2019
Order backlog	**19 977**	20 146
No. of employees	**2 962**	2 917

Operating revenues



EBITDA



Market og orders

Order intake reached MNOK 1 769 in Q1, compared to MNOK 1 137 for the same quarter last year. This gives a book-to-bill ratio of 0.91. Order intake increased 56 per cent YoY in Q1 2019, consisting of a number of small and medium-sized contracts primarily driven by order intake in the Missiles and Land divisions. This includes a good order intake from the US CROWS programme, the C-UAS (anti-drone system) framework agreement with Germany and the NSM "Over the Horizon" contract with the US Navy, held by KDA and Raytheon.

The defence market is characterised by relatively few, but large, contracts. Deliveries are normally made over a long period and involve several milestones. Fluctuations in order intake and performance are therefore to be regarded as normal. In recent years, KONGSBERG has won a number of strategic contracts that are important for operating revenues and results in the coming periods and is expecting a good order intake over the next few years due to KDA's strong market position within its segments. Investments in defence programmes are often long-term processes. The customers for major defence systems are the authorities in the countries in question. They consider national security and domestic economic development as significant factors, in addition to product price and performance, when purchasing defence equipment. National budgets and political constraints will therefore strongly influence whether, and if so when, contracts are signed with KONGSBERG.

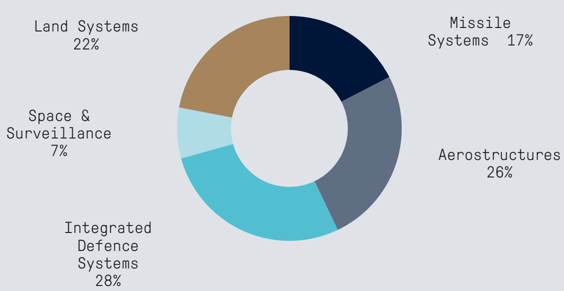
KDA and COVID-19

KDA has a high proportion of exports, but the bulk of operations are in Norway. So far, the defence business has not experienced major consequences as a result of COVID-19, and operations are almost at a normal level. KDA and its subsidiary Kongsberg Satellite Services are defined as societally critical enterprises and the part of the workforce that cannot work from home has the opportunity to attend the workplace and carry out tasks almost in a normal manner, providing necessary measures are observed. In addition, shift measures and other precautions in production have been introduced to reduce the exposure to infection within the environment.

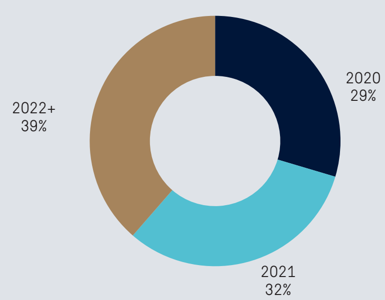
With a very high proportion of exports, travel restrictions pose challenges, but this has largely been solved in other ways, and so far, it has not greatly affected the progress of projects. This is closely monitored at all times. Furthermore, KDA is dependent on the supply capacity of several hundred subcontractors, both in Norway and abroad. Additional resources have been introduced to ensure the flow of goods, shipments and, where necessary, alternative subcontractors in the event of a stop in production. These elements may have a further effect on KDA in the future.

KDA has extensive operations in Johnstown, USA. These operations are defined as societally critical by the US authorities and have so far not yet been affected by the COVID-19 situation in the US. Neither has Arsenalet, the factory at Kongsberg that delivers critical components for the F- 35 combat aircraft, experienced any delays in production so far. The worldwide COVID-19 situation may delay the expected order intake somewhat, but there are no signs so far that the programmes KDA is prepared for will be scaled down or cancelled.

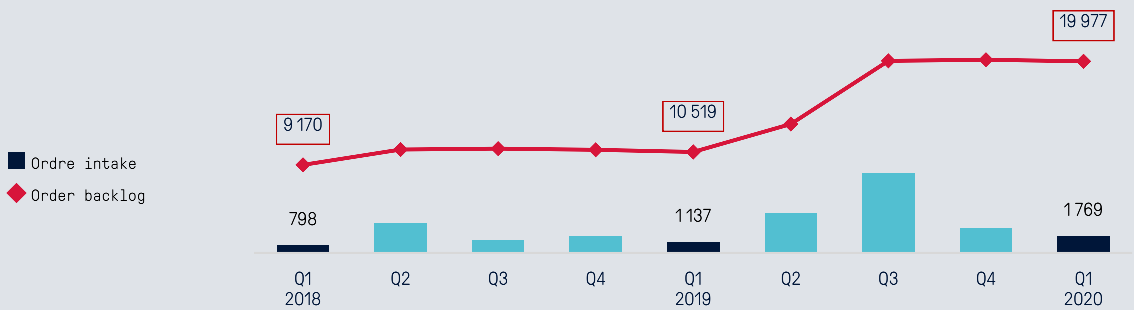
Operating revenues
YTD by division



Ordre backlog
Breakdown by delivery date



Orders



KONGSBERG comes out of Q1 2020 with a solid balance sheet and an order backlog of MNOK 33,342. At the beginning of 2020, the world saw the outbreak of COVID-19, which started in Asia and is now defined as a global pandemic. Authorities in several of countries have introduced measures and restrictions to limit the spread of the virus. This entails considerable challenges both for business in general and for each one of us. Expectations of low oil prices going forward will affect investment levels in a number of segments, while at the same time it may lead to opportunities in other segments where KONGSBERG have strong positions.

Ongoing preventive measures have been introduced and implemented, and KONGSBERG has identified three clear priorities in this extraordinary situation:

1. To safeguard the health and safety of our employees
2. To maintain as much normality as possible in operations, to deliver on the order backlog and support our customers
3. To continue to take the measures necessary to ensure a strong operational and financial position

In financial terms, the COVID-19 pandemic has not had much of an impact on Q1 2020. It is currently too early to predict the full financial consequences of COVID-19, but KONGSBERG's activities and results will be affected in the coming periods. The situation will have consequences for the entire value chain, both directly due to travel restrictions globally and due to reduced activity among customers and suppliers. In the current situation, we expect Kongsberg Maritime to be the most impacted. At the start of Q2, we are seeing, among other things, reduced activity in the service part of the after-market. At Kongsberg Defence & Aerospace, operations are so far at a relatively normal level, but certain delays are likely to occur, and activity is likely to somehow be affected. This situation is extraordinary and is causing a lot of uncertainty. However, KONGSBERG has so far been able to keep activities and efficiency at a solid level, as a result of the ongoing measures implemented by the company. This work will also continue in the future.

The defence market has been strong in recent years, and demand for the Group's product portfolio has been solid. Significant parts of the maritime market have been challenging in recent years with generally low levels of new-build contracting. The level of contracting of new builds has also been low in the first months of 2020, also as a result of the ongoing COVID-19 situation. Despite this, KONGSBERG has seen a good order intake in Q1. Furthermore, the company has equipment installed on more than 30,000 vessels, which will continue to require regular service and upgrades. Our digital remote services solutions enable us to carry out assignments within the segment despite the current situation.

In recent years, Kongsberg Digital has made significant investments in establishing new positions, as well as strengthening existing positions related to the digitalization of core sectors. This applies to markets including oil and gas and maritime. Oil company investment levels are expected to decline, due to both the current COVID-19 situation and the fall in oil prices. This may have negative consequences on KDI order intake. Equally, the consequences of the current situation demonstrate the need for and benefits of digital and remote solutions. This is a significant driver for the demand for KDI's product portfolio, and we are seeing increased interest in our digital solutions.

Out of the solid order backlog, approximately MNOK 14,000 is due to be delivered this year. After-market order intake is generally not part of the order backlog and comes in addition.

Kongsberg, 7 May 2020
The Board of Kongsberg Gruppen ASA

NUMBERS & NOTES

Key figures by quarter

The statements below for KONGSBERG and Kongsberg Maritime have been adjusted for discontinued operations. The 2018 figures are exclusive IFRs 16 effects.

MNOK	2020	Q1	2019	Q4	Q3	Q2	Q1	2018	Q4	Q3	Q2	Q1
Operating revenues	6 678	6 678	23 245	7 938	5 833	6 012	3 462	13 807	3 971	3 023	3 384	3 429
EBITDA	643	643	2 134	823	487	443	381	1 306	495	326	221	264
EBITDA (%)	9,6	9,6	9,2	10,4	8,4	7,4	11,0	9,5	12,5	10,8	6,5	7,7
Order intake	6 812	6 812	31 413	6 645	11 810	9 297	3 661	15 879	3 700	4 181	5 207	2 790
Order backlog	33 342	33 342	32 347	32 347	33 306	27 177	16 786	16 707	16 707	17 037	16 055	14 413
EBIT	301	301	1 050	530	184	127	209	882	385	223	113	161
EBIT (%)	4,5	4,5	4,5	6,7	3,2	2,1	6,0	6,4	9,7	7,4	3,3	4,7

KONGSBERG MARITIME	2020		2019					2018				
MNOK	2020	Q1	2019	Q4	Q3	Q2	Q1	2018	Q4	Q3	Q2	Q1
Operating revenues	4 543	4 543	15 198	5 263	4 041	3 989	1 905	6 951	1 861	1 661	1 784	1 645
EBITDA	390	390	1 005	408	223	168	206	507	116	184	95	112
EBITDA (%)	8,6	8,6	6,6	7,8	5,5	4,2	10,8	7,3	6,2	11,1	5,3	6,8
Order intake	4 813	4 813	14 427	3 858	3 345	4 917	2 306	8 166	1 692	2 727	2 039	1 708
Order backlog	12 404	12 404	11 311	11 311	12 445	12 920	5 465	5 160	5 160	5 406	4 545	4 322
EBIT	170	170	356	234	33	(46)	136	390	86	158	66	80
EBIT (%)	3,7	3,7	2,3	4,5	0,8	(1,2)	7,1	5,6	4,6	9,5	3,7	4,8

KONGSBERG DEFENCE AEROSPACE	2020		2019					2018				
MNOK	2020	Q1	2019	Q4	Q3	Q2	Q1	2018	Q4	Q3	Q2	Q1
Operating revenues	1 942	1 942	7 245	2 468	1 578	1 829	1 369	6 104	1 898	1 180	1 441	1 585
EBITDA	241	241	1 157	448	248	291	171	863	371	120	200	172
EBITDA (%)	12,4	12,4	16,0	18,1	15,7	15,9	12,5	14,1	19,5	10,2	13,9	10,9
Order intake	1 769	1 769	16 060	2 509	8 254	4 160	1 137	6 885	1 770	1 272	3 045	798
Order backlog	19 977	19 977	20 146	20 146	20 027	13 433	10 519	10 744	10 744	10 867	10 772	9 170
EBIT	126	126	760	338	145	196	81	621	309	58	137	117
EBIT (%)	6,5	6,5	10,5	13,7	9,2	10,7	5,9	10,2	16,3	4,9	9,5	7,4

Condensed income statement

		1.1. - 31.3.		
MNOK	*Note*	*2020*	*2019*	*2019*
Operating revenues	5	6 678	3 462	23 245
Operating expenses	8	(6 035)	(3 084)	(21 132)
Share of net income from joint arrangements and associated companies	6	-	3	21
EBITDA	5, 14	643	381	2 134
Depreciation		(114)	(84)	(427)
Depreciation, leasing assets	3	(98)	(66)	(348)
Impairment of property, plant and equipment		-	-	(18)
Amortisation		(84)	(22)	(290)
Impairment of intangible assets		(45)	-	-
EBIT	5, 14	301	209	1 050
Interest on leasing liabilities	3	(35)	(25)	(131)
Net financial items	7	(9)	6	(86)
Earnings before tax from continuing operations (EBT)		257	190	833
Income tax expense	11	59	50	237
Earnings after tax from continuing operations		198	140	596
Earnings after tax from discontinued operations	13	1 440	29	121
Earnings after tax (EAT)		1 638	170	717
Attributable to:				
Equity holders of the parent		1 627	171	701
Non-controlling interests		12	(1)	17
Earnings per share (EPS) / EPS diluted in NOK				
-Earnings per share from continuing operations		1,04	0,78	3,22
-Earnings per share from continuing operations, diluted		1,04	0,78	3,22
-Earnings per share		9,09	0,95	3,98
-Earnings per share, diluted in NOK		9,09	0,95	3,98

Condensed statement of comprehensive income

		1.1. - 31.3.		
MNOK	*Note*	*2020*	*2019*	*2019*
Earnings after tax		1 638	170	717
Specification of other comprehensive income for the period:				
Items to be reclassified to profit or loss in subsequent periods:				
Change in fair value, financial instruments				
- Cash flow hedges (Currency futures and interest rate swaps)	7	(105)	142	(117)
Tax effect cash flow hedges (Currency futures and interest rate swaps)		23	(31)	26
Translation differences currency		779	(54)	108
Total items to be reclassified to profit or loss in subsequent periods		697	57	17
Items not to be reclassified to profit or loss:				
Actuarial gains/losses pensions		-	-	(112)
Tax effect on actuarial gain/loss on pension		-	-	15
Total items not to be reclassified to profit or loss		-	-	(97)
Comprehensive income after tax for the period		2 335	227	637

Condensed statement of financial position

MNOK	*Note*	31.3. *2020*	31.12. *2019*
Property, plant and equipment		3 890	3 924
Leasing assets	3	2 146	2 141
Intangible assets	8	5 280	6 487
Shares in joint arrangements and associated companies	6	3 518	3 247
Other non-current assets		417	380
Total non-current assets		15 251	16 179
Inventories		4 064	3 964
Trade receivables		5 455	6 363
Customer contracts, asset	7	6 471	5 888
Derivatives	7	1 311	376
Other short-term receivables		624	998
Cash and cash equivalents		9 537	5 654
Total current assets		27 461	23 243
Total assets		42 713	39 422
Issued capital		5 933	5 933
Retained earnings		7 715	6 249
Other reserves		1 268	571
Non-controlling interests		72	57
Total equity		14 989	12 810
Long-term interest-bearing loans	7	3 473	3 469
Long-term leasing liabilities	3	1 871	1 850
Other non-current liabilities and provisions	4	2 194	2 481
Total non-current liabilities and provisions		7 539	7 801
Customer contracts, liabilities	7	8 550	10 481
Derivatives	7	3 808	494
Short-term interest-bearing loans	7	81	619
Short-term leasing liabilities	3	341	348
Other current liabilities and provisions	4	7 407	6 868
Total current liabilities and provisions		20 186	18 812
Total equity, liabilities and provisions		42 713	39 422
Equity ratio (%)		35,1	32,5
Net interest-bearing debt		(5 983)	(1 565)

Condensed statement of changes in equity

MNOK	Note	31.3. 2020	31.12. 2019
Equity opening balance		12 810	12 626
Other comprehensive income		2 335	637
Dividends paid		-	(450)
Treasury share		(160)	(3)
Purchase/sale, in non-controlling interests		4	-
Equity closing balance		**14 989**	**12 810**

Condensed cash flow statement

		1.1. - 31.3.		
MNOK	*Note*	*2020*	*2019*	*2019*
EBITDA		643	414	2 279
EBITDA from discontinued operations		40		
Change in net current assets and other operatings-related items		257	176	(273)
Net cash flow from operating activities		**940**	**590**	**2 006**
Purchase/disposal of property, plant and equipment		(115)	(89)	(534)
Proceeds from aquiring subsidiaries and associated companies		-	-	(3 625)
Repayment of debt in aqcuired business		-	-	(1 000)
Proceeds from sale of business		3 631	31	161
Capitalised internal developed intangible assets (R&D)		(67)	(30)	(176)
Net cash flow from investing activities		**3 449**	**(88)**	**(5 174)**
Net change interest-bearing loans		(535)	14	(238)
Payment of principal portion of lease liabilities		(88)	(51)	(292)
Interest paid		(32)	(24)	(122)
Interest paid on leasing liabilities		(35)	(25)	(131)
Transactions with treasury shares		(160)	(61)	(27)
Dividends paid to equity holders of the parent		-	-	(450)
- of which dividends from treasury shares		-	-	2
Net cash flow from financing activities		**(850)**	**(147)**	**(1 258)**
Effect of changes in exchange rates on cash and cash equivalents		344	(4)	42
Net change in cash and cash equivalents		**3 883**	**351**	**(4 384)**
Cash and cash equivalents at the beginning of the period		**5 654**	**10 038**	**10 038**
Cash and cash equivalents at the end of the period		**9 537**	**10 389**	**5 654**

Note 1 | General information and principles

General information
The consolidated financial statement for Q1 (interim financial statement) covers Kongsberg Gruppen ASA, its subsidiaries and shares in joint arrangements and associated companies that are included according to the equity method.

Principles
Interim financial statements are compiled in accordance with IAS 34 (interim reporting), stock exchange regulations and the additional requirements of the Securities Trading Act. Interim financial statements do not include the same amount of information as the full financial statements and should be read in the context of the consolidated financial statements for 2019. The consolidated financial statements for 2019 were prepared in compliance with the Norwegian Accounting Act and international standards for financial reporting (IFRS) established by the EU.

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

New standards that have been applied in 2020 are described in Note 2 of this report.

The interim financial statement has not been audited.

Note 2 | New standards as from 1.1.2020

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

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

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

Note 3 | Leasing

KONGSBERG has leases that are primarily related to land and buildings, as well as leases for machinery, vehicles and equipment. The leasing asset is recognised from the date when the asset is made available for use for KONGSBERG at cost less accumulated depreciation and impairment losses and is also adjusted for any remeasurements of the lease liability. The leasing asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset. The depreciation period is 1–21 years for property and 1–5 years for cars, machines and equipment. The leasing liability is measured at the present value of the agreed, unpaid lease payments. The present value is calculated by discounting the lease payments most often using the incremental borrowing rate or yield for lease agreements relating to property. After recognition, the leasing liability is increased to reflect the accretion of interest expense and reduced by the lease payments that are made.

Many of the leases include extension options. These are included if it is reasonably certain that KONGSBERG will exercise the option.

KONGSBERG applies the recognition exemption to leases for short-term leases and for leases of low-value assets. The former exception is used for all types of leases, while the latter is primarily used for office equipment and small equipment.

IFRS 16 effects on condensed statement of financial

Opening balance 01.01.2020	**2 141**
Addition	45
Depreciation Q1	(98)
Translation differences	58
Closing balance 31.3.2020	**2 146**

	31.3.2020	31.3.2020
Leasing assets	2 146	2 141
Long-term leasing liabilities	1 871	1 850
Short-term leasing liabilities	341	348

IFRS 16 effects on condensed income statement in the period:

	1.1. - 31.3.2020	1.1. - 31.3.2019	1.1. - 31.12.2019
Returned rental cost earlier included in EBITDA	(123)	(76)	(423)
Increased EBITDA in the period	**123**	**76**	**423**
Depreciation on leases	(98)	(66)	348
Increased EBIT in the period	**25**	**10**	**75**
Interest cost on leasing liabilities for the period	(35)	(25)	131
Reduced EBT in the period	**(10)**	**(15)**	**(56)**

Note 4 | Estimates

Preparing the interim financial statement involves assessments, estimates and assumptions that affect the use of accounting principles and posted amounts for assets and obligations, revenues and expenses. Actual results may deviate from these estimates. The key considerations in connection with the application of the Group's accounting principles and the major sources of uncertainty remain the same as when the 2019 consolidated financial statements was compiled.

Note 5 | Segment information

	OPERATING REVENUES			EBITDA			EBIT		
	1.1. - 31.3.			1.1. - 31.3.			1.1. - 31.3.		
MNOK	*2020*	*2019*	*2019*	*2020*	*2019*	*2019*	*2020*	*2019*	*2019*
KM	4 543	1 905	15 198	390	206	1 005	170	136	356
KDA	1 942	1 369	7 245	241	171	1 157	126	81	760
Other	193	188	802	12	4	(28)	5	(8)	(66)
Group	6 678	3 462	23 245	643	381	2 134	301	209	1 050

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

Note 6 | Shares in joint arrangements and associated companies

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

MNOK	Ownership	Carrying amount 1.1.2020	Additions/ disposals in the period	Dividends received in the period	Share of net income in the period [1]	Other items and comprehensive income in the period	Carrying amount 31.3.20
Patria Oyj	49,9 %	2 656	-	-	(6)	271	2 921
Kongsberg Satellite Services AS	50,0 %	492	-	-	20	-	512
Other shares		100	-	-	(14)	-	85
Total		**3 247**	**-**	**-**	**(0)**	**271**	**3 518**

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

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

	1.1. - 31.3.		1.1. - 31.12.	
	2020		2019	
Millions	EUR	NOK	EUR	NOK
EBITDA	9		33	
Financial items, taxes, depreciations and amortisation	(7)		(28)	
Net income after tax	2		5	
KONGSBERG's share (49,9%) [1]		-		(8)
Amortisation of excess values after tax		(6)		(27)
Share of net income recognised in KDA for the period		**(6)**		**(35)**

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

Note 7 | Financial instruments

Loans and credit facilities
The Group has five bond loans amounting to a total of MNOK 3,450. The loans are classified as long-term loans. The maturity dates of the long-term bond loans range from 2 June 2021 to 2 June 2026. The bond loan KOG10 (nominal value of MNOK 550) was repaid in its entirety when it matured in March 2020. In addition, the Group have a syndicated credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. Neither are utilised.

Interest-bearing loans:

			31.3.2020	31.12.2019
MNOK	*Due date*	*Nominal interest rate*	*Value* [1]	*Value* [1]
Long-term loans				
Bond issue KOG08 - floating interest rate	02.06.2021	2,86%	1 000	1 000
Bond issue KOG09 - fixed interest rate	02.06.2026	3,20%	1 000	1 000
Bond issue KOG11 - fixed interest rate	05.12.2023	2,90%	450	450
Bond issue KOG12 - floating interest rate	06.12.2021	2,54%	500	500
Bond issue KOG13 - floating interest rate	06.06.2024	2,86%	500	500
Other long-term loans [2]			23	19
Total long-term loans			**3 473**	**3 469**
Short-term loans:				
Bond issue KOG10 - floating interest rate [3]			-	550
Other short-term loans			81	70
Total short-term loans			**81**	**620**
Total interest-bearing loans			3 554	4 089
Syndicated credit facility (unused borrowing limit)	15.03.2023		2 300	2 300
Overdraft facility (unused)			500	500

[1] Value is equal to nominal amount. For long-term loans, the carrying amount is equal to the nominal amount.
[2] "Other long-term loans" consists of smaller loans in local banks in some of the Group's subsidiaries.
[3] The bond issue KOG10 expired 05.03.20 and the value is MNOK 0 as of 31.03.20.

Forward exchange contracts and interest rate swaps
The fair value of balances classified as cash flow hedges fell by MNOK 105 [2)] before tax during the period 1 January – 31 March 2020. Of this amount, the change in fair value of forward exchange contracts accounted for an increase of MNOK 105 during the same period. The net value of fair value hedges has been significantly reduced as a result of the depreciation of the Norwegian krone against relevant currencies during the quarter and the change from the end of the year represents a reduction of MNOK 2,257. The end-of-quarter spot prices were USD/NOK 10.40 and EUR/NOK 11.47.

Forward exchange contracts classified as cash flow hedging:

	Due in 2020		Due in 2021 or later		Totalt		
MNOK (before tax)	*Value based on agreed exchange rates*	*Fair value at 31.3.20[1]*	*Value based on agreed exchange rates*	*Fair value at 31.3.20[1]*	*Value based on agreed exchange rates*	*Change in fair value from 31.12.19*	*Fair value at 31.3.20[1]*
USD	-550	138	379	-117	-172	19	21
EUR	-663	71	0	0	-663	84	71
Other	-25	1	0	0	-25	1	1
Sum	**-1 238**	**210**	**379**	**-117**	**-860**	**105**	**93**
Roll-over of currency futures	0	-56	0	-77	0	24	-133
Total	**-1 238**	**154**	**379**	**-194**	**-860**	**128[2]**	**-40**

Forward exchange contracts cash flow hedging, asset	400
Forward exchange contracts cash flow hedging, liability	307
Net forward exchange contracts cash flow hedging	**93**

[1)] Fair value is calculated as the difference between the spot rate at 31 March 2020 and the forward rates on currency contracts.
[2)] The difference between these two figures i.e. MNOK -233, is ascribable to a change in fair values of basis swaps and interest rate swaps of MNOK -215 and adjustments according to implementation of hedge accounting in aquired companies with MNOK 19.

Forward exchange contracts classified as fair value hedging:

	Forfaller i 2020		Forfaller i 2021 eller senere		Totalt		
MNOK	*Value based on agreed exchange rates*	*Fair value at 31.3.20*	*Value based on agreed exchange rates*	*Fair value at 31.3.20*	*Value based on agreed exchange rates*	*Change in fair value from 31.12.19*	*Fair value at 31.3.20*
USD	5 222	-791	7 139	-1 169	12 361	-1 908	-1 960
EUR	1 409	-151	829	-122	2 238	-272	-273
Øvrige	500	-66	484	-18	984	-77	-84
Totalt	**7 131**	**-1 008**	**8 452**	**-1 309**	**15 583**	**-2 257**	**-2 317**

Forward exchange contracts fair value hedges, asset	905
Forward exchange contracts fair value hedges, liability	3 222
Net forward exchange contracts fair value hedges	**-2 317**

The value of fair value hedges is recognised in the statement of financial position against customer contracts assets by MNOK 902 and customer contracts, liabilities by MNOK 1,415.

Specification of derivatives:

MNOK	31.3. 2020	31.12. 2019
Forward exchange contracts, cash flow hedging	400	44
Forward exchange contracts, fair value hedges	905	314
Loan hedges	6	18
Total derivatives, current assets	**1 311**	**376**
Forward exchange contracts, cash flow hedging	307	55
Forward exchange contracts, fair value hedges	3 222	374
Fair value basis swaps	279	64
Total derivatives, current liabilities	**3 808**	**493**

Note 8 | Product development

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

	1.1. - 31.3.		
MNOK	*2020*	*2019*	*2019*
Product maintenance	105	83	442
Development cost	238	163	807
Total	342	245	1 249

Capitalised development recognised in the balance sheet during the period:

	1.1. - 31.3.		
MNOK	*2020*	*2019*	*2019*
Capitalised development	64	28	173

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

Note 9 | Related parties

The Board is not aware of any changes or transactions in Q1 associated with related parties that in any significant way have an impact on the Group's financial position and profit for the period.

Note 10 | Important risk and uncertainty factors

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

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

In its assessment of the financial position as of Q1, KONGSBERG has taken into account the impact of COVID-19 on the affected accounting items. At present, no significant effects have been recorded on the accounts, but KONGSBERG is expected to be affected to a greater extent in the coming quarters. The prospect of predicted low oil prices in the future will affect investment levels in a number of segments, while at the same time leading to opportunities in other segments where KONGSBERG is strong. Lower activity among customers and suppliers, travel restrictions and increased risk of delays within projects due to temporary closures and lack of resources are expected to affect revenue, profit and order intake. In addition, there is a greater risk of the cancellation of customer contracts and delayed or missing payments due to the fact that large parts of the customer base are affected, which could lead to an increased risk of losses on trade receivables, goods, project assets and foreign exchange contracts.

For more information on the consequences of and measures concerning COVID-19, see the sections for Kongsberg Maritime on page 11, Kongsberg Defence & Aerospace on page 13 and Prospects on page 14.

Note 11 | Tax

The effective tax rate as of Q1 is calculated to be 22.9 per cent. The effective tax rate is affected by non-deductible costs.

Note 12 | Acquisitions

Rolls-Royce Commercial Marine
On 6 July 2018, KONGSBERG signed an agreement for the acquisition of Rolls-Royce Commercial Marine (RRCM) from Rolls-Royce Plc. The acquisition was completed on 1 April 2019, and the company is recognised as part of Kongsberg Maritime with effect from Q2 2019 onwards.

KONGSBERG has now completed its assessments of assets and liabilities acquired in the acquisition. This has led to changes in the purchase price allocation (PPA). The table below shows the change in PPA reported in Q4 2019 against the final PPA.

MNOK	*Updated preliminary PPA Q419*	*Adjustments*	*Final PPA*
Customer relationship	616	-	616
Trademarks	66	-	66
Technology	769	-	769
Total intangible assets exclusive goodwill	1 451	-	1 451
Property, plant and equipment	1 253	(76)	1 177
Leasing assets	471	-	471
Deferred tax asset	-	303	303
Current assets exclusive cash and cash equivalents	4 605	(12)	4 593
Cash and cash equivalents	2 320	-	2 320
Total assets exclusive goodwill	10 100	215	10 315
Pension liabilities	(309)	-	(309)
Long-term leasing liabilities	(384)	-	(384)
Short-term leasing liabilities	(87)	-	(87)
Provisions	(531)	32	(499)
Other current liabilities	(4 876)	51	(4 825)
Sum total liabilities	(6 187)	83	(6 104)
Net identifiable assets and liabilities	3 913	298	4 211
Goodwill upon acquisitions	2 272	(298)	1 974
Remuneration	6 185	-	6 185
Cash and cash equivalents acquired	(2 320)	-	(2 320)
Remuneration, exclusive cash and cash equivalents	3 865	-	3 865
Repayment of liabilities at acquisition	1 000	-	1 000
Net outgoing cash flow for the acquisition	4 865	-	4 865

Note 13 | Discontinued operations

Hydroid Inc.
On 4 February 2020 Kongsberg Maritime signed an agreement to sell the subsea technology company Hydroid Inc. in the USA to Huntington Ingalls Industries (HII) for USD 350 million, on a debt- and cash-free basis and adjusted for agreed working capital. The transaction was completed with effect from 26 March 2020 and means that Hydroid's profit and loss figures have been removed from the accounts in the financial statement and reported on the line "Earnings after tax from discontinued operations". Comparative figures have also been recalculated.

Hydroid Inc. was a wholly owned subsidiary of Simrad North America Inc. (subsidiary of Kongsberg Maritime AS), and has its head office in Pocasset, Massachusetts, USA. The company manufactures and supplies autonomous underwater vehicles to both the military and commercial markets and is the largest supplier of vessels to the US Navy.

In connection with the transaction, Kongsberg Maritime and Huntington Ingalls Industries have entered into a strategic cooperation agreement on subsea technology and maritime solutions that came into force on 26 March 2020. The aim of the agreement is to increase both parties' abilities to sell products and solutions in the subsea segment in the USA and globally.

The tables below specify the impact Hydroid has had on the Group's figures. Tax on the transaction incurred in the United States, of approximately MNOK 650, has been reported as other short-term liabilities and is expected to be paid during 2020. In addition, tax will be levied on the allocation of the funds.

Specification of the earnings after tax for discontinued operations

	1.1-31.3		
MNOK	*2020*	*2019*	*2019*
Operating revenues	**268**	167	840
Operating expenses	**(228)**	(135)	(695)
EBITDA	**40**	**32**	**145**
EBIT	**36**	**29**	**132**
Earnings before tax	**27**	**30**	**134**
Tax	**(7)**	(1)	(13)
Earnings after tax	**20**	**29**	**121**
Gain from sale of business before tax	**2 020**	-	-
Tax on gain	**600**	-	-
Gain from sale of business after tax	**1 420**	**-**	**-**
Earnings after tax from discontinued operations	**1 440**	**29**	**121**

Cash flow from Hydroid

EBITDA	**40**	32	145
Change in net current assets and other operating related items	**(200)**	(53)	(18)
Net cash flow from operating activities	**(160)**	**(21)**	**127**
Net cash flow from investing activities	**(5)**	**(2)**	**(15)**
Net cash flow from financing activities	**(9)**	**1**	**2**

Effect of Hydroid on the condensed statement of financial position

MNOK	Reported 31.12.2019	Hydroid 31.12.19	Adjusted 31.12.19
Property, plant and equipment	3 924	182	3 742
Leasing assets	2 141		2 141
Goodwill	4 272	846	3 426
Intangible assets	2 215	7	2 208
Deferred tax asset	167		167
Shares in joint arrangements and associated companies	3 247		3 247
Other non-current assets	213	4	209
Total non-current assets	**16 179**	**1 040**	**15 140**
Inventories	3 964	100	3 864
Trade receivables	6 363	83	6 280
Other current assets	998		998
Customer contracts, asset	5 888	555	5 333
Derivatives	376		376
Cash and cash equivalents	5 654	28	5 626
Total current assets	**23 243**	**766**	**22 477**
Total assets	**39 422**	**1 806**	**37 617**
Issued capital	5 933		5 933
Retained earnings	6 249	1 326	4 923
Other reserves	571		571
Non-controlling interests	57		57
Total equity	**12 810**	**1 326**	**11 484**
Long-term interest-bearing loans	3 469		3 469
Long-term leasing liabilities	1 850		1 850
Pension liabilities	974		974
Provisions	122		122
Deferred tax liabilities	1 350		1 350
Other non-current liabilities	36	4	32
Total non-current liabilities and provisions	**7 801**	**4**	**7 797**
Customer contracts, liabilities	10 481	391	10 090
Derivatives	493		493
Provisions	1 513	9	1 504
Short-term interest-bearing loans	620		620
Short-term leasing liabilities	348		348
Other current liabilities	5 356	75	5 281
Total current liabilities and provisions	**18 811**	**475**	**18 336**
Total liabilities and provisions	**26 612**	**479**	**26 133**
Total equity, liabilities and provisions	**39 422**	**1 806**	**37 617**

Note 14 | Definitions

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

Kongsberg considers *EBITDA* and *EBIT* to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is the abbreviation of “Earnings Before Interest, Taxes, Depreciation and Amortisation”. KONGSBERG uses EBITDA in the income statement as a summation line for other accounting lines. These accounting lines are defined in our accounting principles, which are part of the 2019 financial statements. The same applies to EBIT.

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

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

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

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

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

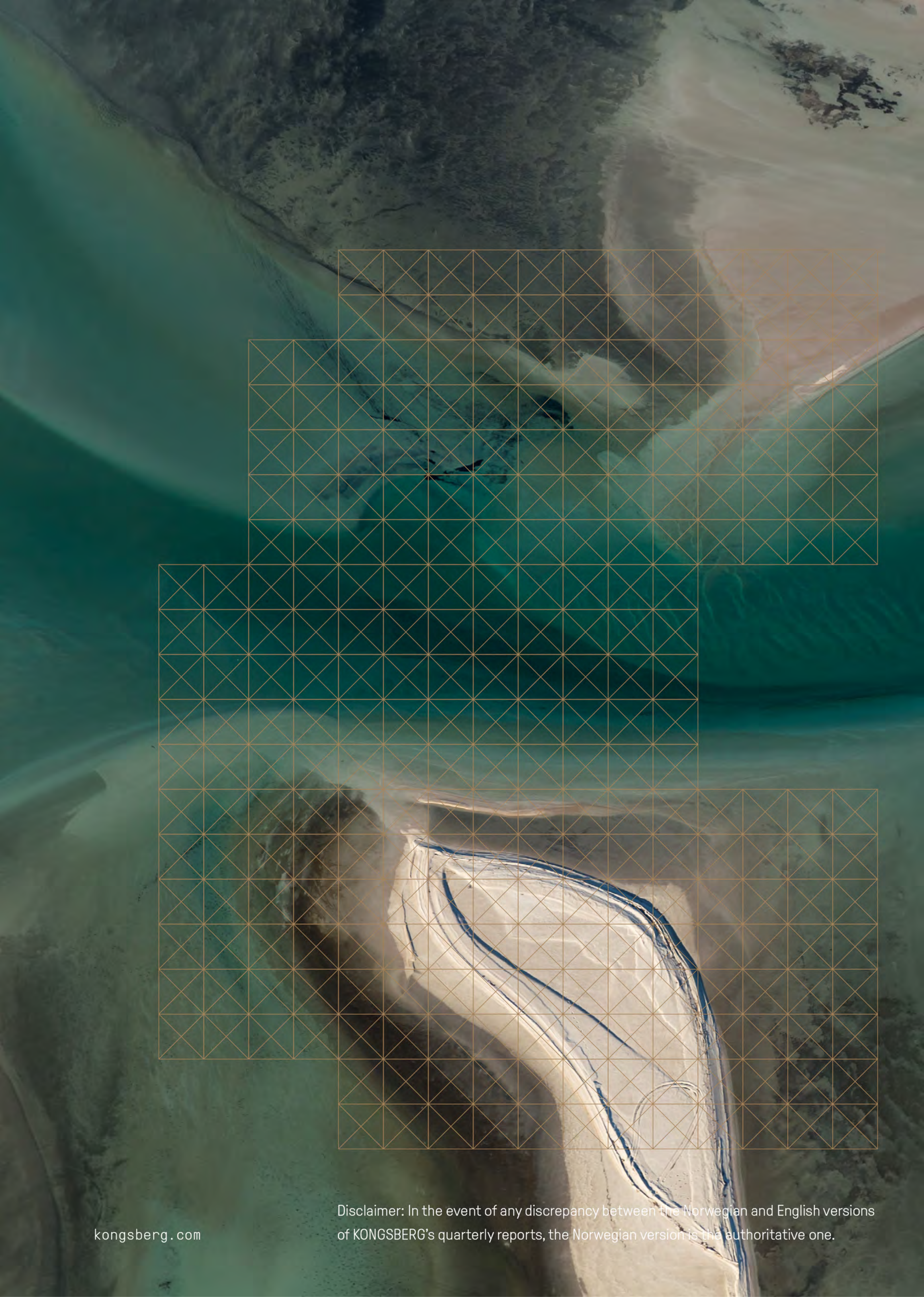
Working capital is defined as current assets (except cash and cash equivalents) minus non-interest-bearing liabilities (except taxes payable). Financial instruments recognised at fair value are not included in working capital.

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

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

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

Organic growth is change in operating revenues exclusive acquired companies.



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