



KONGSBERG

2ND QUARTER- /
FIRST HALF REPORT

2015



In Q2 2015, KONGSBERG reported operating revenues of MNOK 4,222 (MNOK 4,263) and EBITDA of MNOK 386 (MNOK 455). The Group's new orders came to MNOK 3,993 (MNOK 5,714), resulting in a backlog valued at MNOK 21,439 (MNOK 21,096) at end quarter.

Q2 has been characterised by a high level of activity and a strong influx of new orders. EBITDA has been impacted by one-off effects in several of the business areas.

Kongsberg Maritime (KM) has had a good quarter with reported sales of MNOK 2,509 (MNOK 2,359), marking growth of 6.4 per cent compared to the same quarter in 2014. New orders at KM were good, totalling MNOK 2,526 (MNOK 2,594). However, the margin was weaker, owing not least to one-off effects. Kongsberg Defence Systems (KDS) had a solid quarter with high activity and a good EBITDA-margin. Kongsberg Protech Systems (KPS) reported an increase in operating revenues during the quarter compared with the same quarter in 2014, and a strong EBITDA, but this was primarily attributable to one-off effects. Kongsberg Oil & Gas Technologies (KOGT) turned in a very weak result in Q2 mainly due to further deterioration of the market and capacity adjustment costs to adapt to these changes.

New orders in Q2 totalled NOK 3,993, corresponding to a book/bill of 0.95 due to generally good influx of new orders for KM and KDS. The backlog of orders totalled MNOK 21,439, compared with MNOK 21,096 at the end of Q2 2014.

Q2 HIGHLIGHTS

- Strong influx of new orders for the Group, amounting to MNOK 3,993, and an order backlog of MNOK 21,439.
- KM experienced growth and a good level of new orders with a book/bill of 1.01. EBITDA was influenced, among other things, by one-off effects, as well as by some changes in the product mix.
- KDS saw a high level of activity and a good EBITDA margin, i.e. 13.7 per cent. The major projects are on schedule.
- KPS has slightly increased revenues and experienced significant positive one-off effects during the quarter. The underlying margin is still on a low level. Initiatives to promote our new medium caliber turret is intensified.
- KOGT has relatively good influx of new orders, but has had a very weak quarter, reflecting capacity adjustment costs and a weak market.

KEY FIGURES

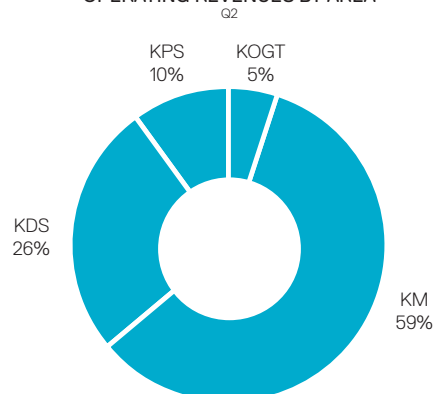
	1.4 - 30.6.		1.1. - 30.6.		2014
	2015	2014	2015	2014	
MNOK	2015	2014	2015	2014	2014
Operating revenues	4 222	4 263	8 456	8 204	16 613
EBITDA	386	455	872	901	2 060
EBITDA (%)	9.1	10.7	10.3	11.0	12.4
EBIT	259	322	619	654	1 258
EBIT (%)	6.1	7.6	7.3	8.0	7.6
Earnings before tax	254	327	632	656	1 285
Earnings after tax	193	243	473	486	880
EPS (NOK)	1.58	2.01	3.89	4.03	7.28
New orders	3 993	5 714	8 963	14 279	22 097

	30.6.	31.3.	31.12.
MNOK	2015	2015	2014
Equity ratio (%)	31.0	31.6	31.0
Net interest-bearing dept	(2 026)	(2 874)	(3 551)
Working capital ¹⁾	3 012	3 363	3 274
ROACE (%) ²⁾	16.8	17.3	16.4
Order backlog	21 439	22 033	21 020
No. of employees	7 794	7 738	7 726

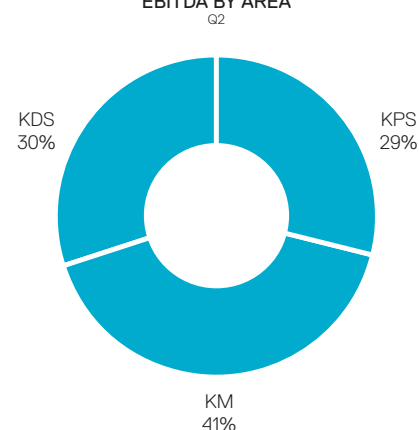
¹⁾ Current assets – current liabilities and provisions

²⁾ EBIT / average (booked equity + gross interest bearing liabilities), based on last 12 months.

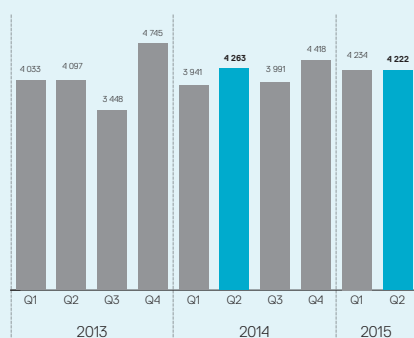
OPERATING REVENUES BY AREA



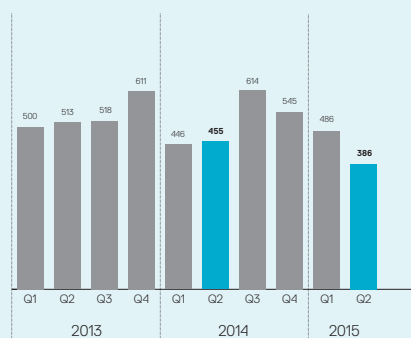
EBITDA BY AREA



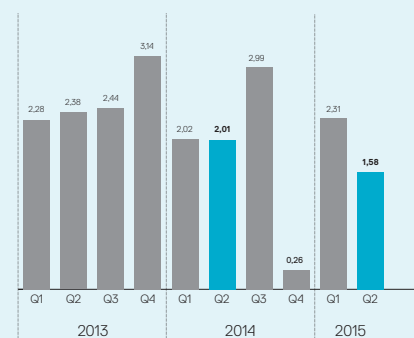
OPERATING REVENUES



EBITDA



EPS



WALTER QVAM, CEO

Our two largest business areas, KM and KDS, experienced high levels of activity and good underlying operations. I am very pleased with KM's strong influx of new orders, amounting to NOK 2.5 billion in Q2. The volume is still low at KPS, but we see significant opportunities ahead, and we are further intensifying efforts and use of resources on our new medium calibre turret solution. KOGT is in a challenging situation and is downsizing further as a result. The prospects are good for our defence units, but characterised by more uncertainty for the oil and offshore units in the Group. This uncertainty is somewhat offset by a robust backlog valued at more than NOK 21 billion, and the generally strong position we have in our markets.

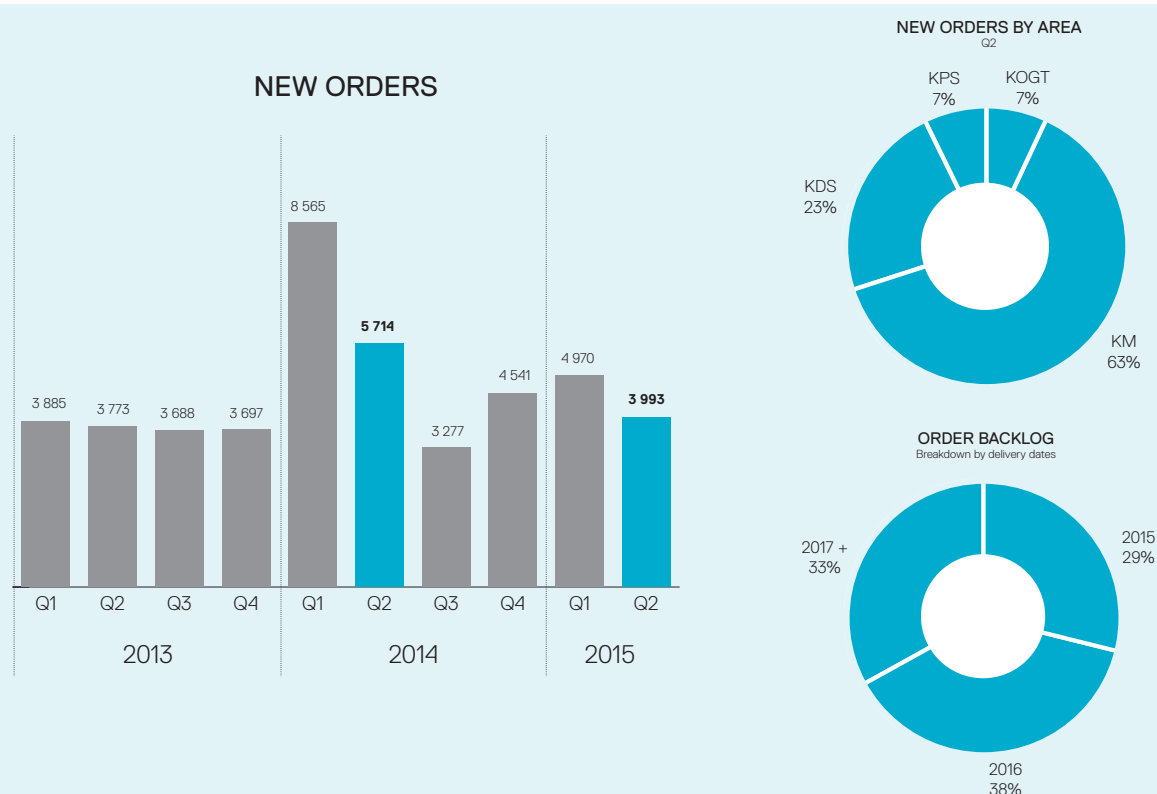
PERFORMANCE AND NEW ORDERS

Operating revenues added up to MNOK 4,222 (MNOK 4,263) in Q2 2015. EBITDA totalled MNOK 386 (MNOK 455), resulting in an EBITDA margin of 9.1 per cent (10.7 per cent). EBITDA in Q2 is impacted by significant one-off effects, primarily related to higher costs on two ongoing projects of MNOK -44, provisions for court rule against Kongsberg Evotec AS of MNOK -95 and related costs, further capacity adjustments in KOGT of MNOK -43, and reduced provisions in KPS of MNOK 154.

In H1, operating revenues added up to MNOK 8,456 (MNOK 8,204), which translates into growth of 3.1 per cent. EBITDA was MNOK 872 (MNOK 901), resulting in an EBITDA margin of 10.3 per cent (11.0 per cent).

Earnings before tax came to MNOK 254 (MNOK 327) in Q2, while earnings after tax were MNOK 193 (MNOK 243). This led to earnings per share of NOK 1.58 (NOK 2.01).

New orders in Q2 aggregated MNOK 3,993 (MNOK 5,714), corresponding to a book/bill of 0.95. New orders were mainly related to the generally strong influx of new orders in KM and KDS. At end quarter, KONGSBERG's backlog of orders totalled MNOK 21,439 (MNOK 21,096).



CASH FLOW

The net cash flow from operating activities in Q2 was MNOK 333 (MNOK 369). In H1 the net cash flow from operating activities came to MNOK -191 (MNOK 1,868). In 2014, KONGSBERG received sizeable pre-payments in several major projects. Parallel to the progress on the projects in question, advance payments are applied so that the cash flow is negatively impacted for a period of time. KONGSBERG had a net reduction in bank deposits and cash equivalents of MNOK 853 in Q2, of which dividends paid during the quarter accounted for MNOK 1,110 (MNOK 630).

	1.4 -30.6.		1.1 - 30.6.		
MNOK	2015	2014	2015	2014	2014
EBITDA	386	455	872	901	2 060
Change in net current assets and other operating related items	(53)	(86)	(1 063)	967	255
Net cash flow from operating activities	333	369	(191)	1 868	2 315
Net cash flow from investing activities	(90)	(163)	(245)	(267)	(211)
Net cash flow used in financing activities	(1 080)	(1 071)	(1 113)	(1 110)	(1 050)
Effect of changes in exchange rates on cash and short-term deposits	(16)	22	33	12	98
Net change in cash and short-term deposits	(853)	(843)	(1 516)	503	1 152

BALANCE SHEET

At the end of Q2 2015, KONGSBERG had net interest-bearing liabilities of MNOK -2,026, compared with MNOK -2,874 at the end of Q1. The Group's bank deposits and cash equivalents came to MNOK 2,908 at the end of Q2, compared with MNOK 3,761 at the end of Q1. The Group's equity was MNOK 5,962 (31.0 per cent), compared with MNOK 6,473 (31.6 per cent) at the end of Q1.

KONGSBERG has a credit facility of NOK 1.5 billion with a syndicate consisting of five banks. The line of credit is currently undrawn.

	30.6.	31.3.	31.12.
MNOK	2015	2015	2014
Equity	5 962	6 473	6 282
Equity ratio(%)	31.0	31.6	31.0
Total assets	19 252	20 469	20 273
Working capital	3 012	3 363	3 274
Gross interest-bearing liabilities	882	887	873
Gross bank deposits and cash equivalents	2 908	3 761	4 424
Net interest-bearing liabilities	(2 026)	(2 874)	(3 551)

CURRENCY

KONGSBERG has a foreign exchange policy entailing that contractual currency flows are hedged against forward contracts (fair value hedges). In addition, a share of anticipated new orders are hedged in accordance with established principles (cash flow hedges). The goal of the Group's currency policy is to reduce currency risk in existing projects and for a share of the orders expected to be booked in the next two years, see also Note 5. The weakening of the Norwegian krone (NOK) is generally positive for KONGSBERG. At end quarter, the company's currency hedging portfolio had negative values relative to agreed exchange rates that have an effect on book equity.

HUMAN RESOURCES

KONGSBERG had 7,794 employees at end quarter, roughly 38 per cent of whom were employed in companies outside of Norway. The number of employees increased by 56 during the quarter, adding up to 68 new employees thus far this year. Staff increases have primarily come in KM's international companies.

The number of employees at KOGT was reduced in H1. The business area has been through a challenging time, with a declining oil and gas market, and a restructuring process that includes further downsizing.

OTHER MATTERS

Charge of corruption in Romania

In February 2014, a charge was filed against Kongsberg Gruppen ASA, Kongsberg Defence & Aerospace AS and an employee of Kongsberg Defence & Aerospace, alleging corruption in conjunction with deliveries of communications equipment to Romania from 2003 to 2008. KONGSBERG is collaborating with the National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim) to clarify the circumstances in question. The investigation is still expected to take time. See also Note 34 "Contingent liabilities", and the paragraph entitled "Risk factors and risk management" in the Directors' Report in the Annual Report for 2014. The Board's assessment at end quarter is the same as described in the Annual Report.

Rolls-Royce Marine AS v Kongsberg Evotec AS

On 4 June 2015, Sunnmøre District Court handed down its judgment in the case between Kongsberg Evotec AS and Rolls-Royce Marine AS. Rolls-Royce Marine AS was not successful with its claim regarding a ban on the offering for sale, production and sale of complete equipment packages to seismic vessels, but was awarded damages of MNOK 95 for breach of the Marketing Act. Kongsberg Evotec AS disagrees with the district court's assessment of both the factual and the legal aspects of the case and has therefore appealed the judgment.

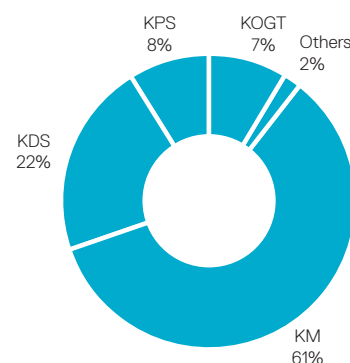
Changes in the corporate management team

In August 2015, Egil Haugsdal was appointed president of KOGT. Haugsdal previously headed Group Business Development and, prior to that, was president of KPS. He succeeds Pål Helsing who is leaving the company to seek new opportunities outside of KONGSBERG. At the same time, Harald Aarø succeeds Egil Haugsdal as head of Group Business Development and will join the corporate management team. Aarø comes from a position as head of business development, sales and marketing at KDS.

OTHER ACTIVITIES

"Other activities" consist mainly of eliminations and external operating revenues for Property Operations.

NUMBER OF EMPLOYEES BY AREA
Q2





KEY FIGURES

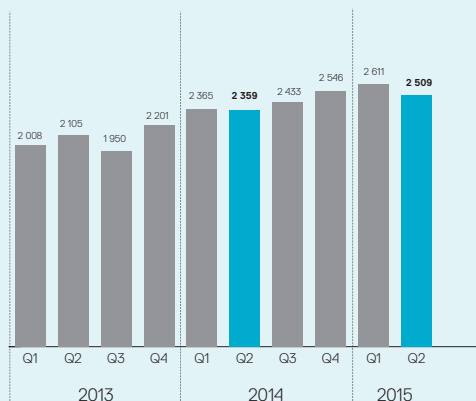
	1.4 -30.6.		1.1. - 30.6.		
MNOK	2015	2014	2015	2014	2014
Revenues	2 509	2 359	5 120	4 724	9 703
EBITDA	204	366	556	707	1 441
EBITDA (%)	8.1	15.5	10.9	15.0	14.9
New orders	2 526	2 594	5 501	6 022	10 038
	30.6.	31.3.	31.12.		
MNOK	2015	2015	2014		
Order backlog	7 815	8 092	7 480		
No. of employees	4 763	4 712	4 652		

PERFORMANCE

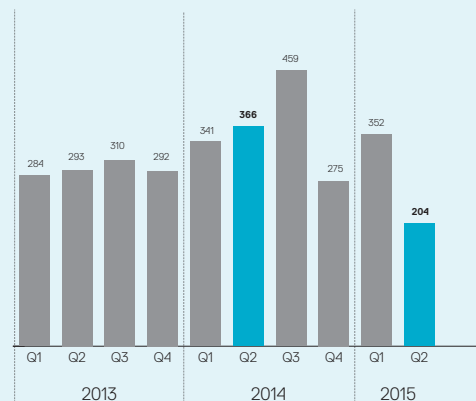
Operating revenues came to MNOK 2,509 during the quarter (MNOK 2,359). EBITDA in Q2 was MNOK 204 (MNOK 366), resulting in an EBITDA margin of 8.1 per cent (15.5 per cent). KM had good underlying operations in Q2, but the EBITDA margin was influenced by several factors, including increased activity within product development that impacts the margin with roughly one percentage point compared to last year and changes in the project portfolio mix. Moreover, the quarter was impacted by Sunnmøre District Court's ruling that Kongsberg Evotec AS pay MNOK 95 in damages to Rolls-Royce Marine AS, in addition to related costs. The case is appealed.

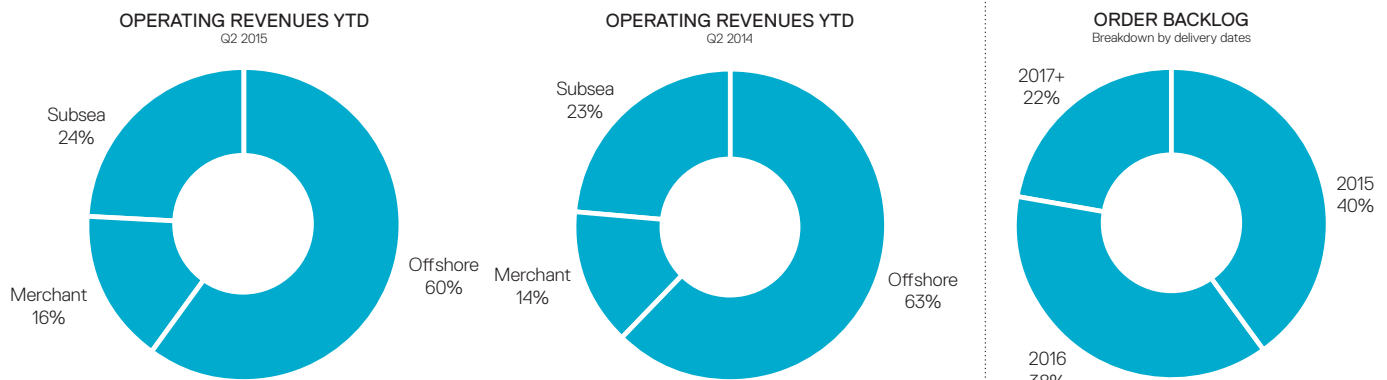
In H1, operating revenues came to MNOK 5,120 (MNOK 4,724), while EBITDA was MNOK 556 (MNOK 707), resulting in an EBITDA margin of 10.9 per cent (15.0 per cent).

OPERATING REVENUES



EBITDA



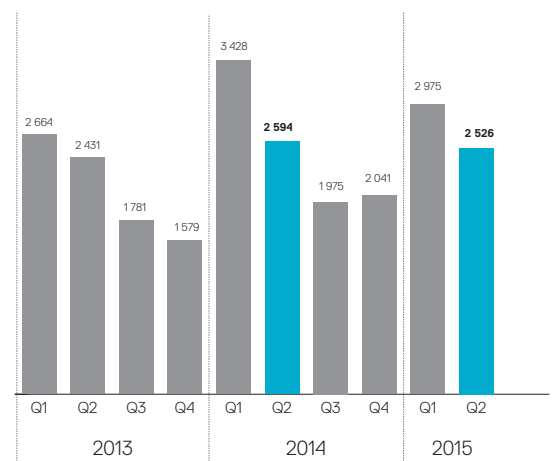


MARKETS AND NEW ORDERS

In Q2 2015, new orders totalled MNOK 2,526 (MNOK 2,594), corresponding to a book/bill of 1.01. In Q2, the book/bill was more than 1.00 in the Offshore Division, and slightly less in both the Merchant Marine and Subsea divisions. The order backlog at end quarter added up to MNOK 7,815. KM's share of the order backlog due for delivery this year is marginally lower than at the same time last year. Accordingly the order backlog for delivery in subsequent years is marginally higher. In conjunction with an installed base of more than 17,000 vessels, the backlog offers good visibility despite the fact that some of KM's markets, especially segments within offshore, are experiencing a significant downturn in orders for new vessels.

New orders from the newbuilding/rebuilding market for offshore and the merchant marine are well diversified, coming from a number of different vessel classes and projects. During the first half year, new orders from system deliveries for traditional offshore vessels, such as offshore support vessels, rigs etc. (excl. EIT (Electro, Instrument and Telecom)/EPC (Engineering, Procurement and Construction) -contracts), accounted for about 25 per cent of all new orders. The level is somewhat lower than in preceding years, but good in today's challenging market. Contracts for deliveries to merchant vessels remained buoyant in H1. The good influx of orders confirms KM's position as a global leader in its segments within shipping and offshore.

NEW ORDERS



A contract was signed in Q2 for extensive deliveries to the field centre for the four platforms on the Johan Sverdrup field. The deliveries are valued at roughly MNOK 200. The order is based on the contract awarded in May 2014, and contains extensive deliveries of hardware, software and systems engineering services. A contract was also signed for automation and safety systems, as well as for integration services in connection with the conversion of the LNG carrier Golar Hilli into a Floating Liquefied Natural Gas (FLNG) production unit.

In recent years, KM has built up a robust engineering organisation and improved its position in the market for EIT deliveries. New orders from this segment were higher in H1 2015 than for 2014 as a whole. In Q2, KM was chosen to supply complete solutions for EIT, propulsion, security systems, automation solutions and dynamic positioning for two new offshore jack-up construction vessels. The contract was signed with the vessel builder Eversendai Offshore, and has a value of MNOK 125. KM was also chosen to provide a complete EIT solution, including "E-house", to Yinson Production (West Africa) for its FPSO Yinson Genesis. The agreement is worth roughly MNOK 200.

There is still good demand for KM's services and products in the subsea segment. Examples of this include sonars for fisheries and defence, and underwater surveying, as well as environmental monitoring and other subsea monitoring. Further, there is still considerable interest in autonomous underwater vehicles (AUV), and Hydroid in the USA had an especially good H1. Equipment for the drilling market accounts for less than 20 per cent of KM's subsea business. This part of the subsea business will be impacted as a result of more challenging markets.

KONGSBERG DEFENCE SYSTEMS



KEY FIGURES

	1.4 - 30.6.		11. - 30.6.		
MNOK	2015	2014	2015	2014	2014
Revenues	1 117	1 291	2 158	2 175	4 276
EBITDA	153	147	281	220	530
EBITDA (%)	13.7	11.4	13.0	10.1	12.4
New orders	934	2 019	1 936	6 703	9 018

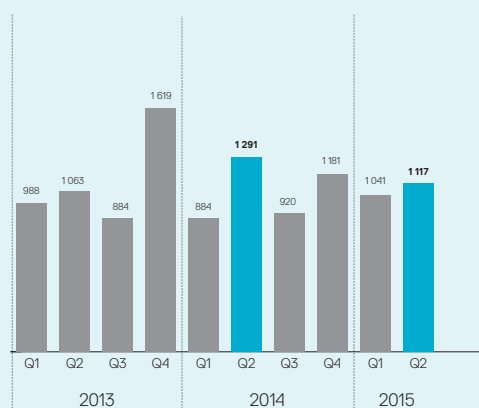
	30.6.	31.3.	31.12.
MNOK	2015	2015	2014
Order backlog	9 238	9 425	9 471
No. of employees	1 701	1 668	1 672

PERFORMANCE

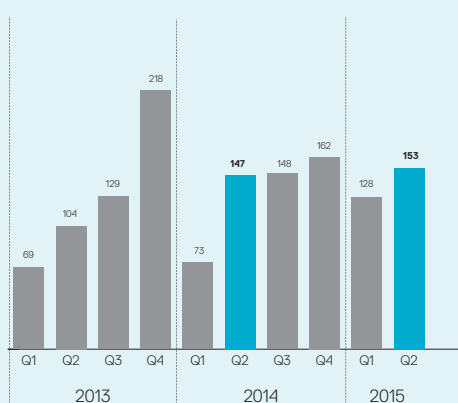
Q2 operating revenues ended at MNOK 1,117 (MNOK 1,291). EBITDA in Q2 was MNOK 153 (MNOK 147), resulting in an EBITDA margin of 13.7 per cent (11.4 per cent). In H1, operating revenues came to MNOK 2,158 (MNOK 2,175), while EBITDA was MNOK 281 (MNOK 220), corresponding to an EBITDA margin of 13.0 per cent (10.1 per cent).

The delivery programmes are on schedule. The improved EBITDA in KDS is generally ascribable to the Aerostructures, Defence Communications and Space & Surveillance divisions. The Aerostructures Division has boosted its sales and seen a pronounced improvement in profitability thanks to high capacity utilisation and advances in productivity.

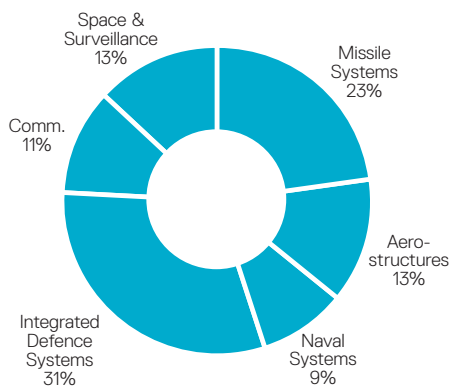
OPERATING REVENUES



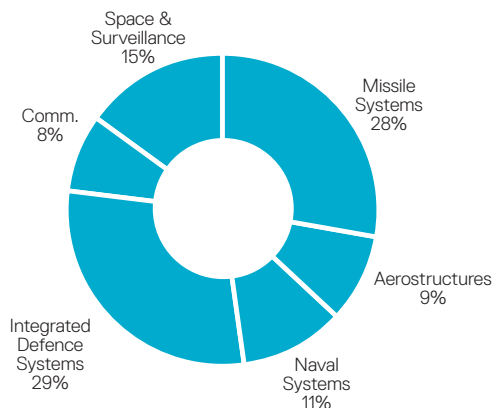
EBITDA



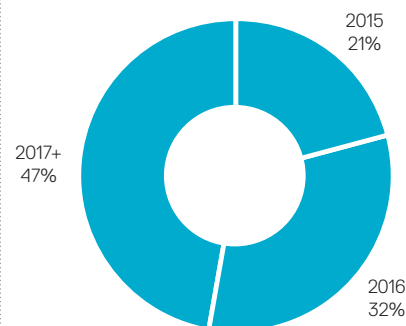
OPERATING REVENUES YTD
Q2 2015



OPERATING REVENUES YTD
Q2 2014



ORDER BACKLOG
Breakdown by delivery dates



MARKETS AND NEW ORDERS

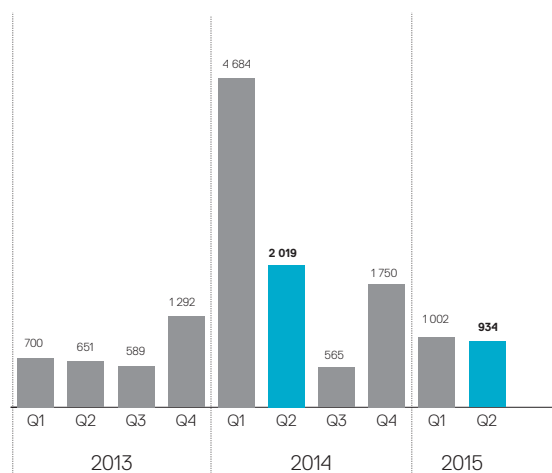
New orders in Q2 totalled MNOK 934 (MNOK 2,019). The contracts signed during the quarter include an agreement with Malaysian Boustead Naval Shipyard for the delivery of Naval Strike Missile (NSM) ships equipment. The contract carries a value of MNOK 175, paving the way for future deliveries of NSMs to the Malaysian Navy. Two contracts with a total value of MNOK 135 were signed during Q2 with the Aerostructures Division for the F-35 fighter craft. The first order comes under the framework agreement with Northrop Grumman and refers to the manufacture of components for the centre fuselage. The second order is for panels for the main landing gear (MLG) for Lockheed Martin, representing an extended scope for KDS. Following successful qualification, KONGSBERG will be the exclusive supplier also of MLG components for the F-35. This new contract was won against keen international competition, and demonstrates KONGSBERG's strong competitive edge in advanced high-tech production. The sales potential for supplying MLG panels throughout the lifespan of the programme is roughly NOK 1 billion. Thus far in 2015, KONGSBERG has received orders valued at more than MNOK 700 for deliveries for the F-35 fighter craft.

Early in Q2, a teaming agreement was signed with Raytheon of the US for the Naval Strike Missile (NSM). The agreement is step two in the companies' efforts to offer world leading anti-surface solutions to countries requiring this type of capabilities. Raytheon and KONGSBERG concluded a similar agreement in summer 2014 for the Joint Strike Missile (JSM). Teaming up with Raytheon is expected to boost the missile's market opportunities, especially in the USA. This summer, KONGSBERG's collaboration agreement with Raytheon for the NASAMS air defence system was extended for another 10 years. The first agreement was signed in 1996 and the team-up is considered highly successful by both parties.

The business area's order backlog at the end of the quarter totalled MNOK 9,238, ensuring good predictability for activities in 2015.

KDS is considered to have a product portfolio that is well positioned for future needs and for the current priorities of the defence plans of several countries. There is a great deal of international interest in KONGSBERG's missiles and air defence systems. The business area's communications solutions and submarine systems are well established internationally. KONGSBERG has firm delivery contracts and framework agreements for the delivery of components for the F-35 fighter craft. Moreover, long-term, robust customer relations have been established for the area's space activities. Fluctuations in the level of new orders are normal in the defence market, which is characterised by relatively few but large-scale contracts.

NEW ORDERS



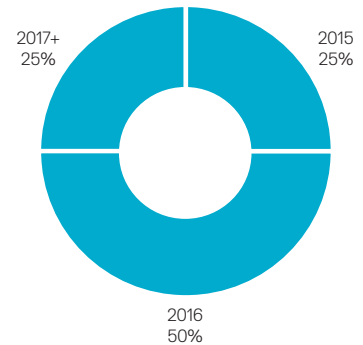
KONGSBERG PROTECH SYSTEMS

KEY FIGURES

	1.4 - 30.6.		1.1 - 30.6.		
MNOK	2015	2014	2015	2014	2014
Revenues	416	365	785	799	1 566
EBITDA	148	39	162	118	254
EBITDA (%)	35.6	10.7	20.6	14.8	16.2
New orders	271	899	1 053	1 077	2 240
	30.6.	31.3.	31.12.		
MNOK	2015	2015	2014		
Order backlog	3 790	3 935	3 523		
No. of employees	663	654	650		

ORDER BACKLOG

Breakdown by delivery dates



PERFORMANCE

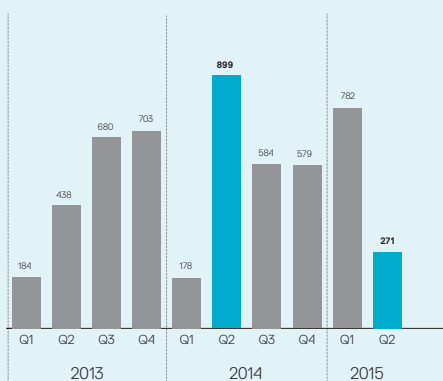
Q2 operating revenues totalled MNOK 416 (MNOK 365). EBITDA in Q2 was MNOK 148 (MNOK 39), resulting in an EBITDA margin of 35.6 per cent (10.7 per cent). H1 operating revenues came to MNOK 785 (MNOK 799), while EBITDA added up to MNOK 162 (MNOK 118), resulting in an EBITDA margin of 20.6 per cent (14.8 per cent).

Operating revenues during the quarter were largely driven by “reset” activities (overhauling weapon stations to almost “new” condition) and the sale of spare parts. This is expected to continue to account for the bulk of operating revenues in the second half of 2015 as well. Q2 performance was influenced by reduced provisions related to systems delivered earlier, which had a positive effect of MNOK 154 in Q2. There has been a high level of marketing activity in H1 related to existing products as well as to the new medium caliber turret solution.

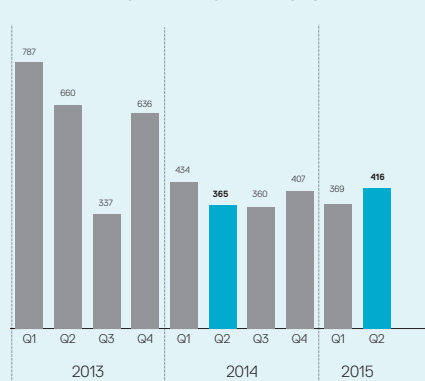
MARKETS AND NEW ORDERS

New orders in Q2 totalled MNOK 271 (MNOK 899), mainly consisting of minor contracts with current customers. KPS has a backlog of orders valued at MNOK 3,790, ensuring relatively good visibility for the next two years. In addition, there are several major vehicle programmes in the pipeline, where there is potential for the delivery of conventional weapons control systems as well as the medium caliber turret solution. There is significant interest in and a strong market push for the medium caliber turret solution, and there are several offers for the system out on the market. In H2 2015, initiatives to promote the medium caliber turret solution will be further intensified. This initiative will negatively impact KPS’ results in H2 2015.

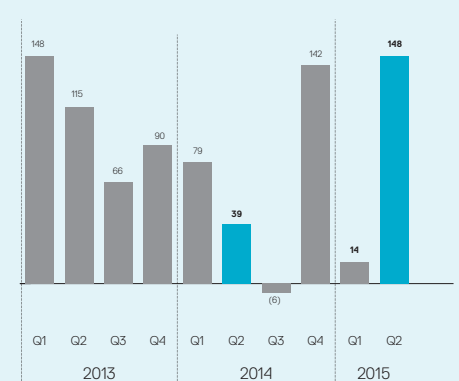
NEW ORDERS



OPERATING REVENUES



EBITDA



KONGSBERG OIL & GAS TECHNOLOGIES

KEY FIGURES

	1.4 -30.6.		1.1 - 30.6.		
MNOK	2015	2014	2015	2014	2014
Revenues	239	247	482	518	1 017
EBITDA	(94)	(42)	(89)	(60)	(99)
EBITDA (%)	(37.2)	(17.0)	(17.4)	(11.6)	(9.7)
New orders	275	198	480	483	802
		30.6.	31.3.	31.12.	
MNOK	2015	2015	2014		
Order backlog	390	374	396		
No. of employees	534	584	630		

ORDER BACKLOG
Breakdown by delivery dates



PERFORMANCE

Q2 operating revenues totalled MNOK 239 (MNOK 247). The Q2 EBITDA was MNOK -94 (MNOK -42), resulting in an EBITDA margin of -37.2 per cent (-17.0 per cent). In addition to a weak underlying EBITDA in the quarter, MNOK 43 in capacity adjustment costs was charged against income, and there were higher costs in ongoing delivery projects. H1 operating revenues were MNOK 482 (MNOK 518), while EBITDA was MNOK -89 (MNOK -60), resulting in an EBITDA margin of -17.4 per cent (-11.6 per cent).

MARKETS AND NEW ORDERS

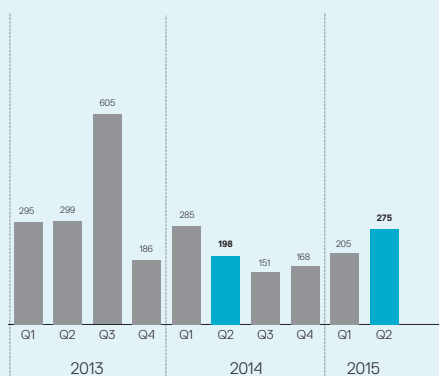
New orders in Q2 totalled MNOK 275 (MNOK 198), translating into a book/bill of 1.15. The single largest contract in Q2 was with Saipem for the delivery of subsea structures for the Ichthys gas export pipeline. The contract is valued at roughly MNOK 80. In addition, a contract worth MNOK 52 was signed with Statoil for deliveries to the Troll field. The backlog of orders came to MNOK 390 at the end of H1, putting it on a par with the backlog at the end of 2014.

The business area's order backlog has a relatively short horizon, and KOGT's markets are currently very challenging. A lower level of activity is expected going forward. The Saipem contract and the Polarled contract with Statoil signed in August 2013 are now in the final phase and expected to be concluded by the end of Q3. Further organisational adjustments are being made to deal with the demanding market situation. In June, it was announced that staff would be reduced by about 90 employees during the summer. This comes in addition to the organisational adjustments carried out in 2014.

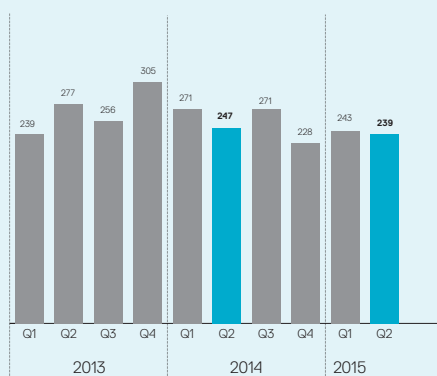
KOGT has unique niche products that offer growth potential in their markets, but today's very challenging market is having an impact on demand.

In August 2015, Egil Haugsdal was named president of KOGT. Haugsdal previously headed the Group Business Development and, prior to that, was president of KPS.

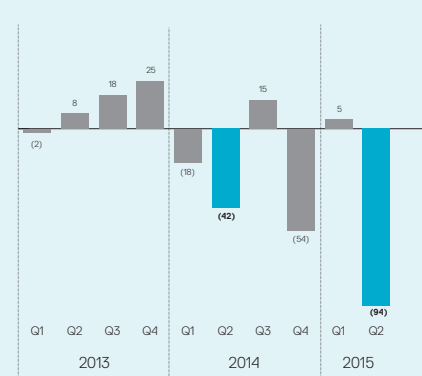
NEW ORDERS



OPERATING REVENUES



EBITDA





Kongsberg Maritime has had a good start to 2015. The offshore market is booking considerably fewer orders for new vessels, which will mean fewer new orders from this segment. Business is expected to remain good for gas and other advanced merchant vessels. The prospects are good for KM's subsea market. A strong market position in all segments, a record-high backlog, and equipment installed on nearly 17,000 vessels, furnishes a sound platform for the business area's level of activity in 2015.

Kongsberg Defence Systems has won several important contracts in the past year, resulting in a solid boost in the backlog of orders. The defence market has generally picked up over the past year and KDS seems to be well positioned in its niches. This is expected to lead to several contract opportunities during the coming years, e.g. for missiles, air defence systems, aircraft component production, submarine systems and communications. KDS' order backlog provide a good platform for the business area's activities in 2015.

Kongsberg Protech Systems has a globally leading position in remotely controlled weapons systems and has a well-positioned product portfolio that includes the medium caliber turret solution. Business is expected to pick up somewhat through 2015 compared with previous years, at the same time as further efforts and in-house resources directed towards several specific medium caliber turret solution prospects will have a negative impact on the underlying operating profit in H2.

Kongsberg Oil & Gas Technologies is still experiencing a challenging oil and gas market, and is making adjustments to adapt to the market through 2014 and 2015. A forward-looking product portfolio will offer many opportunities for the business area in the long term, but in the short term, the business area's results are impacted by restructuring and weak market prospects.

Kongsberg, 20 August 2015

The Board of Directors of Kongsberg Gruppen ASA

KEY FIGURES BY QUARTER

KM	2015			2014					2013				
	2015	Q2	Q1	2014	Q4	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1
MNOK	2015	2 509	2 611	9 703	2 546	2 433	2 359	2 365	8 264	2 201	1 950	2 105	2 008
Revenues	5 120	204	352	1 441	275	459	366	341	1 179	292	310	293	284
EBITDA	556	8.1	13.5	14.9	10.8	18.9	15.5	14.4	14.3	13.3	15.9	13.9	14.1
EBITDA %	10.9												
New orders	5 501	2 526	2 975	10 038	2 041	1 975	2 594	3 428	8 455	1 579	1 781	2 431	2 664
Order backlog	7 815	7 815	8 092	7 480	7 480	7 834	8 121	7 615	6 529	6 529	7 125	7 219	6 893
EBITA	468	159	309	1 266	225	415	324	302	1 018	252	268	253	245
EBITA %	9.1	6.3	11.8	13.0	8.8	17.1	13.7	12.8	12.3	11.4	13.7	12.0	12.2
KDS	2015			2014					2013				
MNOK	2015	Q2	Q1	2014	Q4	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1
Revenues	2 158	1 117	1 041	4 276	1 181	920	1 291	884	4 554	1 619	884	1 063	988
EBITDA	281	153	128	530	162	148	147	73	520	218	129	104	69
EBITDA %	13.0	13.7	12.3	12.4	13.7	16.1	11.4	8.3	11.4	13.5	14.6	9.8	7.0
New orders	1 936	934	1 002	9 018	1 750	565	2 019	4 684	3 232	1 292	589	651	700
Order backlog	9 238	9 238	9 425	9 471	9 471	8 856	9 203	8 460	5 489	5 489	5 816	6 112	6 534
EBITA	229	126	103	435	138	124	123	50	407	186	101	77	43
EBITA %	10.6	11.3	9.9	10.2	11.7	13.5	9.5	5.7	8.9	11.5	11.4	7.2	4.4
KPS	2015			2014					2013				
MNOK	2015	Q2	Q1	2014	Q4	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1
Revenues	785	416	369	1 566	407	360	365	434	2 420	636	337	660	787
EBITDA	162	148	14	254	142	(6)	39	79	419	90	66	115	148
EBITDA %	20.6	35.6	3.8	16.2	34.9	(1.7)	10.7	18.2	17.3	14.2	19.6	17.4	18.8
New orders	1 053	271	782	2 240	579	584	899	178	2 005	703	680	438	184
Order backlog	3 790	3 790	3 935	3 523	3 523	3 315	3 088	2 555	2 805	2 805	2 739	2 396	2 617
EBITA	136	135	1	201	128	(19)	27	65	362	76	52	102	132
EBITA %	17.3	32.5	0.3	12.8	31.4	(5.3)	7.4	15.0	15.0	11.9	15.4	15.5	16.8
KOGT	2015			2014					2013				
MNOK	2015	Q2	Q1	2014	Q4	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1
Revenues	482	239	243	1 017	228	271	247	271	1 077	305	256	277	239
EBITDA	(89)	(94)	5	(99)	(54)	15	(42)	(18)	49	25	18	8	(2)
EBITDA %	(18.5)	(39.3)	2.1	(9.7)	(23.7)	5.5	(17.0)	(6.6)	4.5	8.2	7.0	2.9	(0.8)
New orders	480	275	205	802	168	151	198	285	1 385	186	605	299	295
Order backlog	390	390	374	396	396	405	514	537	734	734	855	505	484
EBITA	(100)	(99)	(1)	(122)	(61)	9	(47)	(23)	34	15	17	6	(4)
EBITA %	(20.7)	(41.4)	(0.4)	(12.0)	(26.8)	3.3	(19.0)	(8.5)	3.2	4.9	6.6	2.2	(1.7)
KONGSBERG	2015			2014					2013				
MNOK	2015	Q2	Q1	2014	Q4	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1
Revenues	8 456	4 222	4 234	16 613	4 418	3 991	4 263	3 941	16 323	4 745	3 448	4 097	4 033
EBITDA	872	386	486	2 060	545	614	455	446	2 142	611	518	513	500
EBITDA %	10.3	9.1	11.5	12.4	12.3	15.4	10.7	11.3	13.1	12.9	15.0	12.5	12.4
New orders	8 963	3 993	4 970	22 097	4 541	3 277	5 714	8 565	15 043	3 697	3 688	3 773	3 885
Order backlog	21 439	21 439	22 033	21 020	21 020	20 580	21 096	19 344	15 687	15 687	16 711	16 398	16 733
EBITA	698	299	399	1 718	453	526	373	366	1 797	515	434	430	418
EBITA %	8.3	7.1	9.4	10.3	10.3	13.2	8.7	9.3	11.0	10.9	12.6	10.5	10.4

CONDENSED INCOME STATEMENT FOR THE PERIOD

		1.4 -30.6.		1.1. - 30.6.		1.1 - 31.12.
MNOK	Note	2015	2014	2015	2014	2014
Revenues	1	4 222	4 263	8 456	8 204	16 613
Operating expenses		(3 863)	(3 824)	(7 626)	(7 330)	(14 615)
Share of net income from Joint arrangements and associated companies		27	16	42	27	62
EBITDA		386	455	872	901	2 060
Depreciation		(87)	(82)	(174)	(162)	(342)
EBITA	1	299	373	698	739	1 718
Amortisation		(40)	(35)	(79)	(69)	(140)
Impairment		-	(16)	-	(16)	(320)
EBIT		259	322	619	654	1 258
Net financial items		(5)	5	13	2	27
Earnings before tax (EBT)		254	327	632	656	1 285
Income tax expense		(61)	(84)	(159)	(170)	(405)
Earnings after tax		193	243	473	486	880
<i>Attributable to:</i>						
Equity holders of the parent		190	241	467	483	873
Non-controlling interests		3	2	6	3	7
Earnings per share (EPS)/EPS diluted in NOK		1.58	2.01	3.89	4.03	7.28

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

		1.4 -30.6.		1.1. - 30.6.		1.1 - 31.12.
MNOK	Note	2015	2014	2015	2014	2014
Earnings after tax		193	243	473	486	880
Other comprehensive income:						
<i>Items to be reclassified to profit or loss in subsequent period:</i>						
Change in fair value, financial instruments:						
- Available-for-sale shares	5	27	3	41	3	(6)
- Cashflow hedges (currency futures and interest rate swaps)	5	515	(174)	248	108	(1 111)
Tax effect cash flow hedges (currency futures and interest rate swaps)		(139)	47	(67)	(31)	298
Translation differences, currency		(41)	74	84	42	309
Net items to be reclassified to profit or loss in subsequent period		362	(50)	306	122	(510)
<i>Items that will not be reclassified to profit or loss:</i>						
Actuarial gains/losses pensions		-	-	-	-	(168)
Income tax on items remaining in equity		-	-	-	-	45
Actuarial gains/losses joint arrangements and associated companies after tax		-	-	-	-	(6)
Net items not to be reclassified to profit or loss in subsequent period		-	-	-	-	(129)
Comprehensive income		555	193	779	608	241

CONDENSED STATEMENT OF FINANCIAL STATUS

		30.6. 2015	31.3. 2015	31.12. 2014
MNOK	Note			
Property, plant and equipment		2 500	2 520	2 477
Intangible assets	4	2 914	2 964	2 881
Other non-current assets	5	614	546	545
Total non-current assets		6 028	6 030	5 903
Inventories		3 242	3 449	3 264
Trade receivables		2 437	2 718	2 570
Construction contracts in progress, asset		3 407	3 407	3 183
Other current assets		1 230	1 104	929
Cash and cash equivalents		2 908	3 761	4 424
Total current assets		13 224	14 439	14 370
Total assets		19 252	20 469	20 273
Issued capital		982	982	982
Retained earnings		5 671	6 587	6 222
Fair value of financial instruments		(729)	(1 132)	(951)
Non-controlling interests		38	36	29
Total equity		5 962	6 473	6 282
Long-term interest-bearing loans	5	882	887	873
Other non-current liabilities and provisions	3	2 196	2 033	2 022
Total non-current liabilities and provisions		3 078	2 920	2 895
Construction contracts in progress, liabilities		3 134	2 943	3 590
Other current liabilities	3	7 078	8 133	7 506
Total current liabilities and provisions		10 212	11 076	11 096
Total equity, liabilities and provisions		19 252	20 469	20 273
Equity ratio (%)		31.0	31.6	31.0
Net interest-bearing liabilities		(2 026)	(2 874)	(3 551)
Net interest-bearing liabilities/EBITDA (%)		n/a	n/a	n/a

CONDENSED STATEMENT OF CHANGES IN EQUITY

		30.6. 2015	31.3. 2015	31.12. 2014
MNOK		2015	2015	2014
Equity opening balance		6 282	6 282	6 657
Comprehensive income accumulated		779	224	241
Dividends		(1 110)	-	(630)
Treasury shares		8	(36)	10
Dividends non-controlling interests		-	-	(1)
Change in non-controlling interests		3	3	5
Equity, closing balance		5 962	6 473	6 282

CONDENSED CASH FLOW STATEMENT

	1.4 - 30.6.		1.1. - 30.6.		1.1 - 31.12.
MNOK	2015	2014	2015	2014	2014
Earnings before interest, tax, depreciation and amortisation	386	455	872	901	2 060
Change in net current assets and other operating related items	(53)	(86)	(1 063)	967	255
Net cash flow from operating activities	333	369	(191)	1 868	2 315
Acquisition of property, plant and equipment	(75)	(94)	(159)	(170)	(325)
Acquisition of subsidiaries and non-controlling interests	-	(46)	(44)	(46)	(46)
Net payment of loans and acquisition/disposal of shares	-	-	-	-	264
Other investing activities	(15)	(23)	(42)	(51)	(104)
Net cash flow from investing activities	(90)	(163)	(245)	(267)	(211)
New loans raised and repayment	-	(501)	-	(486)	(457)
Net interest received (paid)	3	8	6	11	43
Net payments for the acquisition/disposal of treasury shares	24	50	(12)	(7)	(7)
Transactions with non-controlling interests	-	-	-	-	(1)
Dividends paid to equity holders of the parent	(1 110)	(630)	(1 110)	(630)	(630)
- of which, dividends from treasury shares	3	2	3	2	2
Net cash flow used in financing activities	(1 080)	(1 071)	(1 113)	(1 110)	(1 050)
Effect of changes in exchange rates on cash and cash equivalents	(16)	22	33	12	98
Net change in cash and cash equivalents	(853)	(843)	(1 516)	503	1 152
Cash and cash equivalents opening balance	3 761	4 618	4 424	3 272	3 272
Cash and cash equivalents, closing balance	2 908	3 775	2 908	3 775	4 424

NOTES TO THE QUARTERLY ACCOUNTS

NOTE 1 – INFORMATION BY SEGMENT

	REVENUES					EBITDA					EBITA				
	1.4 - 30.6.		1.1. - 30.6.			1.4 - 30.6.		1.1. - 30.6.			1.4 - 30.6.		1.1. - 30.6.		
	2015	2014	2015	2014	2014	2015	2014	2015	2014	2014	2015	2014	2015	2014	2014
MNOK	2 509	2 359	5 120	4 724	9 703	204	366	556	707	1 441	159	324	468	626	1 266
KM	2 509	2 359	5 120	4 724	9 703	204	366	556	707	1 441	159	324	468	626	1 266
KDS	1 117	1 291	2 158	2 175	4 276	153	147	281	220	530	126	123	229	173	435
KPS	416	365	785	799	1 566	148	39	162	118	254	135	27	136	92	201
KOGT	239	247	482	518	1 017	(94)	(42)	(89)	(60)	(99)	(99)	(47)	(100)	(70)	(122)
OTHERS	(59)	1	(89)	(12)	51	(25)	(55)	(38)	(84)	(66)	(22)	(54)	(35)	(82)	(62)
THE GROUP	4 222	4 263	8 456	8 204	16 613	386	455	872	901	2 060	299	373	698	739	1 718

NOTE 2 – GENERAL INFORMATION AND PRINCIPLES

The consolidated Q2 accounts (interim accounts) cover Kongsberg Gruppen ASA, its subsidiaries and shares in jointly controlled entities and associates included using the equity method.

The interim accounts have been prepared in accordance with IAS 34 for interim reporting, the Stock Exchange regulations and the supplementary requirements in Norway's Securities Trading Act. The interim accounts do not include all the information required for a full financial statement and should therefore be read in the light of the consolidated accounts for 2014. The consolidated accounts for 2014 comply with the rules in the Norwegian Accounting Act and with international financial reporting standards, as adopted by the EU. KONGSBERG has applied the same accounting policies in the interim accounts as are described in the consolidated accounts for 2014.

The consolidated accounts for 2014 are available upon request from the Group's headquarters in Kongsberg or at www.kongsberg.com.

The interim accounts have not been audited.

NOTE 3 - ESTIMATES

The preparation of the interim accounts entails the use of valuations, estimates and assumptions that affect the application of the accounting policies and the amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The material assessments underlying the application of the Group's accounting policies and the main sources of uncertainty are the same as for the consolidated accounts for 2014.

NOTE 4 – EQUITY-FINANCED DEVELOPMENT

In Q2 2015, development costs of MNOK 212 (MNOK 181) were charged against income. In addition, MNOK 15 (MNOK 23) in equity-financed development were capitalised in Q2. Similarly, during the period from 1 January to 30 June 2015, MNOK 442 (MNOK 386) was charged against income, while MNOK 42 (MNOK 51) was capitalised.

NOTES TO THE QUARTERLY ACCOUNTS

NOTE 5 – FINANCIAL INSTRUMENTS

Loans and credit facilities

At 31 June 2015, KONGSBERG had two bond loans totalling MNOK 750 and an undrawn credit facility of MNOK 1,500.

Other non-current assets

Available-for-sale shares had an excess value of MNOK 44 at 30 June 2015. This marked an increase of MNOK 41 from 1 January 2015. There was an increase of MNOK 27 in Q2.

Currency futures and interest swap agreements

The fair value of holdings classified as cash flow hedges increased by MNOK 248³⁾ before tax from 1 Jan. - 30 June 2015. Of this, the change in the capitalised value of currency futures related to cash flow hedges amounted to an increase of MNOK 257 during the same period. The currency exchange rates on the spot market at end quarter were NOK 7.87/USD 1 and NOK 8.80/EUR 1.

Currency futures classified as cash flow hedges:

MNOK (before tax)	Falling due in 2015		Falling due in 2016 or later		Total		
	Value based on agreed exchange rates	Fair value at 30.6.15 ¹⁾	Value based on agreed exchange rates	Fair value at 30.6.15 ¹⁾	Value based on agreed exchange rates	Change in fair value from 31.12.14	Fair value at 30.6.15 ¹⁾
EUR	503	(12)	419	(2)	922	61	(14)
USD	3 053	(353)	2 846	(407)	5 899	165	(760)
Other Currency	-	-	-	-	-	31	-
Sum	3 556	(365)	3 265	(409)	6 821	257	(774)
Deferred gain/loss ²⁾	-	(80)	-	(196)	-	(12)	(276)
Total	3 556	(445)	3 265	(605)	6 821	245³⁾	(1 050)

¹⁾ Fair value is calculated as the difference between the spot price at 30 June and the forward price on the currency contract.

²⁾ Net deferred gains or losses related to matured currency contracts that are recognised in line with the progress in the projects.

³⁾ The difference between these two figures, MNOK 3, is due to changes in the fair value of interest swap agreements classified as cash flow hedges, which is not reflected in the currency list.

NOTE 6 – RELATED PARTIES

The Board is not aware of any changes or transactions in Q2 in respect of related parties that would have a material impact on the Group's financial position or profit during the period.

NOTE 7 – MAIN RISK AND UNCERTAINTY FACTORS

No significant new risk or uncertainty factors were discovered during the quarter beyond the events discussed in the Annual Report for 2014, Note 34 "Contingent liabilities". On 4 June, the Sunnmøre District Court handed down its ruling on a lawsuit filed by Rolls-Royce Marine AS against Kongsberg Evotec AS. Rolls-Royce Marine AS was not successful with its claim regarding a ban on the offering for sale, production and sale of complete equipment packages to seismic vessels, but was awarded damages of MNOK 95 for breach of the Marketing Act. Kongsberg Evotec AS disagrees with the district court's assessment of both the grounds and the legal aspects of the case and has therefore appealed the judgment. The costs for the compensation have been taken into account in the Group's Q2 report.

Otherwise, the Group's assessment of possible financial effects is the same as upon publication of the financial statements for 2014.

For a description of how the Group deals with different risks, please see the Annual Report for 2014.

STATEMENT FROM THE BOARD OF DIRECTORS AND THE CEO

We hereby confirm that, to the best of our conviction, the H1 accounts for 1 January to 30 June 2015 have been prepared in compliance with IAS 34 - Interim Reporting, and that the information disclosed in the H1 accounts gives an accurate picture of the Group's assets, liabilities, financial position and performance as a whole, and gives an accurate picture of the information mentioned in §5-6, fourth subsection, of Norway's Securities Trading Act.

Kongsberg, 20 August 2015



Finn Jebsen
Chairman



Irene Waage Basili
Deputy Chairman



Morten Henriksen
Director



Rune Sundt Larsen
Director



Helge Lintvedt
Director



Roar Marthiniussen
Director



Jarle Roth
Director



Anne-Grete Strøm-Erichsen
Director



Walter Qvam
President and CEO

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- THROUGH PEOPLE, TECHNOLOGY AND DEDICATION