



KONGSBERG

200

3RD QUARTER REPORT 2014



KONGSBERG reports Q3 2014 operating revenues of MNOK 3 991 (MNOK 3 448) and EBITDA of MNOK 614 (MNOK 518), resulting in an EBITDA margin of 15.4 per cent (15.0 per cent). Kongsberg Maritime and Kongsberg Defence Systems have had a strong quarter with EBITDA margins of 18.9 per cent and 16.1 per cent, respectively. Kongsberg Protech Systems has experienced a weak quarter with negative EBITDA. Kongsberg Oil & Gas Technologies' has a negative underlying EBITDA, but reports a positive EBITDA as a result of one-off effects. The Group booked new orders valued at MNOK 3 277 (MNOK 3 688) in Q3.

KEY FIGURES

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	2014	2013	2014	2013	2013
Operating revenues	3 991	3 448	12 195	11 578	16 323
EBITDA	614	518	1 515	1 531	2 142
EBITDA (%)	15.4	15.0	12.4	13.2	13.1
EBIT	491	405	1 145	1 187	1 659
EBIT (%)	12.3	11.7	9.4	10.3	10.2
Earnings before tax	490	408	1 146	1 179	1 644
Earnings after tax	362	294	848	850	1 225
EPS (NOK)	2.99	2.44	7.02	7.10	10.24
New orders	3 277	3 688	17 556	11 346	15 043

	30.9.	30.6.	31.12.
MNOK	2014	2014	2013
Equity ratio (%)	36.4	35.8	38.2
Net interest-bearing dept	(3 045)	(2 934)	(1 935)
Working capital ¹⁾	3 980	3 620	3 319
ROCE (%) ²⁾	20.5	19.5	21.5
Order backlog	20 580	21 096	15 687
No. of employees	7 688	7 564	7 493

¹⁾ Current assets – current liabilities and provisions

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

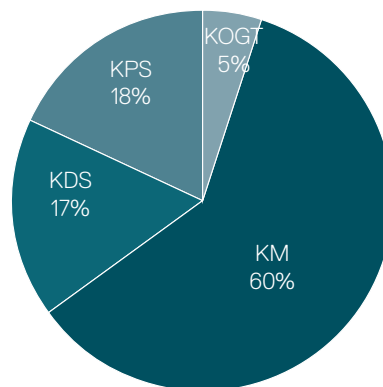
HIGHLIGHTS

- KM had a good quarter with a strong margin and year-on-year growth in sales of 24.8 per cent.
- KDS had a record-high EBITDA margin during the quarter: 16.1 per cent.
- KPS had negative EBITDA during the quarter and continued slow sales.
- KOGT's underlying EBITDA was negative in Q3 due to a low level of activity and costs that were too high, given the market situation.
- KONGSBERG has a strong order backlog, valued at NOK 20.6 billion.
- Strong net cash flow from operations YTD 2014: MNOK 2 037 (MNOK 917)

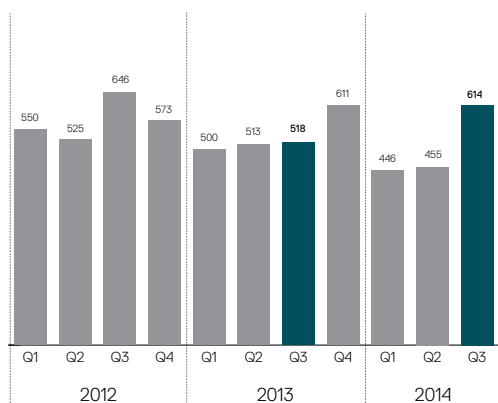
OPERATING REVENUES



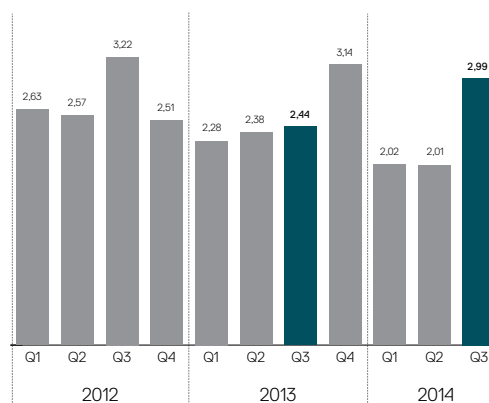
OPERATING REVENUES BY AREA
Q3



EBITDA



EPS



“ We are reporting a strong Q3. The two major business areas, KM and KDS, are doing well, with record-high EBITDA during the quarter for KM and a very robust profit for KDS. The performances turned in by KPS and KOGT were not satisfactory, implying negative EBITDA when adjusted for one-off effects. For these operations, reduced revenues are only partially offset by cost-cutting measures. Collectively, the Group has a very strong order backlog and there are significant opportunities ahead for us.

Walter Qvam, konsernsjef

PERFORMANCE AND ORDER SITUATION

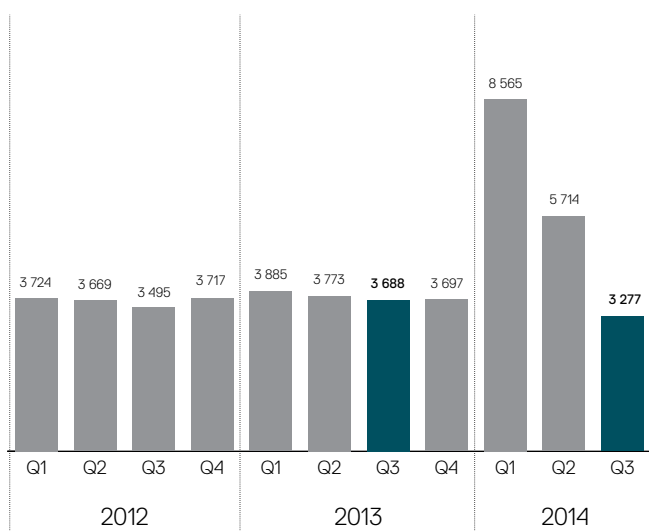
Operating revenues in Q3 2014 came to MNOK 3 991 (MNOK 3 448). EBITDA totalled MNOK 614 (MNOK 518), resulting in an EBITDA margin of 15.4 per cent (15.0 per cent). Q3 consolidated operating revenues were 15.7 per cent higher than in Q3 2013. All the business areas reported an increase. The largest was in KM, where operating revenues were up 24.8 per cent year-on-year. KM and KDS has a strong EBITDA, with figures of MNOK 459 (MNOK 310) and MNOK 148 (MNOK 129), respectively, in Q3. Earnings before tax came to MNOK 490 (MNOK 408) in Q3, while earnings after tax were MNOK 362 (MNOK 294). This translated into earnings per share of NOK 2.99 (NOK 2.44 per share).

New orders in Q3 2014 added up to MNOK 3 277 (MNOK 3 688), equivalent to a book/bill of 0.82. New orders were mainly ascribable to a strong influx in KM and the expansion of the JSM phase III development contract in KDS, as well as new orders placed by the US' CROWS programme with KPS. KONGSBERG's backlog aggregated MNOK 20 580 at the end of Q3 2014.

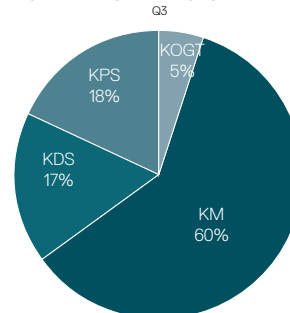
At Q3 operating revenues totalled MNOK 12 195 (MNOK 11 578), i.e. an increase of 5.3 per cent. EBITDA was MNOK 1 515 (MNOK 1 531). This leads to a Q3 EBITDA margin of 12.4 per cent (13.2 per cent). New orders were very strong in the first nine months, amounting to MNOK 17 556 (MNOK 11 346). This is mainly because KM and KDS have won contracts valued at MNOK 7 997 and MNOK 7 268, respectively, YTD in 2014.

Since 1 January 2014, the company Kongsberg Satellite Services AS, 50 per cent of which is owned by KONGSBERG, has been recognised using the equity method. This signals a decrease in reported sales of MNOK 179 per Q3 2014, compared with 2013. Previously subject to gross consolidation, the company's profit/loss now appears on the line "Share of the profit/loss in jointly-controlled companies and associates". The comparative figures have not been adjusted to reflect this change, see also Note 8.

NEW ORDERS

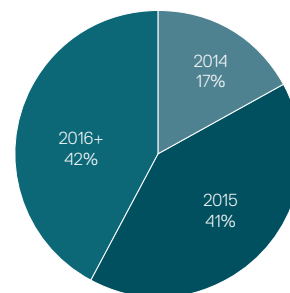


OPERATING REVENUES BY AREA



ORDER BACKLOG

Breakdown by delivery dates



Order backlog at the end of Q3 2014, MNOK 20 580

CASH FLOW

KONGSBERG saw a net increase in bank deposits and cash equivalents of MNOK 125 in Q3. The net cash flow from operating activities in Q3 was MNOK 169 (MNOK -179). Net current assets have increased by MNOK 445 during the quarter, of which about MNOK 250 in KDS. No large advance payments were received from customers during the quarter. The cash flow can fluctuate quite significantly between quarters as a result of customers' terms of payment and capital tied up in projects in general.

YTD 2014, KONGSBERG has seen a net increase in bank deposits and cash equivalents of MNOK 628 (MNOK -133). The net cash flow from operating activities was MNOK 2 037 (MNOK 917). The strong cash flow from operations was in response to a generally good cash flow throughout the entire Group, and to sizeable advance payments from customers in Q1 2014.

	17. - 30.9.		1.1. - 30.9.		
MNOK	2014	2013	2014	2013	2013
EBITDA	614	518	1 515	1 531	2 142
Change in net current assets and other operating related items	(445)	(697)	522	(614)	(159)
Net cash flow from operating activities	169	(179)	2 037	917	1 983
Net cash flow from investing activities	(83)	(73)	(350)	(595)	(775)
Net cash flow used in financing activities ¹⁾	35	(10)	(1 075)	(485)	(480)
Effect of changes in exchange rates on cash and short-term deposits	4	8	16	30	35
Net change in cash and short-term deposits	125	(254)	628	(133)	763

¹⁾ Included paid dividend

BALANCE SHEET

At the end of Q3 2014, the Group had net interest-bearing liabilities of MNOK -3 045, compared with MNOK -2 934 at the end of Q2 2014 and MNOK -1 935 at the end of 2013. The Group's bank deposits and cash equivalents added up to MNOK 3 900 at end quarter, compared with MNOK 3 775 at the end of Q2 and MNOK 3 272 at the end of 2013. KONGSBERG's equity was MNOK 6 906 (36.4 per cent), compared with MNOK 6 644 (35.8 per cent) at mid-year 2014 and MNOK 6 657 (38.2 per cent) at year-end 2013.

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

	30.9.	30.6.	31.12
NOK millioner	2014	2014	2013
Egenkapital	6 906	6 644	6 657
Egenkapitalandel (%)	36.4	35.8	38.2
Totalkapital	18 957	18 556	17 435
Arbeidskapital	3 980	3 620	3 319
Brutto rentebærende gjeld	855	841	1 337
Betalingsmidler	3 900	3 775	3 272
Netto rentebærende gjeld	(3 045)	(2 934)	(1 935)

HUMAN RESOURCES

KONGSBERG had 7 688 employees at the end of Q3 2014, an increase of 124 employees during the quarter. KM added to its staff as a result of a higher level of activity, primarily linked to KM's companies abroad, but also in the Offshore Production Unit in Norway. The number of employees at KOGT has been reduced to adapt capacity to the market. At the end of Q3, roughly 38 per cent of KONGSBERG's employees worked outside Norway.

OTHER MATTERS

The charge of corruption in Romania

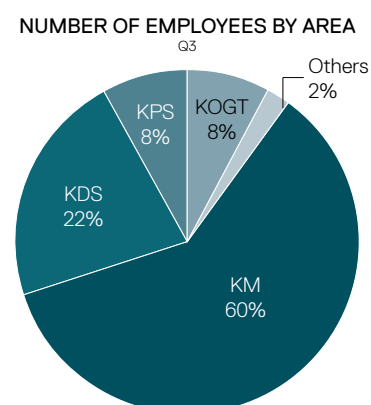
In February 2014, a charge was filed against Kongsberg Gruppen ASA, Kongsberg Defence & Aerospace AS and an employee of Kongsberg Defence & Aerospace, alleging corruption in conjunction with deliveries of communications equipment to Romania from 2003 to 2008. KONGSBERG is collaborating with the National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim) to clarify the circumstances in question. It will take time to complete the investigation before the case can be brought to a close. See also Note 35 and the paragraph entitled "Risk factors and risk management" in the Directors' Report in the Annual Report for 2013. The Board's assessment at end-September is the same as described in the Annual Report

Lawsuit from Rolls-Royce Marine AS against Kongsberg Evotec AS

Kongsberg Evotec AS has been sued by Rolls-Royce Marine AS. In the action, Rolls-Royce Marine AS has inter alia claimed compensation provisionally estimated at MNOK 370. Based on the information currently available, KONGSBERG and independent advisers have reviewed the case and determined that the claims have not been established as probable. Proceedings have been rescheduled to begin in week 7 of 2015. See also Note 35 of the financial statements for 2013.

OTHER ACTIVITIES

"Other activities" consist mainly of eliminations and external operating revenues for Property Operations. There were no other major individual items that had an impact on EBITDA in Q3. During the early half of 2014, "Other activities" recognised expenses relating to the DeltaOne improvement programme and certain corporate initiatives funded outside the business areas, as well as expenses linked to the ongoing investigation of KONGSBERG.





KEY FIGURES

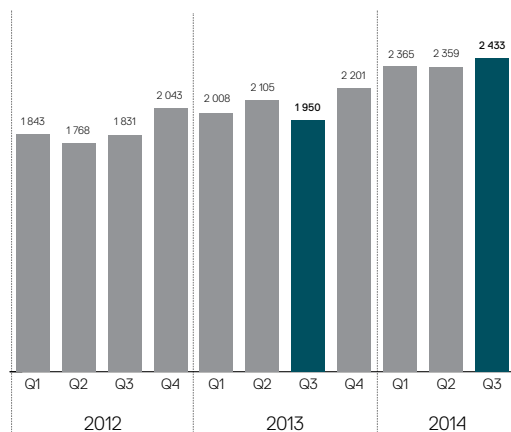
	1.7. - 30.9.		1.1. - 30.9.		
MNOK	2014	2013	2014	2013	2013
Revenues	2 433	1 950	7 157	6 063	8 264
EBITDA	459	310	1 166	887	1 179
EBITDA (%)	18.9	15.9	16.3	14.6	14.3
New orders	1 975	1 781	7 997	6 876	8 455
	30.9.	30.6.	31.12.		
MNOK	2014	2014	2013		
Order backlog	7 834	8 121	6 529		
No. of employees	4 585	4 459	4 260		

PERFORMANCE

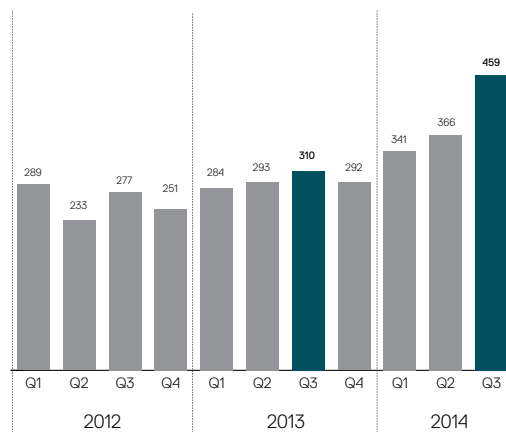
Business continues to grow for KM and all divisions report good operating revenues and robust EBITDA margins. Operating revenues added up to MNOK 2 433 (MNOK 1 950) in Q3 2014. The EBITDA was MNOK 459 (MNOK 310), resulting in an EBITDA margin of 18.9 per cent (15.9 per cent).

At the end of Q3 2014, KM had cumulative operating revenues of MNOK 7 157 (MNOK 6 063) and EBITDA of MNOK 1 166 (MNOK 887), comparable to an EBITDA margin of 16.3 per cent (14.6 per cent). All divisions of KM have a higher level of activity than last year. The Offshore Division has seen the highest absolute growth in 2014. Merchant Marine has the highest percentage growth, i.e. 50 per cent growth in operating revenues. In addition, global customer support and the after-market has a positive effect on the business area's growth.

DRIFTSINNTEKTER

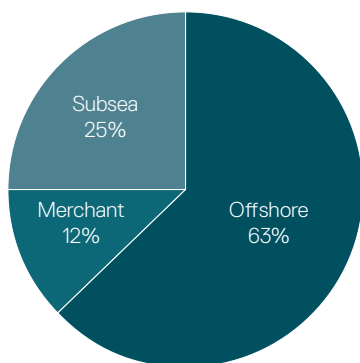
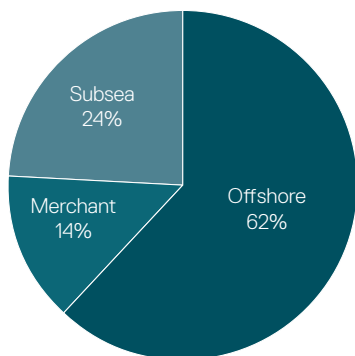


EBITDA



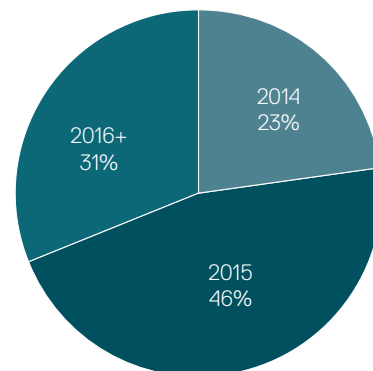
OPERATING REVENUES YTD 2014

OPERATING REVENUES YTD 2013



ORDER BACKLOG

Breakdown by delivery dates



Order backlog at the end of Q3 2014, MNOK 7 834

MARKETS AND NEW ORDERS

New orders signed in Q3 2014 were valued at MNOK 1 975 (MNOK 1 781), bringing the backlog of orders to MNOK 7 834 at end quarter. This is a strong level and ensures good predictability for the future despite the fact that some of KM's markets, especially parts of the offshore market, are experiencing substantially lower orders for new vessels. Owing to this, the business area's offshore division has had lower new orders than in Q3 2013. The other divisions can point to a higher level of new orders than in Q3 2013.

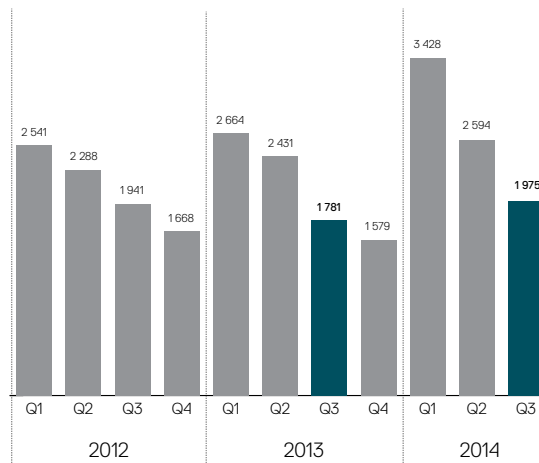
The total YTD influx of new orders in 2014 was MNOK 7 997 (MNOK 6 876), comparable to a book/bill of 1.12. All divisions booked a higher volume of new orders at end-Q3 2014, compared with Q3 2013. So far in 2014, the Offshore Division has booked new orders worth just less than MNOK 4 billion, a slight rise from last year. The other divisions can all show an increase in new orders of more than 30 per cent compared with the same date last year.

KM has a strong market position in the offshore industry. In August, an important contract was signed for a delivery of integrated control and safety systems to BW Offshore's new "Catcher" FPSO. This is further verification that the efforts of recent years at Kongsberg Maritime to undertake EIT projects have been a success. In July, it was announced that KM had won offshore contracts totalling MNOK 330 in China and South Korea. These included a contract with the Chinese shipyard Dalian Shipbuilding Industry Offshore Co. The contract is for deliveries to a semi-submersible drilling rig ordered by China Oilfield Services. This is an important project for KM and strengthens the business area's position in the Chinese drilling market.

KM has further improved its market position in the merchant marine segment throughout 2014. In Q3, the influx of new orders from this segment has been good for integrated automation solutions, including vessel performance solutions, as well as cargo gauging systems. Kongsberg Maritime has further improved its position within integrated "Full picture" solutions for advanced container vessels, as well as LNG/LPG ships.

KM's subsea business still has a strong influx of new orders related to underwater navigation and acoustic control systems for blow-out preventer (BOP) systems. These systems are sold as an integral part of "Full picture" deliveries to offshore vessels, and as separate deliveries to the BOP supplier. The Subsea Division also has several new orders for autonomous underwater vehicles (AUV) and several important contracts have been signed so far in 2014. Recently, the first of two AUVs equipped with software and sensors for rapid inspection of pipelines was delivered to a customer. The technology can be deployed in both HUGIN and the new MUNIN. Pipeline inspection by AUV, estimated to be four to six times faster than the conventional method with an ROV, is expected to offer great savings for customers, and could open a new market for KM.

NEW ORDERS



KEY FIGURES

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	2014	2013	2014	2013	2013
Revenues	920	884	3 095	2 935	4 554
EBITDA	148	129	368	302	520
EBITDA (%)	16.1	14.6	11.9	10.3	11.4
New orders	565	589	7 268	1 940	3 232
	30.9.	30.6.	31.12.		
MNOK	2014	2014	2013		
Order backlog	8 856	9 203	5 489		
No. of employees	1 675	1 664	1 761		

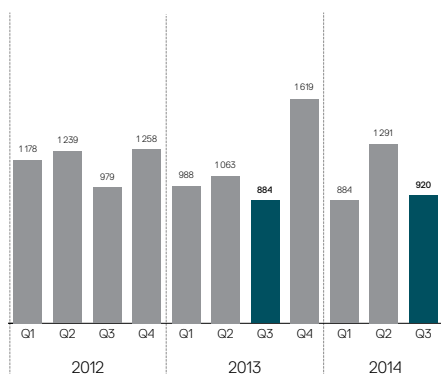
PERFORMANCE

Q3 operating revenues amounted to MNOK 920 (MNOK 884). The EBITDA was MNOK 148 (MNOK 129), resulting in an EBITDA margin of 16.1 per cent (14.6 per cent). The delivery programmes are on schedule.

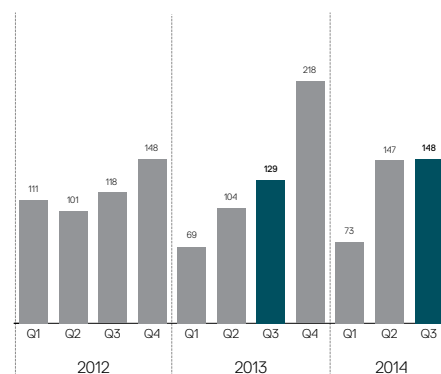
KDS' YTD aggregate operating revenues totalled MNOK 3 095 (MNOK 2 935). The EBITDA was MNOK 368 (MNOK 302), resulting in an EBITDA margin of 11.9 per cent (10.3 per cent).

Since 1 January 2014, the company Kongsberg Satellite Services AS, 50 per cent of which is owned by KONGSBERG, has been recognised using the equity method. Previously subject to gross consolidation, the company's profit/loss now appears on the line "Share of the profit/loss in jointly-controlled companies and associates". The comparative figures have not been adjusted to reflect this change, see also Note 8.

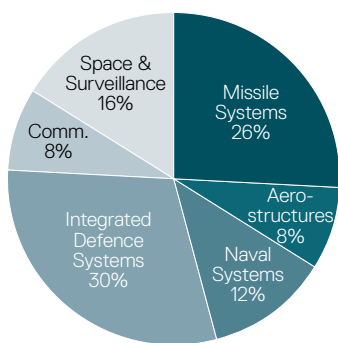
OPERATING REVENUES



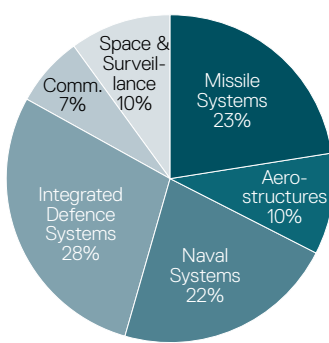
EBITDA



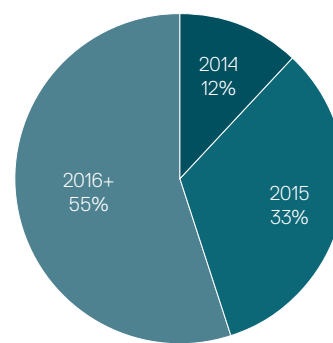
OPERATING REVENUES YTD 2014



OPERATING REVENUES YTD 2013



ORDER BACKLOG
Breakdown by delivery dates



Order backlog at the end of Q3 2014, MNOK 8 856

MARKETS AND NEW ORDERS

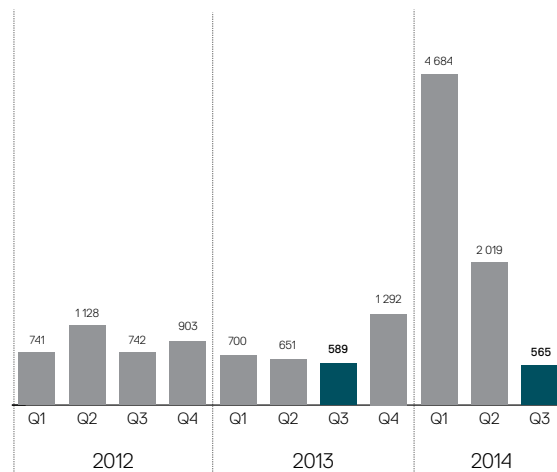
New orders in Q3 totalled MNOK 565 (MNOK 589). The largest contract was part two of the development contract for JSM phase III with the Norwegian Armed Forces worth MNOK 280. This contract covers the production of test missiles, support equipment and missile testing from the F-16 from 2015 to 2017.

New orders at end-September totalled MNOK 7 268 (MNOK 1 940), which translates into a backlog of orders equal to about NOK 8.9 billion. The two largest contracts were the JSM phase III development contract that was signed in the summer and the anti-aircraft contract with Oman for NOK 3.7 billion that was signed in January 2014.

In September, the US Navy carried out a test firing of the NSM. The missile was tested from the USS Coronado Independence Class Littoral Combat Ship (LCS). The test was successful and the missile followed the planned trajectory towards a vessel before striking a predefined point. This is the first time this class of vessel has tested a long-range anti-ship missile and it is also the first time the US Navy has tested the NSM. The test entails no further obligations on the part of the US Navy, but is an important verification of the missile's qualities.

KDS` product portfolio is well positioned for current priorities as well as for future needs in the defence plans of several countries. There is a great deal of international interest in missiles and anti-aircraft systems. The business area's communications solutions and submarine systems are well established at the international level. 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 Division's satellite activities. Fluctuations in new orders are, however, normal in the defence market, which is marked by relatively few but large-scale contracts.

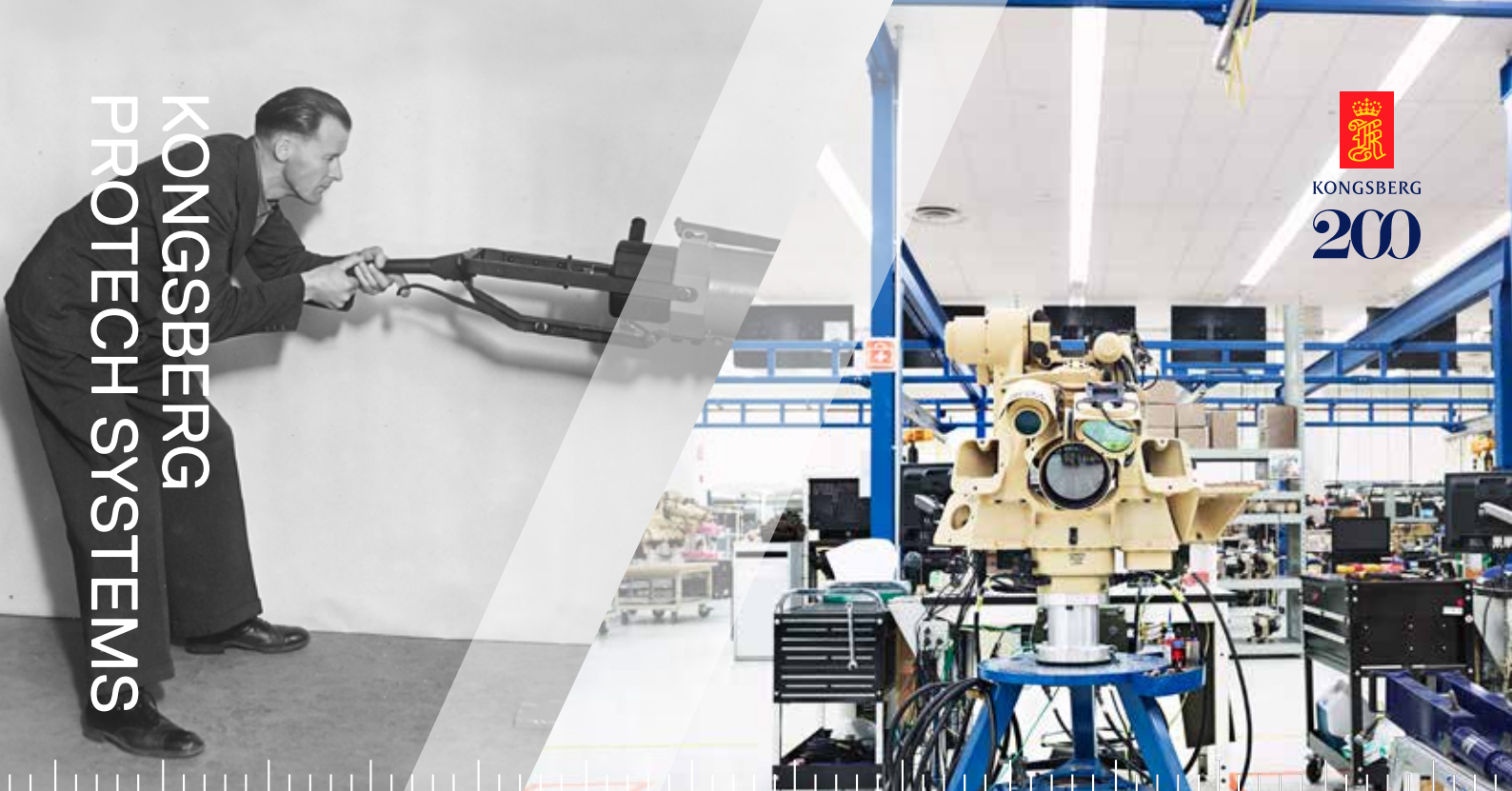
NEW ORDERS



The F-35 Joint Strike Fighter - significant potential for KONGSBERG

KONGSBERG plays an important international role in the development of central capacities for the F-35 Joint Strike Fighter, not least by being an exclusive supplier of rudder components for fighter craft, and the development of the Joint Strike Missile (JSM), the world's only fifth generation missile that fits into the weapons bay on the fighter craft. The multinational F-35 programme is expected to deliver more than 3 000 aircrafts over the next 20-25 years, making it the largest of its kind since World War II. On 25 September, the first F-35 management meeting in Norway was held, and all nine partner nations participated.

The F-35 programme represents significant potential for KONGSBERG. Deliveries of advanced components of composite and titanium alone will generate operating revenues of about NOK 10-15 billion under the programme. So far in 2014, contracts have been signed for about MNOK 500 for deliveries to the programme. In addition to this potential, KONGSBERG is experiencing considerable interest in the JSM from several countries. The JSM is now in the final development phase and will undergo a number of important tests in the next three years.



KEY FIGURES

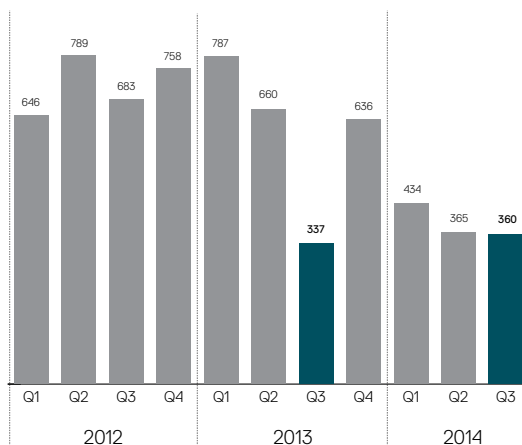
	1.7. - 30.9.		1.1. - 30.9.		
MNOK	2014	2013	2014	2013	2013
Revenues	360	337	1 159	1 784	2 420
EBITDA	(6)	66	112	329	419
EBITDA (%)	(1.7)	19.6	9.7	18.4	17.3
New orders	584	680	1 661	1 302	2 005
	30.9.	30.6.	31.12.		
MNOK	2014	2014	2013		
Order backlog	3 315	3 088	2 805		
No. of employees	653	642	644		

PERFORMANCE

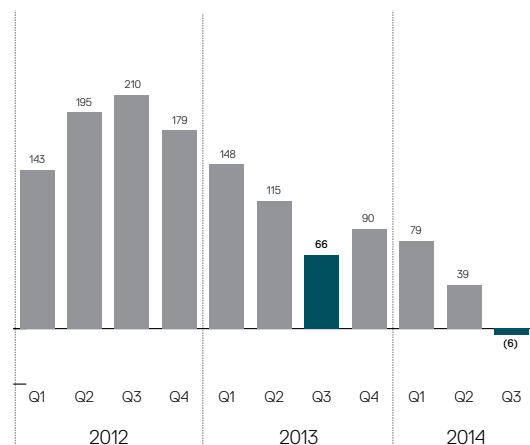
Q3 operating revenues amounted to MNOK 360 (MNOK 337). Revenues during the quarter were adversely affected by delays in one of the business area's international contracts. The business area has also incurred cost overruns for two development-intensive projects that will impact the result again in Q4 2014. The Q3 EBITDA was MNOK -6 (MNOK 66), resulting in an EBITDA margin of - 1.7 per cent (19.6 per cent).

Accumulated operating revenues at end-September were MNOK 1 159 (MNOK 1 784) and EBITDA was MNOK 112 (MNOK 329). The last stations under the CROWS II contract were delivered in H1 2014. The contracts for deliveries in H2 have substantially lower margins. Accumulated EBITDA was positively influenced by roughly MNOK 64 related to the dissolution of provisions and clarification with a customer regarding earlier deliveries.

OPERATING REVENUES



EBITDA



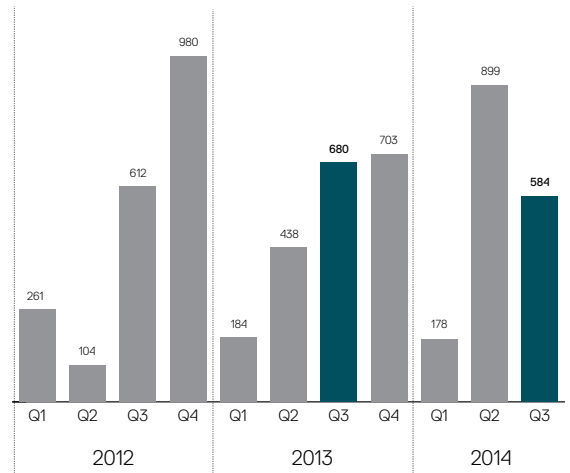
MARKETS AND NEW ORDERS

New orders in Q3 totalled MNOK 584 (MNOK 680). New orders were largely dominated by orders from the US CROWS III programme once again in Q3 and refer to new systems, as well as upgrade and maintenance of systems delivered previously. The largest individual contract in Q3 was signed in late July. It was a contract for the US CROWS III programme valued at MNOK 333.

New orders valued at MNOK 1 661 (MNOK 1 302) were signed during the first three quarters of the year. This results in a book/bill of 1.43. There has been a shift from deliveries of new systems dominating operating revenues to a larger percentage of operating revenues being generated by spare parts and upgrades. Deliveries in Q4 will mainly be to the CROWS III programme and to the Norwegian/Swedish Nordic project.

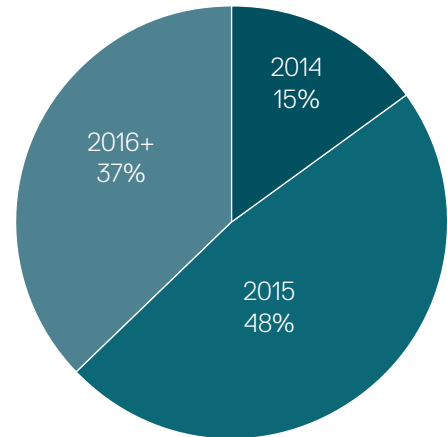
There is still great interest in the business area's current and new products. There are many opportunities for several contracts under existing framework and new delivery contracts. There is also considerable interest in the business area's new product, the Medium Caliber Remote Weapon Station (MCRWS). A bid for systems was submitted in Q3 for a large-scale vehicle programme.

NEW ORDERS



ORDER BACKLOG

Breakdown by delivery dates



Order backlog at the end of Q3 2014, MNOK 3 315

KEY FIGURES

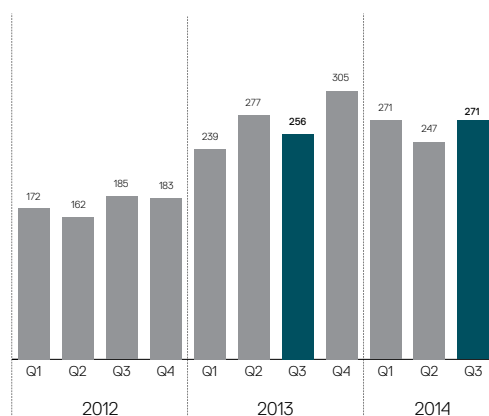
	1.7. - 30.9.		1.1. - 30.9.		
MNOK	2014	2013	2014	2013	2013
Revenues	271	256	789	772	1 077
EBITDA	15	18	(45)	24	49
EBITDA (%)	5.9	7.0	(5.7)	3.1	4.5
New orders	151	605	634	1 199	1 385
	30.9.	30.6.	31.12.		
MNOK	2014	2014	2013		
Order backlog	405	514	734		
No. of employees	656	682	709		

RESULTAT

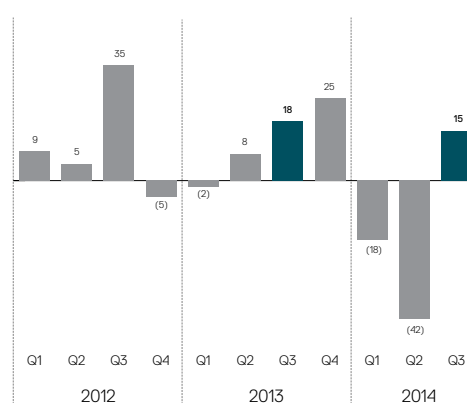
Q3 operating revenues totalled MNOK 271 (MNOK 256). The level of activity was slower than planned as a result of slower sales of software licences and postponements of several subsea projects, giving challenges on the cost side in this quarter as well. EBITDA in Q3 was MNOK 15 (MNOK 18). The Q3 EBITDA was positively influenced by a contract cancelled earlier, under which KOGT was awarded a settlement. The underlying EBITDA continued to be negative in Q3.

Accumulated operating revenues at end-September came to MNOK 789 (MNOK 772) and EBITDA was MNOK -45 million (MNOK 24). Several measures, including both organisational and capacity adjustments, have been initiated and implemented to adapt the organisation to a new, more challenging market situation. Further profitability enhancement measures are implemented on an ongoing basis in the light of market situation.

OPERATING REVENUES



EBITDA



MARKETS AND NEW ORDERS

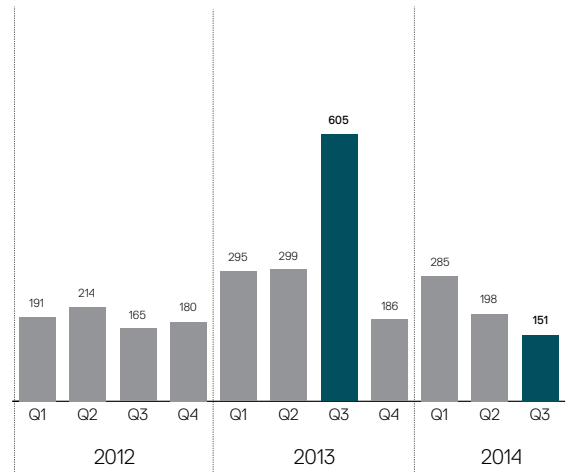
New orders in Q3 totalled MNOK 151 (MNOK 605). Due to more uncertainty in oil companies' exploration and development budgets in general, several projects have been put on hold or stopped. This has an impact on the business area's subsea activities where projects are being postponed and on the software division where new orders are lower than expected. Tendering activities in both areas are still strong, but more uncertainty in the industry as a whole means that many investment decisions are being postponed or cancelled.

The business area's order backlog has diminished by roughly 20 per cent during the quarter and 40 per cent so far in 2014. This also includes some MNOK 200 in cancellations. The bulk of this is related to the Polarled contract with Statoil. New orders aggregated MNOK 634 (MNOK 1 199) in Q3, and the breakdown between software and subsea-related orders was roughly 60/40. The backlog of orders totalled MNOK 405 at end quarter.

KOGT is an area under development and positions are being built for further growth. The business area's earnings will fluctuate as a result of the progress made on certain large-scale projects and the share of licenced projects and systems. The business area is experiencing a weaker market than previously expected. This presents challenges relating to the current cost base. Thus KOGT are implementing new initiatives to enhance profitability on an ongoing basis.

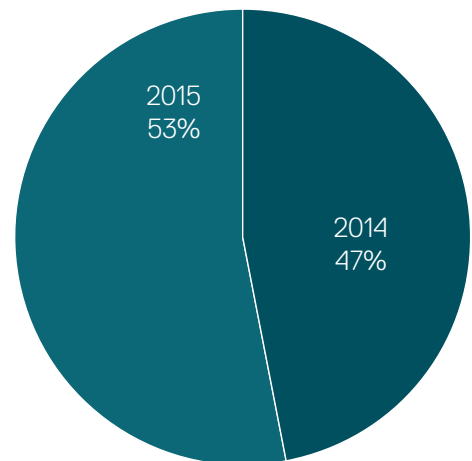
The business area has had commercial success with several of its solutions based on the core products SiteCom, K-Spice and LedaFlow, and these products will be an important part of the platform for future growth as well. The company is also well positioned in several segments of the subsea market, with strong technology and good products/solutions.

NEW ORDERS



ORDER BACKLOG

Breakdown by delivery dates



Order backlog at the end of Q3 2014, MNOK 405



Kongsberg Maritime expects a continued high level of activity in all divisions throughout the rest of 2014. Parts of the offshore market are booking fewer contracts for new vessels, a fact which is reflected in somewhat fewer new orders from that segment. Focus on the global after-market and customer support are continued and strengthened, and along with the strong order backlog, this adds up to a buoyant platform for the business area's level of activity in the last part of 2014.

In January 2014, Kongsberg Defence Systems signed a new, very substantial agreement for the NASAMS anti-aircraft system, and the JSM phase III development contract was signed in June 2014. There will be several important long-term opportunities for sales and the further development of missiles, air defence, submarine systems and communications solutions in the years ahead. These conditions, along with a good order backlog, provide a robust platform for the business area's level of activity.

Kongsberg Protech Systems is seeing a general decline in market demand, especially in the USA. Moreover, a delivery program has been delayed significantly, this will have a negative impact on activities in the rest of 2014. The low volume will also affect the results in Q4 2014 and underlying operations are expected to generate negative results. The business area has maintained a globally leading position in remotely controlled weapons stations, and is investing in development and market introduction of the new Medium Caliber Remote Weapon Station. KPS is considered to be well positioned for meeting anticipated future demand.

The trend for Kongsberg Oil & Gas Technologies has not been satisfactory in 2014. Earnings in Q3 indicate that the measures implemented have had some effect, and further measures are implemented on an ongoing basis. The earnings are still expected to be weak in the final quarter of the year. The oil companies' demand for stricter efficiency standards for the drilling and production phase and a strong subsea segment will open important opportunities ahead for the business area's products.

Kongsberg, 30 October 2014

The Board of Directors of Kongsberg Gruppen ASA

KEY FIGURES BY QUARTER

KM	2014				2013					2012		
	2014	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1	2012	Q4	Q3
MNOK	2014	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1	2012	Q4	Q3
Revenues	7 157	2 433	2 359	2 365	8 264	2 201	1 950	2 105	2 008	7 485	2 043	1 831
EBITDA	1 166	459	366	341	1 179	292	310	293	284	1 050	251	277
EBITDA %	16.3	18.9	15.5	14.4	14.3	13.3	15.9	13.9	14.1	14.0	12.3	15.1
New orders	7 997	1 975	2 594	3 428	8 455	1 579	1 781	2 431	2 664	8 438	1 668	1 941
Order backlog	7 834	7 834	8 121	7 615	6 529	6 529	7 125	7 219	6 893	6 042	6 042	6 477
EBITA	1 041	415	324	302	1 018	252	268	253	245	908	207	241
EBITA %	14.5	17.1	13.7	12.8	12.3	11.4	13.7	12.0	12.2	12.1	10.1	13.2

KDS	2014				2013					2012		
	2014	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1	2012	Q4	Q3
MNOK	2014	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1	2012	Q4	Q3
Revenues	3 095	920	1 291	884	4 554	1 619	884	1 063	988	4 654	1 258	979
EBITDA	368	148	147	73	520	218	129	104	69	478	148	118
EBITDA %	11.9	16.1	11.4	8.3	11.4	13.5	14.6	9.8	7.0	10.3	11.8	12.1
New orders	7 268	565	2 019	4 684	3 232	1 292	589	651	700	3 514	903	742
Order backlog	8 856	8 856	9 203	8 460	5 489	5 489	5 816	6 112	6 534	6 817	6 817	7 170
EBITA	297	124	123	50	407	186	101	77	43	372	120	92
EBITA %	9.6	13.5	9.5	5.7	8.9	11.5	11.4	7.2	4.4	8.0	9.5	9.4

KPS	2014				2013					2012		
	2014	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1	2012	Q4	Q3
MNOK	2014	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1	2012	Q4	Q3
Revenues	1 159	360	365	434	2 420	636	337	660	787	2 876	758	683
EBITDA	112	(6)	39	79	419	90	66	115	148	727	179	210
EBITDA %	9.7	(1.7)	10.7	18.2	17.3	14.2	19.6	17.4	18.8	25.3	23.6	30.7
New orders	1 661	584	899	178	2 005	703	680	438	184	1 957	980	612
Order backlog	3 315	3 315	3 088	2 555	2 805	2 805	2 739	2 396	2 617	3 218	3 218	2 997
EBITA	73	(19)	27	65	362	76	52	102	132	654	155	193
EBITA %	6.3	(5.3)	7.4	15.0	15.0	11.9	15.4	15.5	16.8	22.7	20.4	28.3

KOGT	2014				2013					2012		
	2014	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1	2012	Q4	Q3
MNOK	2014	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1	2012	Q4	Q3
Revenues	789	271	247	271	1 077	305	256	277	239	702	183	185
EBITDA	(45)	15	(42)	(18)	49	25	18	8	(2)	44	(5)	35
EBITDA %	(5.7)	5.5	(17.0)	(6.6)	4.5	8.2	7.0	2.9	(0.8)	6.3	(2.7)	18.9
New orders	634	151	198	285	1 385	186	605	299	295	750	180	165
Order backlog	405	405	514	537	734	734	855	505	484	293	293	303
EBITA	(61)	9	(47)	(23)	34	15	17	6	(4)	39	(6)	33
EBITA %	(7.7)	3.3	(19.0)	(8.5)	3.2	4.9	6.6	2.2	(1.7)	5.6	(3.3)	17.8

KONGSBERG	2014				2013					2012		
	2014	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1	2012	Q4	Q3
MNOK	2014	Q3	Q2	Q1	2013	Q4	Q3	Q2	Q1	2012	Q4	Q3
Revenues	12 195	3 991	4 263	3 941	16 323	4 745	3 448	4 097	4 033	15 652	4 209	3 675
EBITDA	1 515	614	455	446	2 142	611	518	513	500	2 294	573	646
EBITDA %	12.4	15.4	10.7	11.3	13.1	12.9	15.0	12.5	12.4	14.7	13.6	17.6
New orders	17 556	3 277	5 714	8 565	15 043	3 697	3 688	3 773	3 885	14 605	3 717	3 495
Order backlog	20 580	20 580	21 096	19 344	15 687	15 687	16 711	16 398	16 733	16 523	16 523	17 084
EBITA	1 265	526	373	366	1 797	515	434	430	418	1 971	477	566
EBITA %	10.4	13.2	8.7	9.3	11.0	10.9	12.6	10.5	10.4	12.6	11.3	15.4

CONDENSED INCOME STATEMENT FOR THE PERIOD

MNOK	Note	1.7. - 30.9.		1.1. - 30.9.		1.1 - 31.12.
		2014	2013	2014	2013	2013
Revenues	1	3 991	3 448	12 195	11 578	16 323
Operating expenses		(3 392)	(2 930)	(10 722)	(10 047)	(14 181)
Share of net income from Joint arrangements and associated companies	8	15	-	42	-	-
EBITDA		614	518	1 515	1 531	2 142
Depreciation		(88)	(84)	(250)	(249)	(345)
EBITA	1	526	434	1 265	1 282	1 797
Amortisation		(35)	(29)	(104)	(95)	(138)
Impairment		-	-	(16)	-	-
EBIT		491	405	1 145	1 187	1 659
Net financial items		(1)	3	1	(8)	(15)
Earnings before tax (EBT)		490	408	1 146	1 179	1 644
Income tax		(128)	(114)	(298)	(329)	(419)
Earnings after tax		362	294	848	850	1 225
Attributable to:						
Non-controlling interests		3	1	6		(3)
Equity holders of the parent		359	293	842	851	1 228
Earnings per share (EPS). NOK		2.99	2.44	7.02	7.10	10.24
Earnings per share, diluted NOK		2.99	2.44	7.02	7.10	10.24

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

MNOK	Note	1.7. - 30.9.		1.1. - 30.9.		1.1 - 31.12.
		2014	2013	2014	2013	2013
Earnings after tax		362	294	848	850	1 225
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Change. fair value of financial instr. and hedge instr. for cash flow hedges:	5					
- Change. cash flow hedges and int. rate swap agreements		(4)	1	(1)	(3)	(7)
- Change. available-for-sale investments		(173)	(87)	(65)	(418)	(461)
Tax effect. cash flow hedges and int. rate swap agreements		47	24	16	117	129
Translation differences, foreign currency		30	24	72	101	123
Net items that may be reclassified subsequently to profit or loss:		(100)	(38)	22	(203)	(216)
<i>Items that will not be reclassified to profit or loss:</i>						
Actuarial gains/losses pensions		-	(267)	-	(267)	(239)
Tax on items recognised against statement of comprehensive income		-	75	-	75	67
Net items that will not be reclassified to profit or loss:		-	(192)	-	(192)	(172)
Comprehensive income		262	64	870	455	837

CONDENSED STATEMENT OF FINANCIAL STATUS

		30.9.	30.6.	31.12.
	Note	2014	2014	2013
MNOK				
Property, plant and equipment		2 487	2 498	2 655
Intangible assets	4	3 111	3 109	3 137
Other non-current assets	5	301	311	295
Total non-current assets		5 899	5 918	6 087
Inventories		3 053	2 852	2 943
Trade receivables		1 998	2 170	2 238
Construction contracts under constructions, asset		2 795	2 607	1 963
Other current assets		1 312	1 234	932
Cash and short-term deposits		3 900	3 775	3 272
Total current assets		13 058	12 638	11 348
Total assets		18 957	18 556	17 435
Paid-in equity		982	982	982
Retained earnings		6 084	5 694	5 799
Fair value of financial instruments		(183)	(52)	(132)
Non-controlling interests		23	20	8
Total equity		6 906	6 644	6 657
Long-term interest-bearing debt	5	855	841	811
Other non-current liabilities and provisions	3	2 118	2 053	1 938
Total non-current liabilities and provisions		2 973	2 894	2 749
Construction contracts under construction, liabilities		3 722	3 914	2 548
Short term interest bearing debt.	5	-	-	526
Other current liabilities and provisions	3	5 356	5 104	4 955
Total current liabilities and provisions		9 078	9 018	8 029
Total equity, liabilities and provisions		18 957	18 556	17 435
Equity ratio(%)		36.4	35.8	38.2
Net interest-bearing liabilities		(3 045)	(2 934)	(1 935)
Net interest-bearing debt/EBITDA(%)		n/a	n/a	n/a

CONDENSED STATEMENT OF CHANGES IN EQUITY

	30.9.	30.6.	31.12.
	2014	2014	2013
MNOK			
Equity opening balance	6 657	6 657	6 274
Comprehensive income	870	608	837
Dividends	(630)	(630)	(450)
Treasury shares	10	10	(3)
Acquisition / disposals non-controlling interests	-	-	-
Dividends non-controlling interests	(1)	(1)	(2)
Change in non-controlling interests	-	-	1
Equity, closing balance	6 906	6 644	6 657

CONDENSED CASH FLOW STATEMENT

	1.7. - 30.9.		1.1. - 30.9.		1.1 - 31.12.
MNOK	2014	2013	2014	2013	2013
Earnings before interest, tax, depreciation and amortisation	614	518	1 515	1 531	2 142
Change in net current assets and other operating related items	(445)	(697)	522	(614)	(159)
Net cash flow from operating activities	169	(179)	2 037	917	1 983
Acquisition of property, plant and equipment	(63)	(60)	(233)	(225)	(346)
Acquisition of subsidiaries and non-controlling interests	-	-	(46)	(329)	(346)
Net payment of loans and acquisition/sale of shares	-	-	-	-	-
Other investing activities	(20)	(13)	(71)	(41)	(83)
Net cash flow from investing activities	(83)	(73)	(350)	(595)	(775)
New loans raised and repayment	22	(2)	(464)	(2)	-
Net interest received (paid)	13	(8)	24	(15)	(11)
Net payments for the purchase/sale of treasury shares	-	-	(7)	(18)	(17)
Transactions with non-controlling interests	-	-	-	-	(2)
Dividends paid to equity holders of the parent	-	-	(630)	(450)	(450)
Of which, dividends from treasury shares	-	-	2	-	-
Net cash flow used in financing activities	35	(10)	(1 075)	(485)	(480)
Effect of changes in exchange rates on cash and short-term deposits	4	8	16	30	35
Net change in cash and short-term deposits	125	(254)	628	(133)	763
Cash and short-term deposits opening balance	3 775	2 630	3 272	2 509	2 509
Cash and short-term deposits, closing balance	3 900	2 376	3 900	2 376	3 272

NOTES TO THE QUARTERLY ACCOUNTS

NOTE 1 – INFORMATION BY SEGMENT

	REVENUES					EBITDA					EBITA				
	1.7. - 30.9.		1.1 - 30.9.			1.7. - 30.9.		1.1 - 30.9.			1.7. - 30.9.		1.1 - 30.9.		
	2014	2013	2014	2013	2013	2014	2013	2014	2013	2013	2014	2013	2014	2013	2013
MNOK	2 433	1 950	7 157	6 063	8 264	459	310	1 166	887	1 179	415	268	1 041	766	1 018
KM	920	884	3 095	2 935	4 554	148	129	368	302	520	124	101	297	221	407
KPS	360	337	1 159	1 784	2 420	(6)	66	112	329	419	(19)	52	73	286	362
KOGT	271	256	789	772	1 077	15	18	(45)	24	49	9	17	(61)	19	34
OTHERS	7	21	(5)	24	8	(2)	(5)	(86)	(11)	(25)	(3)	(4)	(85)	(10)	(24)
THE GROUP	3 991	3 448	12 195	11 578	16 323	614	518	1 515	1 531	2 142	526	434	1 265	1 282	1 797

NOTE 2 – GENERAL INFORMATION AND PRINCIPLES

The consolidated accounts for Q3 (the interim accounts) cover Kongsberg Gruppen ASA, its subsidiaries and jointly controlled schemes, as well as the Group's stakes in associates, which have been consolidated using the equity method. The interim accounts have been drawn up in accordance with IAS 34 for interim reporting, the Stock Exchange regulations and the supplementary requirements in Norway's Securities Trading Act. The interim accounts do not include all the information required for a full financial statement and should therefore be read in the light of the consolidated accounts for 2013. The consolidated accounts for 2013 comply with the rules in the Norwegian Accounting Act and with international financial reporting standards, as laid down by the EU. KONGSBERG has applied the same accounting policies as are described in the consolidated accounts for 2013, with the exception of factors mentioned in Note 8 - Policy changes pursuant to IFRS 11.

The consolidated accounts for 2013 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 2013.

NOTE 4 – EQUITY-FINANCED DEVELOPMENT

Development costs of MNOK 187 (MNOK 152) were charged against income in Q3 2014. In addition, MNOK 19 (MNOK 11) in equity-financed development was capitalised in Q2.

NOTES TO THE QUARTERLY ACCOUNTS

NOTE 5 – FINANCIAL INSTRUMENTS

Credit facilities

KONGSBERG has undrawn overdraft facilities of MNOK 1 500.

Other non-current assets

The value of shares available-for-sale have an added value of MNOK 8 at Q3. This is a decrease of MNOK 1 from 1 January 2014. In the quarter, the decrease is MNOK 4.

Currency futures, options and interest swap agreements

Holdings classified as cash flow hedges (prognosis hedges) is decreased by MNOK 65²⁾ before tax from 1 January 2014. Of that amount, the change in the capitalised value of currency futures accounted for a decrease of MNOK 180 during the same period. Currency exchange rates on the spot market at end quarter were NOK 6.45/USD 1 and NOK 8.12/EUR 1.

MNOK (before tax)	Falling due in 2014		Falling due in 2015 or later		Total		
	Value based on agreed exchange rates	Net excess value at 30 Sept. 14	Value based on agreed exchange rates	Net excess value at 30 Sept. 14	Value based on agreed exchange rates	Change in excess value from 31 Dec.. 13	Net excess value at 30 Sept. 14
EUR	503	6	700	7	1 203	62	13
USD	2 081	(68)	3 540	(153)	5 621	(234)	(221)
Other Currency	153	(3)	240	(5)	393	(8)	(8)
Deferred gain ¹⁾	-	(6)	-	(31)	-	124	(37)
Total	2 737	(71)	4 480	(182)	7 217	(56)²⁾	(253)

1) The gain arises when the prognosis hedges mature and new hedges are secured for the projects. Any gains/losses that arise are deferred and realised proportional to the progress of the project.

2) The difference between these two figures is due to a change in holdings of interest swap agreements that is not reflected in the currency list.

NOTE 6 – RELATED PARTIES

The Board is not aware of any changes or transactions with close associates in the nine months of the year that would have a material impact on the Group's financial position or profit during the quarter.

NOTE 7 – KEY RISK AND UNCERTAINTY FACTORS

No significant new risk or uncertainty factors were discovered during the quarter beyond the events discussed in Note 35 to the Annual Report for 2013, "Events subsequent to the balance sheet date". The Group's assessment of potential financial effects is the same as at when the financial statements for 2013 were presented.

For a description of how the Group deals with different types of risk, please refer to the Annual Report for 2013.

NOTE 8 – POLICY CHANGE AS A RESULT OF THE IMPLEMENTATION OF IFRS 11 JOINT ARRANGEMENTS

IFRS 11 Joint Arrangements was implemented as from 1 January 2014. For KONGSBERG, this implies that Kongsberg Satellite Services AS, 50 per cent of which is owned by KONGSBERG, is now recognised using the equity method rather than by gross consolidation. The P/L element after tax is included along with similar items from other investments on the line "Share of net income from Joint arrangements and associated companies". As the change is not considered to have any material effect on the assessment of the Group's financial statements, the comparable figures have not been restated. Reference is made to Note 32 of the 2013 Annual Report for information about Kongsberg Satellite Services AS' key figures for 2013. The table below indicates the figures for the Group as they would have appeared, had IFRS 11 been applied as from 1 January 2013.

KONGSBERG	2013 reported	2013 reported				2013 adjusted	2013 adjusted			
		Q4	Q3	Q2	Q1		Q4	Q3	Q2	Q1
NOK millioner	2013					2013				
Revenues	16 323	4 745	3 448	4 097	4 033	16 082	4 683	3 384	4 040	3 975
EBITDA	2 142	611	518	513	500	2 100	598	508	502	492
EBITDA %	13,1	12,9	15,0	12,5	12,4	13,1	12,9	15,0	12,5	12,4
Earnings after tax	1 225	375	294	285	271	1 225	375	294	285	271
Non-current assets	6 087	6 087	6 027	6 061	6 032	5 877	5 877	5 809	5 840	6 246

NOTES

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NOTES

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