



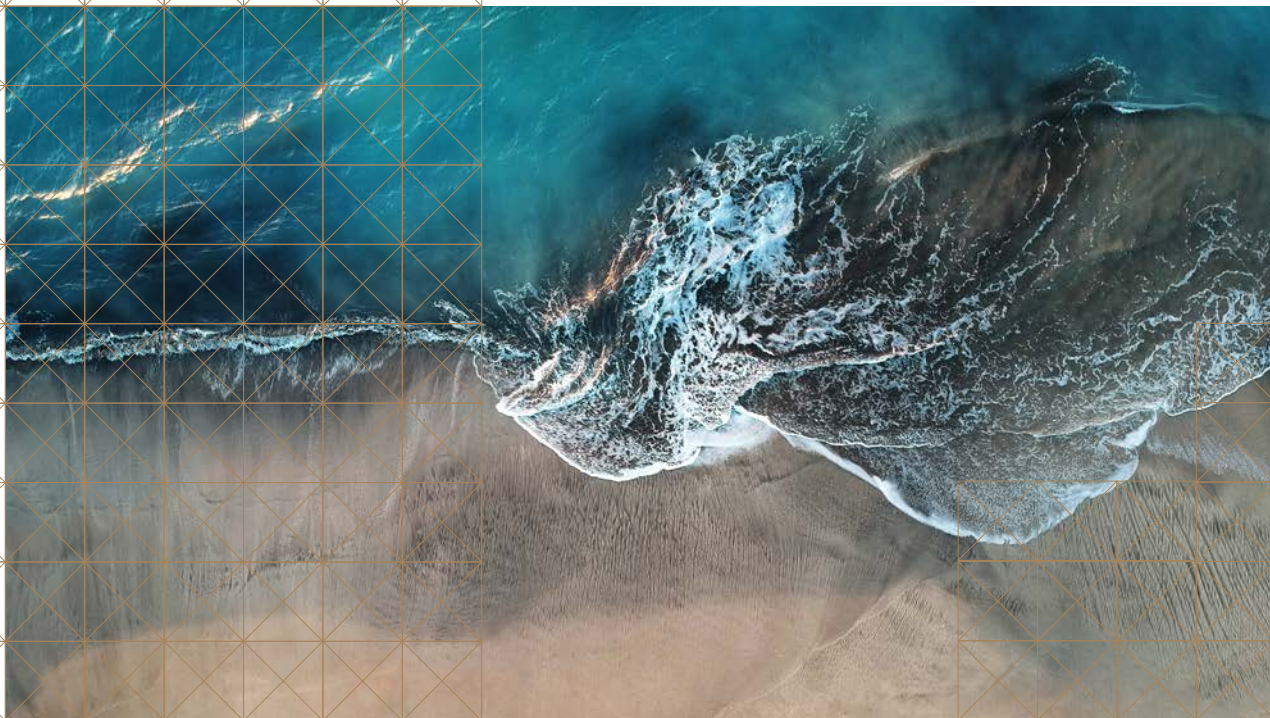
KONGSBERG

# QUARTERLY REPORT

## 2ND QUARTER 1ST HALF

# 2019

# KONGSBERG



**GEIR HÅØY**  
President & CEO

*«The second quarter was another good one, with KONGSBERG making further progress. Order intake is good and operating revenues are on the up. We are already seeing the effects of the cost-reducing measures within Commercial Marine, and the entity delivered a positive EBITDA in the second quarter, adjusted for integration- and restructuring costs. The defence area ends the second quarter with a record order backlog. Combined with a strong order intake at the start of the third quarter, KONGSBERG has a solid basis for growth going forwards.»*

*Through the acquisitions of Rolls-Royce Commercial Marine and Aerospace Industrial Maintenance, in the second quarter, we have become a company with almost 11,000 employees operating in 40 countries. Throughout the quarter, there was a considerable focus on integration of the new companies, which will continue over the coming quarters. It is also reassuring to see that operations are good, and that KONGSBERG is growing.»*

# Highlights

## KONGSBERG

Growth in both order intake and operating revenues. The acquisitions of Rolls-Royce Commercial Marine (now Commercial Marine) and Aerospace Industrial Maintenance (now Kongsberg Aviation Maintenance Services) have been completed, and integration of these companies are progressing as planned.

## KONGSBERG MARITIME

Good order intake, particularly within Sensors & Robotics. Growth in operating revenues and profitability. High level of activity linked to the integration of Commercial Marine.

## KONGSBERG DEFENCE & AEROSPACE

Strong order intake with substantial orders for both the NASAMS air defence system and components for the F-35 programme. Growth in both operating revenues and EBITDA.

## KONGSBERG DIGITAL

Further increase in order intake and operating revenues. Improved profitability compared to the previous year.

## Key figures

MNOK	1.4. - 30.6.			1.1. - 30.6.			2018
	2019	2019 ex. IFRS 16	2018	2019	2019 ex. IFRS 16	2018	
Operating revenues	6 244	6 244	3 525	9 871	9 871	7 079	14 381
EBITDA	479	371	241	893	708	527	1 394
EBITDA (%)	7,7	5,9	6,8	9,0	7,2	7,4	9,7
EBIT	160	141	124	399	369	299	945
EBIT (%)	2,6	2,3	3,5	4,0	3,7	4,2	6,6
Earnings before tax	88	103	114	308	338	258	844
Earnings after tax	73	85	89	243	268	205	704
EPS (NOK)	0,40	0,48	0,76	1,35	1,50	1,72	5,58
New orders	9 617	9 617	5 299	13 383	13 383	8 238	16 574

MNOK	30.6. 2019	31.3. 2018	31.12. 2018
Equity ratio (%) ex. IFRS 16	38,2	45,8	45,7
Equity ratio (%)	35,7	43,3	-
Net interest-bearing debt <sup>1)</sup>	(173)	(6 041)	(5 706)
Working Capital <sup>2)</sup>	765	(157)	(14)
ROACE (%) <sup>3)</sup>	11,0	13,6	12,5
Order backlog	27 774	17 301	17 283
No. of employees	10 802	6 881	6 842

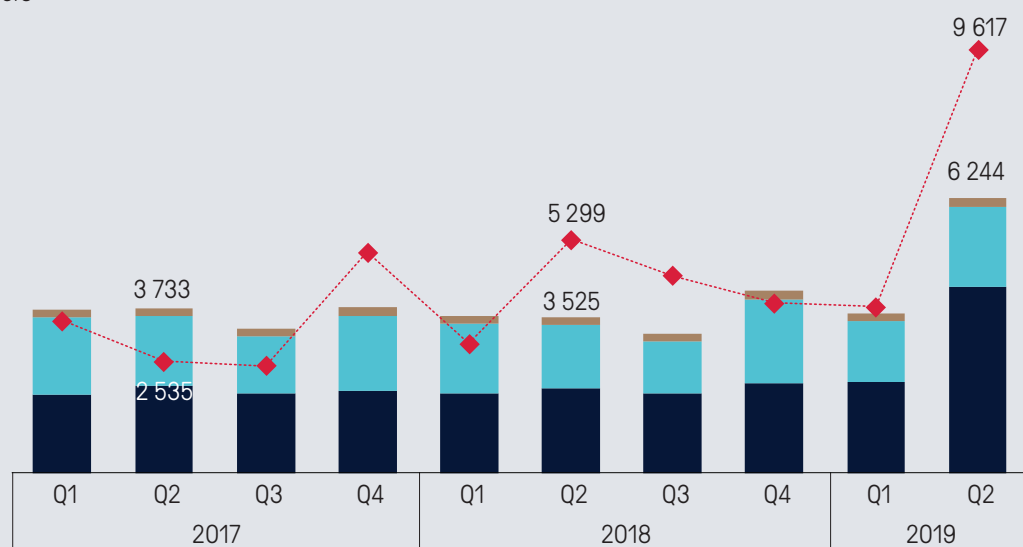
<sup>1)</sup> Net interest-bearing debt is the net amount of the accounting lines "Cash and cash equivalents" and "Short- and long-term interest-bearing debt, excluding leasing commitments".

<sup>2)</sup> Current assets minus cash and cash equivalents, current non-interest debt (except taxes payable) and financial instruments recognised at fair value.

<sup>3)</sup> 12-month rolling EBIT exclusive of IFRS 16 divided by the 12-month mean of equity and net interest-bearing debt. Net interest-bearing debt is adjusted for the purchase price for Rolls-Royce Commercial Marine, compared to what was reported in first quarter 2019.

## OPERATING REVENUES AND NEW ORDERS

Operating Revenues  
 ◆ KM ◆ KDA ◆ ØVRIG  
 ◆ New orders

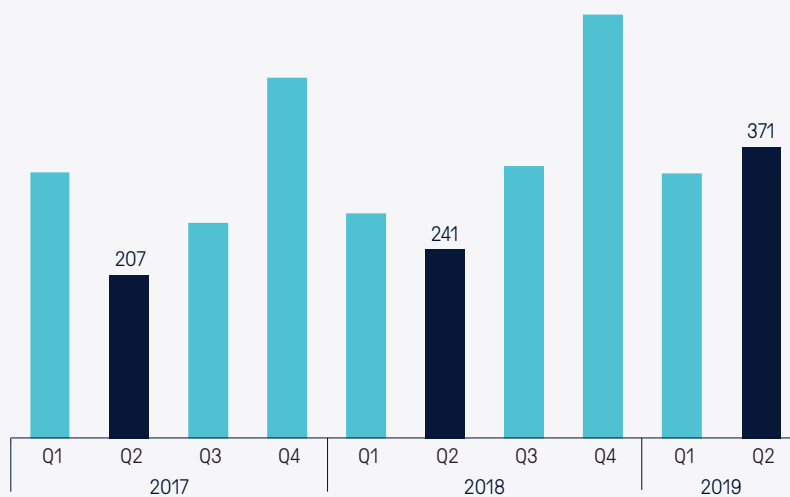


## ORDER BACKLOG



## EBITDA

Ex. IFRS 16



## EPS

Ex. IFRS 16



*\*Unless stated otherwise, comments on the figures in this report focus on reported figures without IFRS 16 effects. Under the section number and notes, "IFRS 16 Leases" is implemented in the 2019 condensed statements figures, while the 2018 figures have not been updated. See note 2.*

## Performance, market and orders

During Q2, operating revenues amounted to MNOK 6,244, compared to MNOK 3,525 in the same quarter last year. Of the growth, operating revenues from Commercial Marine amounted to MNOK 2,029. During the first half of the year, the Group had operating revenues of MNOK 9,871, compared to MNOK 7,079 in the first half of 2018. Adjusted for Commercial Marine and the profit from the sale of Kongsberg Evotec (Q1 2019), operating revenues grew by 9.3 percent, reflecting growth in all business areas.

EBITDA during Q2 was MNOK 371, an EBITDA margin of 5.9 percent, compared to MNOK 241 (6.8 percent) in the same quarter last year. This includes integration costs (MNOK 54) and restructuring costs (MNOK 31) linked to the ongoing integration and restructuring of Commercial Marine. For the first half of the year, EBITDA amounted to MNOK 708 (7.2 percent), compared to MNOK 527 (7.4 percent) in the same period last year. During the first half of 2019, EBITDA was affected by integration costs (MNOK 133) and restructuring costs (MNOK 31) relating to Commercial Marine, as well as the profit from the sale of Kongsberg Evotec AS (MNOK 107). This gives an adjusted half-year EBITDA of MNOK 765, compared to MNOK 656 during the first half of 2018 (adjusted for acquisition costs, amongst other things). There was an increase in all business areas.

Order intake during Q2 amounted to MNOK 9,617, compared to MNOK 5,299 in the same quarter last year. Within the order income, Commercial Marine amounts to MNOK 2,645. The book-to-bill ratio during the quarter was 1.54. Approximately MNOK 1,300 of the order intake during Q2 was linked to the F-35 contract, which was announced in July. The contract is effective from June, but it was announced on 7 July as a result of formal approvals from the client. During the first half of the year, KONGSBERG had an order intake of MNOK 13,383, compared to MNOK 8,238 during the same period last year. At the start of Q2, KONGSBERG took over an order backlog for Commercial Marine amounted to MNOK 6,739. KONGSBERG has a record order backlog of MNOK 27,774 at the start of Q3, compared to MNOK 16,419 at the same time last year.

## Cash flow

KONGSBERG recorded a net reduction in cash and cash equivalents of MNOK 5,867 in Q2. This reduction is primarily linked to the net settlement for Rolls-Royce Commercial Marine (RRCM) and the dividend distributed to shareholders. There was a net inflow of cash and cash equivalents of approximately MNOK 400 in connection with acquisition of Aerospace Industrial Maintenance AS (AIM). Cash flow from operations during the quarter was MNOK 461. This is primarily linked to the building-up of working capital in the projects in KDA. KDA had an increase in activity level, meanwhile payments from clients were low during the period. In total for the half-year, net cash and cash equivalents are reduced by MNOK 5,516, while the operation in the half-year made a net positive contribution to cash and cash equivalents of MNOK 129.

OPERATING REVENUES

6,244  
MNOK

EBITDA-MARGIN

5.9%  
Ex. IFRS 16

NEW ORDERS

9,617  
MNOK

# Balance sheet

The Group has interest-bearing debt totalling MNOK 4,349. At the end of the quarter, long-term interest-bearing debt consists of five bond loans totalling MNOK 3,450, and other long-term interest-bearing debt of MNOK 19. There are also two bond loans totalling MNOK 800 in the MNOK 880 which is classified as short-term interest-bearing debt. See also Note 6. At the end of Q2 2019, the Group had MNOK 4,522 in cash and cash equivalents, compared to MNOK 10,038 at the end of Q4 2018.

At the end of the quarter, net interest-bearing debt closed at MNOK -173, compared to MNOK -5,706 at the end of 2018. The provisional settlement for the acquisition of RRCM took place on 1 April 2019 and is the main factor behind the net change in interest-bearing debt over the first half of the year.

In addition, the Group has a syndicated credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. These are unused in 2019.

The overall balance sheet increased by MNOK 5,048 during the quarter, primarily linked to the acquisition of RRCM and AIM. (For AIM, see Note 11).

NET INTEREST-BEARING DEBT

**-173**

MNOK

EQUITY RATIO

**38.2%**

Ex. IFRS 16

MNOK	30.6.		31.3.		31.12.
	2019	2019 ex. IFRS 16	2019	2019 ex. IFRS 16	2018
Equity	12 341	12 370	12 791	12 803	12 626
Equity ratio (%)	35,7	38,2	43,3	45,8	45,7
Total assets	34 575	32 420	29 527	27 978	27 658
Working capital <sup>1)</sup>	765	765	(157)	(157)	(14)
Gross interest-bearing debt	4 349	4 349	4 348	4 348	4 332
Cash and cash equivalents	4 522	4 522	10 389	10 389	10 038
Net interest-bearing debt <sup>1)</sup>	(173)	(173)	(6 041)	(6 041)	(5 706)

<sup>1)</sup> See definitions note 12.

## Currency

The company's currency policy means that contractual currency flows are hedged by forward contracts (fair value hedges). In addition, the Group hedges a proportion of expected order intake for large contracts according to the established policy (cash flow hedges). The company's portfolio of cash flow hedges has a fair value of MNOK -82 at the end of the quarter, which is recognised in equity. See also Note 6.

## 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 397, of which MNOK 29 was capitalised. See the table in Note 7.

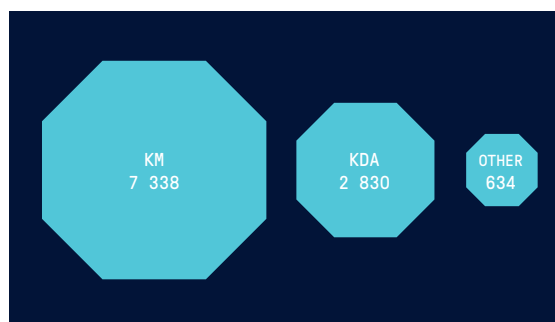
The largest capitalised projects related to the development of a digital platform (Kognifai), Joint Strike Missile (JSM), medium-calibre weapon station (MCT), new integrated vessel solutions and remote towers for airports.

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

KONGSBERG had 10,802 employees at the end of the quarter, of whom around 39 per cent were employed by companies outside Norway. The number of employees rose by 3,921 during the quarter. There was an increase of 3,526 at KM linked to the takeover of Commercial Marine (formerly RRCM) and 365 at KDA in conjunction with the takeover of Kongsberg Aviation Maintenance Services AS (formerly AIM).



Number of employees by business areas

## Other activities

Other activities consist of Kongsberg Digital (KDI), real estate and group functions.

KDI began 2019 with significantly increased revenues and improved profitability compared to the previous year. Operating revenues started to rise in the autumn of 2018, and this continued into the first half of 2019. Operating revenues increased from Q1 and are approximately 40 percent higher than the corresponding quarter in 2018. Profitability for Q2 and the first six months of the year improved compared to last year, primarily as a result of an increase in volume. KDI has a good order intake and a book-to-bill ratio of 1.11 this quarter. The book-to-bill ratio for the first half of the year is 1.10. KDI also completed the successful launch of “Vessel Insight”, a cost efficiency digital solution to gather and present real time data from vessels.



# Aerospace Industrial Maintenance Norway AS

In December 2018, KONGSBERG, through KDA, signed an agreement with the Ministry of Defence for the acquisition of Aerospace Industrial Maintenance Norway AS (AIM). The acquisition of AIM will strengthen KONGSBERG's role as a strategic partner for the Norwegian Armed Forces' operational needs. The transaction was completed on 29 May 2019, and changed name in June to Kongsberg Aviation Maintenance Services AS. See Note 11.

## Commercial Marine

The acquisition of Rolls-Royce Commercial Marine was completed on 1 April 2019, and the new entity (Commercial Marine) is recognised as part of Kongsberg Maritime with effect from Q2 2019. Through the acquisition, KONGSBERG took over an order backlog of MNOK 6,739 at the start of Q2.

Integration of the company is progressing well. Initially, systematic efforts are being made to extract synergies resulting from co-location, a reduction in the workforce and support functions, as well as other harmonisation measures. The process proceeded as planned throughout the quarter.

## Events after balance date

On 10 July, KONGSBERG was awarded a contract for delivery of the NASAMS air defence system to Qatar worth MNOK 5,600.

# KONGSBERG MARITIME

## Background

On 1 April 2019, the acquisition of Rolls-Royce Commercial Marine (RRCM) from Rolls-Royce plc. was completed, and RRCM has since been integrated into Kongsberg Maritime (KM). The acquired entity is hereinafter referred to as Commercial Marine (CM). With effect from Q2, CM's financial results have been consolidated into the results reported for KM.

In order to illustrate a comparable trend with respect to Q2 in 2018, the results are hereinafter presented as a total for the merged KM, as well as for "formerly KM" and for CM, hereinafter referred to as:

- **KM:** The integrated "new" Kongsberg Maritime, a leading turnkey supplier to the maritime industry, which comprises the following divisions: Sensors & Robotics; Integrated Solutions; Propulsion & Engines; Systems & Deck Machinery; and Global Customer Support.
- **"Formerly KM":** Comprises Sensors & Robotics; Integrated Solutions; and Global Customer Support.
- **CM:** Comprises Propulsion & Engines; Systems & Deck Machinery; and Marine Services (corresponding to Global Customer Support in "formerly KM").

## Performance

KM's operating revenues amounted to MNOK 4,221 during Q2, of which approximately MNOK 2,000 originates from the after-market. The breakdown of revenues is as follows:

- **"Formerly KM":** MNOK 2,192, compared to MNOK 1,910 in Q2 2018, which represents an increase of approximately 15 percent. The increase in revenues is primarily a result of increased activity within the Marine Robotics area in Sensors & Robotics. There is also high activity within the LNG segment in Integrated Solutions.
- **CM:** MNOK 2,029, on a par with last year. Approximately 60 percent of CM's revenues originates from the after-market.

KM's EBITDA during the quarter was MNOK 124.

- For "formerly KM" EBITDA was MNOK 187, equivalent to an EBITDA margin of 8.5 percent, and up from MNOK 115 in Q2 2018.
- CM's EBITDA was MNOK -63. CM was charged with integration- and restructuring costs of MNOK 85 during the quarter, which means that the underlying operation for CM was positive. EBITDA improved in all divisions within CM.

Integration- and restructuring costs in Q2 are primarily linked to the merging and streamlining of IT systems, as well as work relating to reporting and detailing of organisational structure.

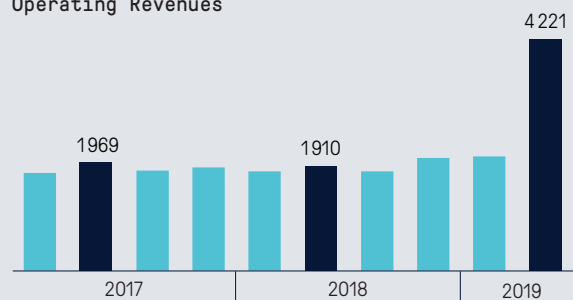
As part of the acquisition of CM, a broad integration programme has been initiated which will give annual cost savings of MNOK 500

## KEY FIGURES

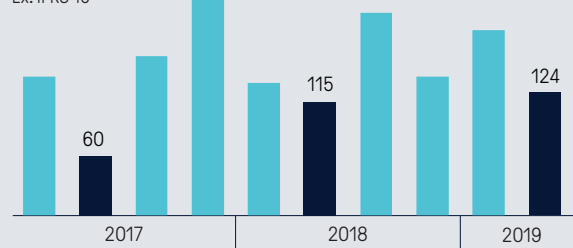
	1.4. - 30.6.		1.1. - 30.6.		
	2019	2018	2019	2018	
<b>MNOK</b>					
Operating revenues	4 221	1 910	6 293	3 706	7 545
EBITDA ex. IFRS 16	124	115	311	249	594
EBITDA	205	-	443	-	-
EBITDA (%) ex. IFRS 16	2,9	6,0	4,9	6,7	7,9
EBITDA (%)	4,9	-	7,0	-	-
New orders	5 238	2 107	7 651	4 007	8 884

	30.6.	31.3.	31.12.
	2019	2019	2018
<b>MNOK</b>			
Order backlog	13 519	5 981	5 739
No. of employees	7 338	3 812	3 794

### Operating Revenues



### EBITDA Ex. IFRS 16



by 2022. This integration programme has made good progress and had realised savings of MNOK 87 by the end of the first half of 2019. This means that KM follows the plan of MNOK 200 in cost reductions with annual effect in 2019. These effects will come from the merging of offices, reductions in overheads, and streamlining of the digital technology initiative.

In conjunction with the presentation of the financial results for Q1, KM announced a restructuring programme, which included a reduction of 260 full-time equivalents. This programme is being implemented on schedule, and the positive effects of these measures on the results are expected to become apparent over the impending quarters.

Accumulated operating revenues during the first half of the year amounted to MNOK 6,293. Breakdown:

- “Formerly KM” recorded operating revenues of MNOK 4,264 (including a profit from the sale of Kongsberg Evotec at MNOK 107), an increase from MNOK 3,706 in the first half of 2018, which corresponding an increase of approximately 15 percent.
- For its part, CM had an increase in revenues of approximately 4 percent during the first half of 2019, compared to the same period in 2018.

EBITDA for the first half of the year is MNOK 311. This includes the profit from the sale of Kongsberg Evotec (MNOK 107), integration costs (MNOK 133) and restructuring costs (MNOK 31). CM’s EBITDA, excluding integration and restructuring costs, is MNOK 22. This gives an adjusted EBITDA for “formerly KM” of MNOK 346 during the first six months of the year. In comparison, adjusted EBITDA for the same period last year was MNOK 299.

Presentation of adjusted EBITDA Q1 and Q2:

MNOK	Q1	Q2	H1
EBITDA KM	187	124	311
Effect on results, profit from the sale of Kongsberg Evotec	-107	-	-107
Integration costs, Commercial Marine	79	54	133
Restructuring costs, Commercial Marine	-	31	31
Result, Commercial Marine (EBITDA)	-	-22	-22
Adjusted EBITDA for “formerly KM”	159	187	346

The adjusted margin for “formerly KM” is 8.3 percent during the first half of 2019, compared to an adjusted margin of 8.1 percent in the first half of 2018.

Margins in KM fluctuate between quarters, mainly as a result of the current project mix. The margin over the impending quarters will also be affected by integration and restructuring costs.

## Market and orders

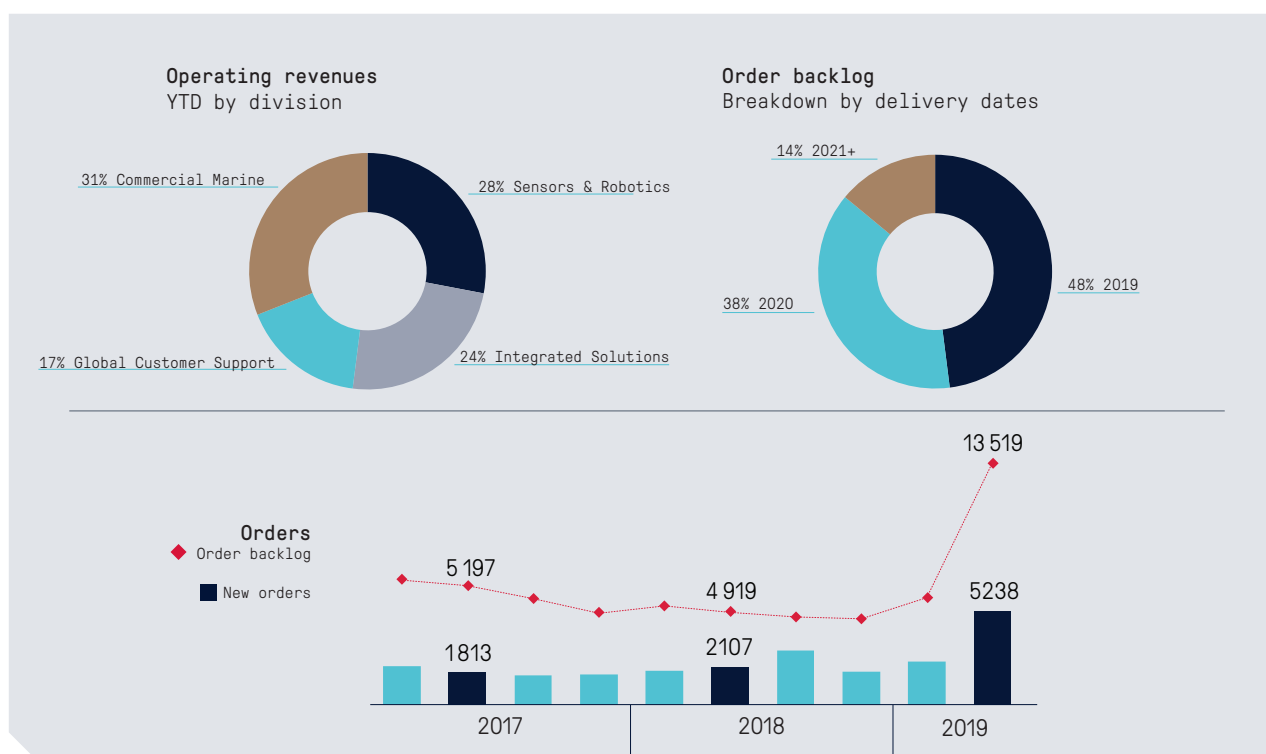
During Q2, new orders were signed worth MNOK 5,238, equivalent to a book-to-bill ratio of 1.24. Breakdown:

- “Formerly KM” had an order intake of MNOK 2,593 and a book-to-bill ratio of 1.18.
- CM had an order intake of MNOK 2,645, equivalent to a book-to-bill ratio of 1.30.

Order intake is strong within the Sensors & Robotics area, partly from the AUV and fisheries businesses. In the traditional vessel markets, order intake from the LNG Carrier market and offshore production units made particularly strong contributions. The after-market accounted for around 40 percent of the total order intake.

Certain markets remain challenging. For example, order intake from traditional offshore such as drilling and supply remains low. Although KM signed a contract worth MNOK 350 with the KeppelFels shipyard in Singapore for a semi-submersible drilling rig for Awilco Drilling during the quarter. Contracting from the traditional merchant fleet markets was somewhat weaker during Q2, and the order intake from the Systems & Deck Machinery division is also modest.

Accumulated order intake during the first half of the year amounted to MNOK 7,651. “Formerly KM” accounts for MNOK 5,006 of this, compared to MNOK 4,007 during the first half of 2018, an increase of approximately 25 percent.



# KONGSBERG DEFENCE & AEROSPACE

## Performance

Operating revenues amounted to MNOK 1,829 during Q2, compared to MNOK 1,441 during the same quarter last year, an increase of 26.9 percent. In the quarter's revenues, Kongsberg Aviation Maintenance Services (KAMS) revenues (MNOK 43) for June are included. For the first half of the year, operating revenues amounted to MNOK 3,198, compared to MNOK 3,026 last year. This represents an increase of 5.7 per cent. There was an increase in operating revenues both during the quarter and during the first half of the year in all divisions, with the exception of Protech Systems, which had a high level of activity during the same period last year linked to final deliveries of the MCT-30 to Stryker.

The financial results for the acquired enterprise Kongsberg Aviation Maintenance Services (formerly) were consolidated into KDA with effect from 29 May 2019. The entity is 50.1 percent owned by KDA and reported under the Aerostructures division.

EBITDA during the quarter was MNOK 252, compared to MNOK 200 last year. This represents an increase of MNOK 52 and gives a margin of 13.8 percent, compared to 13.9 percent during the same quarter last year. In the quarter's EBITDA, KAMS EBITDA (MNOK 4.5) for June are included. During the first half of the year, EBITDA amounted to MNOK 390, compared to MNOK 372 during the same period last year. This gives a margin of 12.2 percent during the first half of the year, compared to 12.3 percent during the first half of 2018.

The share of net income from associated companies in KDA is recognised in EBITDA. For Patria, this amounts to MNOK 5 (MNOK 2) for the second quarter of 2019 and MNOK -11 (MNOK 7) for the first half of the year. For Kongsberg Satellite Services, this amounts to MNOK 30 (MNOK 27) 2nd quarter and MNOK 55 (MNOK 54) for first half of the year. See also Note 5.

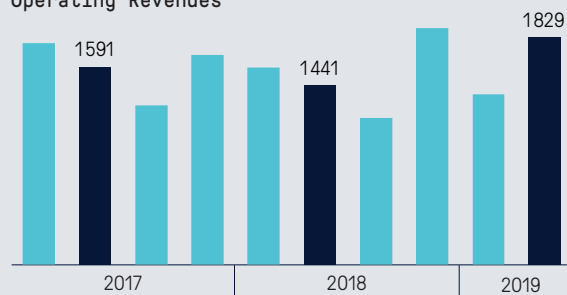
Patria recorded operating revenues of MEUR 134 during Q2, compared to MEUR 116 during the same quarter last year. This represents an increase of MEUR 18 and is primarily attributable to an increase in activity within Millog (a majority-owned subsidiary in Patria). Operating revenues amounted to MEUR 238 during the first half of the year, compared to MEUR 233 last year. KONGSBERG's share of net income from Patria during Q2 amounted to MNOK 5, compared to last year's MNOK 2. The improvement in Patria's performance during Q2 compared to the same quarter last year, is primarily due to an increase in activity and an improvement in the profitability of Millog and Nammo. The corresponding share in net income for the first half of the year was MNOK -11, compared to MNOK 7 last year, primarily as a result of lower activity during the first quarter. See Note 5.

## KEY FIGURES

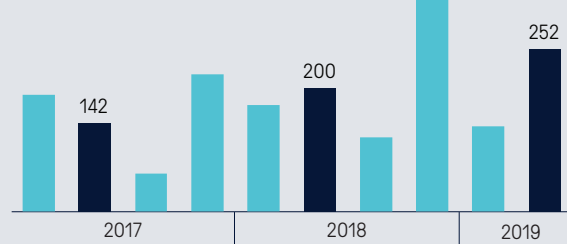
	1.4. - 30.6.		1.1. - 30.6.		
	2019	2018	2019	2018	2018
<b>MNOK</b>					
Operating revenues	1 829	1 441	3 198	3 026	6 104
EBITDA ex. IFRS 16	252	200	390	372	863
EBITDA	291	-	462	-	-
EBITDA (%) ex. IFRS 16	13,8	13,9	12,2	12,3	14,1
EBITDA (%)	15,9	-	14,4	-	-
New orders	4 160	3 045	5 297	3 843	6 885

	30.6.	31.3.	31.12.
	2019	2019	2018
<b>MNOK</b>			
Order backlog	13 433	10 519	10 744
No. of employees	2 830	2 465	2 448

### Operating Revenues



### EBITDA Ex. IFRS 16



# Market and orders

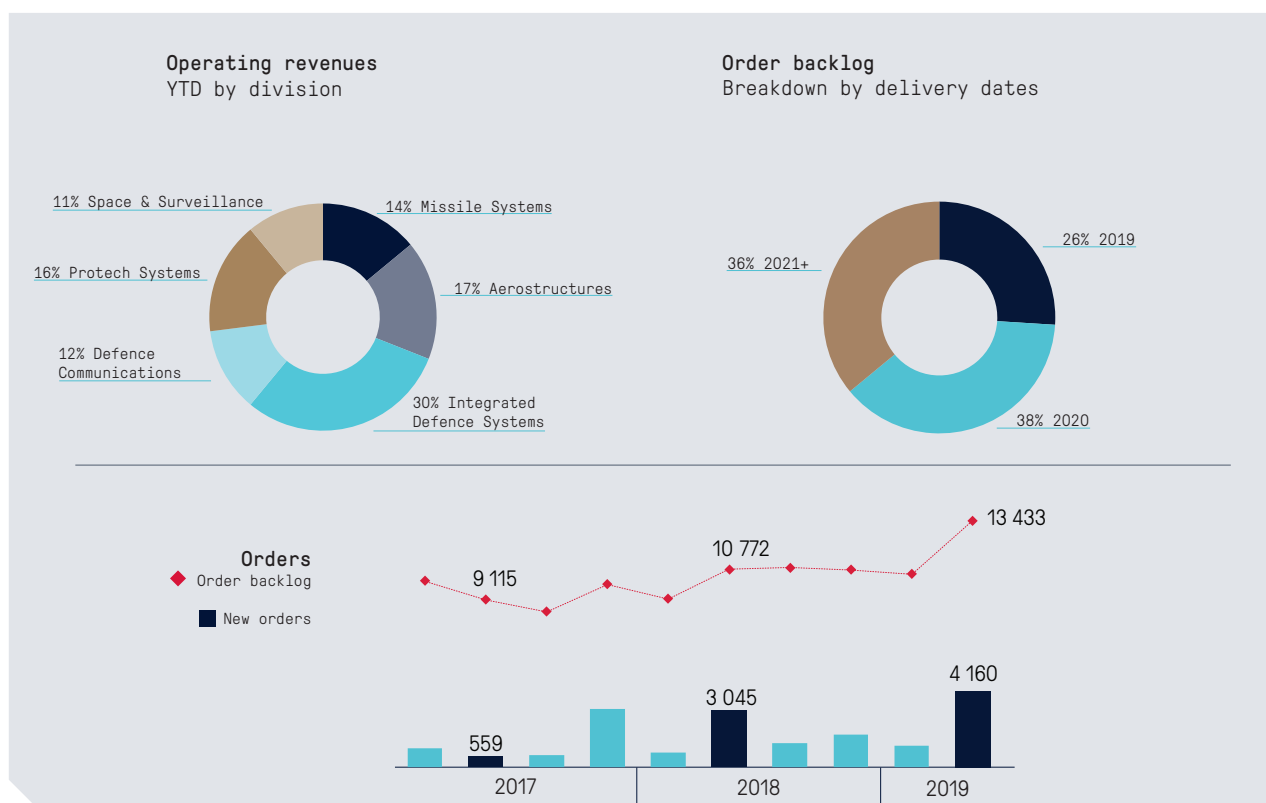
Order intake amounted to MNOK 4,160 during Q2 compared to MNOK 3,045 during the corresponding quarter last year. This represents an increase of MNOK 1,115 and gives a book-to-bill ratio of 2.27. The Integrated Defence Systems division, with a contract for NASAMS Australia (MNOK 1,600), and the Aerostructures division, with a contract for components for the F-35 of MNOK 2,000, made particularly strong contributions to the good order intake during the quarter. Of the latter contract, MNOK 1,300 was recognised in the order backlog for Q2.

During the first half of the year, order intake amounted to MNOK 5,297, compared to MNOK 3,843 during the same period last year. This gave KDA a record order backlog of MNOK 13,433 at the start of Q3.

Key contracts signed during Q2:

- **NASAMS contract with Australia worth MNOK 1,600.** Australia is the tenth nation to order the NASAMS air defence system. The continuous technological development of the system and the fact that more and more countries are choosing NASAMS reaffirms the world-leading position of the system.
- **Contract for deliveries to the F-35 programme worth MNOK 2,000.** The contract reaffirms KONGSBERG's strong and long-term position in the F-35 programme. The contract secures the continuous production of components for F-35s going forward.
- **Contract with NASA worth MNOK 132.** In June, Kongsberg Satellite Services (KSAT) was chosen by NASA to supply ground stations for NASA's new satellites. The company is the only player in the market that is able to provide operational services in the KA band (frequency).

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. Both in 2018 and during the first half of 2019, KONGSBERG has won strategically important contracts, and expects further good order intake over the coming years as a result of KDA's strong market position in its segments. Investments in defence programmes are often long-term processes. It is the authorities in the countries in question which are potential customers for major defence systems. 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.





# OUTLOOK

KONGSBERG maintains strong and important positions within both the civil and defence sectors, which should continue to develop positively in 2019. At the same time, it will be a year in which results are affected by the costs associated with the integration and restructuring of the “new” Kongsberg Maritime. In our civil sectors, in a period of generally challenging markets, we have focused considerably on existing and new markets, as well as making a significant acquisition. There is a great deal of international interest in the modern product portfolio from our defence sector, which gives us good prospects for order intake in both the short and long term, and provides a solid foundation for growth. Fluctuations in the margin situation must be expected between quarters, as a consequence of milestones achieved, the current combination of projects and the ongoing integration.

Kongsberg Maritime has developed into a supplier to virtually all the maritime markets. This makes the company robust and less affected by cycles within individual segments. This robustness is underpinned by an annual after-market of some MNOK 7,000 relating to equipment installed on more than 30,000 vessels. The integration of Commercial Marine will impact on the financial results in both 2019 and 2020. It is expected that total costs relating to this will total around MNOK 240 in 2019. Restructuring costs will also accrue. Further strong development in the after-market is expected, while certain segments within the new-build market will remain challenging. Operating revenues are expected to increase somewhat for both “formerly KM” and Commercial Marine this year, compared to last year. This is primarily a result of the strong order intake over the past year, and some increase in activity in the after-market.

Kongsberg Defence & Aerospace is seeing a high level of market activity both with respect to programmes where the business area has already been selected as the preferred supplier, and with respect to new programmes. At the beginning of Q3, KDA signed an order for the NASAMS air defence system for Qatar, and at the end of July, the order backlog increased to just over MNOK 19,000. Of this, over MNOK 3,000 is for delivery during the last five months of the year, while over MNOK 6,000 is for delivery during 2020. This gives KDA a solid basis for growth going forward.

Kongsberg Digital has been investing considerably in establishing new positions and strengthening existing positions related to the digitalisation of core areas within the oil and gas, wind and merchant shipping markets in recent years. The sector has experienced a strong increase in its order backlog over the past year, which provides a basis for further growth. It is important for KONGSBERG to maintain its leading digital position through continuous development. KDI’s growth strategy has therefore been intensified during 2019, with an emphasis on product portfolio and strategic opportunities.

Kongsberg, 27 August 2019  
The Board of Kongsberg Gruppen ASA

# NUMBERS & NOTES



## Key figures by quarter

Key figures are exclusive IFRS 16 effects.

KONGSBERG MNOK	2019			2018					2017				
	2019	Q2	Q1	2018	Q4	Q3	Q2	Q1	2017	Q4	Q3	Q2	Q1
Operating revenues	9 871	6 244	3 627	14 381	4 148	3 154	3 525	3 554	14 490	3 757	3 279	3 733	3 721
EBITDA	708	371	338	1 394	520	347	241	286	1 279	459	274	207	339
EBITDA %	7,2	5,9	9,3	9,7	12,5	11,0	6,8	8,0	8,8	12,2	8,4	5,5	9,1
New orders	13 383	9 617	3 766	16 574	3 859	4 477	5 299	2 939	13 430	5 015	2 429	2 535	3 451
Order backlog	27 774	27 774	17 301	17 283	17 283	17 602	16 419	14 814	15 629	15 629	14 298	15 308	16 672
EBIT	369	141	229	945	406	240	124	175	772	299	162	91	220
EBIT %	3,7	2,3	6,3	6,6	9,8	7,6	3,5	4,9	5,3	8,0	4,9	2,4	5,9

KONGSBERG MARITIME MNOK	2019			2018					2017				
	2019	Q2	Q1	2018	Q4	Q3	Q2	Q1	2017	Q4	Q3	Q2	Q1
Operating revenues	6 293	4 221	2 072	7 545	2 041	1 798	1 910	1 796	7 429	1 877	1 815	1 969	1 768
EBITDA	311	124	187	594	140	205	115	134	589	228	161	60	140
EBITDA %	4,9	2,9	9,0	7,9	6,9	11,4	6,0	7,5	7,9	12,1	8,9	3,0	7,9
New orders	7 651	5 238	2 413	8 884	1 853	3 024	2 107	1 900	7 336	1 693	1 670	1 813	2 160
Order backlog	13 519	13 519	5 981	5 739	5 739	5 975	4 919	4 740	4 820	4 820	4 908	5 197	5 519
EBIT	133	(25)	157	453	106	176	78	93	368	146	117	13	92
EBIT %	2,1	(0,6)	7,6	6,0	5,2	9,8	4,1	5,2	5,0	7,8	6,4	0,7	5,2

KONGSBERG DEFENCE & AEROSPACE MNOK	2019			2018					2017				
	2019	Q2	Q1	2018	Q4	Q3	Q2	Q1	2017	Q4	Q3	Q2	Q1
Operating revenues	3 198	1 829	1 369	6 104	1 898	1 180	1 441	1 585	6 333	1 683	1 281	1 591	1 778
EBITDA	390	252	138	863	371	120	200	172	612	221	61	142	188
EBITDA %	12,2	13,8	10,1	14,1	19,5	10,2	13,9	10,9	9,7	13,1	4,8	8,9	10,6
New orders	5 297	4 160	1 137	6 885	1 770	1 272	3 045	798	5 376	3 168	648	559	1 001
Order backlog	13 433	13 433	10 519	10 744	10 744	10 867	10 772	9 170	9 956	9 956	8 476	9 115	10 150
EBIT	267	190	77	621	309	58	137	117	409	165	13	93	138
EBIT %	8,3	10,4	5,6	10,2	16,3	4,9	9,5	7,4	6,5	9,8	1,0	5,8	7,8

Proforma figures, not audited\*:

COMMERCIAL MARINE MNOK	2019			2018				
	2019	Q2	Q1	2018	Q4	Q3	Q2	Q1
Operating revenues	3 900	2 029	1 871	8 215	2 475	1 980	2 054	1 706
EBITDA	(42)	22	(64)	(273)	(6)	(13)	(81)	(173)
EBITDA %	(1,1)	1,1	(3,4)	(3,3)	(0,2)	(0,7)	(3,9)	(10,1)
New orders	4 618	2 645	1 973	9 901	2 791	2 404	2 580	2 126
Order backlog	7 229	7 229	6 739	6 631	6 631	6 133	5 649	5 111
EBIT	(124)	(27)	(97)	(396)	(38)	(42)	(112)	(204)
EBIT %	(3,2)	(1,3)	(5,2)	(4,8)	(1,5)	(2,1)	(5,5)	(12,0)

\*) The figures are exclusive of integration costs, restructuring costs and the amortisation of excess values in connection with the acquisition.



## Condensed income statement

2019 is inclusive IFRS 16 effects.

MNOK	Note	1.4. - 30.6.		1.1. - 30.6.		2018
		2019	2018	2019	2018	
Operating revenues	4	6 244	3 525	9 871	7 079	14 381
Operating expenses	7	(5 794)	(3 312)	(9 010)	(6 612)	(13 168)
Share of net income from joint arrangements and associated companies	5	29	28	32	60	181
<b>EBITDA</b>	<b>4,12</b>	<b>479</b>	<b>241</b>	<b>893</b>	<b>527</b>	<b>1 394</b>
Depreciation of property, plant and equipment		(139)	(90)	(226)	(177)	(350)
Depreciation of leasing assets		(89)	-	(155)	-	-
Writedowns of property, plant and equipment		-	-	-	-	(6)
Amortisation of intangible assets		(91)	(27)	(113)	(51)	(93)
<b>EBIT</b>	<b>4,12</b>	<b>160</b>	<b>124</b>	<b>399</b>	<b>299</b>	<b>945</b>
Interest on leasing liabilities	2	(35)	-	(60)	-	-
Net financial items excl. IFRS 16 effects	6	(37)	(10)	(31)	(41)	(101)
<b>Earnings before tax (EBT)</b>		<b>88</b>	<b>114</b>	<b>308</b>	<b>258</b>	<b>844</b>
Income tax expenses	10	(15)	(25)	(65)	(53)	(140)
<b>Earnings after tax</b>		<b>73</b>	<b>89</b>	<b>243</b>	<b>205</b>	<b>704</b>
<b>Attributable to:</b>						
Equity holders of the parent		72	91	243	206	701
Non-controlling interests		1	(2)	-	(1)	3
Earnings per share (EPS) / EPS diluted in NOK		0,40	0,76	1,35	1,72	5,58

## Condensed statement of comprehensive income

2019 is inclusive IFRS 16 effects.

MNOK	Note	1.4. - 30.6.		1.1. - 30.6.		2018
		2019	2018	2019	2018	
Earnings after tax		73	89	243	205	704
<b>Comprehensive income for the period:</b>						
<i>Items to be reclassified to profit or loss in subsequent periods:</i>						
Change in fair value, financial instruments						
- Cash flow hedges (Currency futures and interest rate swaps)"	6	(157)	(5)	(15)	105	65
Tax effect cash flow hedges (Currency futures and interest rate swaps)		34	1	3	(24)	(16)
Translation differences and hedge of net investments (currency)		(8)	18	(62)	(154)	70
<b>Total items to be reclassified to profit or loss in subsequent periods</b>		<b>(131)</b>	<b>14</b>	<b>(74)</b>	<b>(73)</b>	<b>119</b>
<i>Items not to be reclassified to profit or loss:</i>						
Actuarial gains/losses pensions		-	-	-	-	54
Income tax on items remaining in equity		-	-	-	-	(12)
<b>Total items not to be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42</b>
<b>Comprehensive income after tax</b>		<b>(58)</b>	<b>103</b>	<b>169</b>	<b>132</b>	<b>865</b>

# Condensed statement of financial position

2019 is inclusive IFRS 16 effects.

		30.6. 2019	31.3. 2019	31.12. 2018
<b>MNOK</b>	<i>Note</i>			
Property, plant and equipment		4 024	2 532	2 531
Leasing assets	2	2 155	1 549	-
Intangible assets	7	6 428	2 869	2 889
Shares in joint arrangements and associated companies	5	3 244	3 322	3 400
Other non-current assets		236	203	188
<b>Total non-current assets</b>		<b>16 087</b>	<b>10 475</b>	<b>9 008</b>
Inventories		4 143	2 279	2 174
Trade receivables		4 001	2 345	2 802
Customer contracts, asset		4 502	3 277	2 994
Other current assets		1 320	762	642
Cash and cash equivalents		4 522	10 389	10 038
<b>Total current assets</b>		<b>18 488</b>	<b>19 052</b>	<b>18 650</b>
<b>Total assets</b>		<b>34 575</b>	<b>29 527</b>	<b>27 658</b>
Issued capital		5 933	5 933	5 933
Retained earnings		6 457	6 804	6 748
Fair value of financial instruments		(87)	36	(75)
Non-controlling interests		38	18	20
<b>Total equity</b>		<b>12 341</b>	<b>12 791</b>	<b>12 626</b>
Long-term interest-bearing loans	6	3 469	3 469	4 020
Long-term leasing liabilities	2	1 863	1 362	-
Other non-current liabilities and provisions	3	2 296	2 039	1 970
<b>Total non-current liabilities and provisions</b>		<b>7 628</b>	<b>6 870</b>	<b>5 990</b>
Customer contracts, liabilities		7 118	5 228	5 157
Short-term interest-bearing loans	6	880	879	312
Short-term leasing liabilities	2	320	202	-
Other current liabilities and provisions	3	6 288	3 557	3 573
<b>Total current liabilities and provisions</b>		<b>14 606</b>	<b>9 866</b>	<b>9 042</b>
<b>Total equity, liabilities and provisions</b>		<b>34 575</b>	<b>29 527</b>	<b>27 658</b>
Equity ratio (%)		35,7	43,3	45,7
Net interest-bearing debt		(173)	(6 041)	(5 706)

## Condensed statement of changes in equity

2019 is inclusive IFRS 16 effects.

		30.6.	31.3.	31.12.
<i>MNOK</i>	<i>Note</i>	2019		2018
Equity opening balance		12 626	12 626	7 365
Comprehensive income accumulated		169	227	865
Dividends		(450)	-	(450)
Treasury share		(3)	(61)	(3)
Capital increase		-	-	4 951
Dividends non-controlling interests		-	-	(5)
Change in non-controlling interests		(1)	(1)	(97)
<b>Equity closing balance</b>		<b>12 341</b>	<b>12 791</b>	<b>12 626</b>

## Condensed cash flow statement

2019 is inclusive IFRS 16 effects.

	<i>Note</i>	1.4 - 30.6.		1.1 - 30.6		1.1 - 31.12
<i>MNOK</i>		2019	2018	2019	2018	2018
EBITDA		479	241	893	527	1 394
"Change in net current assets and other operating related items"		(940)	167	(764)	(124)	795
<b>Net cash flow from operating activities</b>		<b>(461)</b>	<b>408</b>	<b>129</b>	<b>403</b>	<b>2 189</b>
Acquisition/disposal of property, plant and equipment		(115)	(64)	(204)	(110)	(211)
Acquisition through business combinations		(3 850)	(10)	(3 819)	(10)	(30)
Repayment of loan in acquired business		(1 000)	-	(1 000)	-	-
Disposals of subsidiaries		161	-	161	-	-
Other investing activities including capitalised self-financed development		(39)	(38)	(69)	(58)	(141)
<b>Net cash flow from investing activities</b>		<b>(4 843)</b>	<b>(112)</b>	<b>(4 931)</b>	<b>(178)</b>	<b>(382)</b>
Net change interest-bearing loans		(2)	(5)	12	(6)	996
Repayment of leasing liabilities		(74)	-	(125)	-	-
Net equity issue		-	-	-	-	4 937
Paid interests		(28)	(18)	(52)	(46)	(100)
Paid interests on leasing liabilities		(35)	-	(60)	-	-
Net payments for the acquisition/disposal of treasury shares		34	64	(27)	(20)	(20)
Transactions with non-controlling interests		-	(5)	-	(5)	(115)
Dividends paid to equity holders of the parent		(450)	(450)	(450)	(450)	(450)
- of which dividends from treasury shares		2	2	2	2	2
<b>Net cash flow from financing activities</b>		<b>(553)</b>	<b>(412)</b>	<b>(700)</b>	<b>(525)</b>	<b>5 250</b>
Effect of changes in exchange rates on cash and cash equivalents		(10)	7	(14)	(26)	25
<b>Net change in cash and cash equivalents</b>		<b>(5 867)</b>	<b>(109)</b>	<b>(5 516)</b>	<b>(326)</b>	<b>7 082</b>
<b>Cash and cash equivalents opening balance</b>		<b>10 389</b>	<b>2 739</b>	<b>10 038</b>	<b>2 956</b>	<b>2 956</b>
<b>Cash and cash equivalents closing balance</b>		<b>4 522</b>	<b>2 630</b>	<b>4 522</b>	<b>2 630</b>	<b>10 038</b>

## Note 1 | General information and principles

### *General information*

The consolidated financial statement for Q2 (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 2018. The consolidated financial statements for 2018 were prepared in compliance with the Norwegian Accounting Act and international standards for financial reporting (IFRS) laid down by the EU.

The consolidated financial statements for 2018 are available from [www.kongsberg.com](http://www.kongsberg.com).

New standards that have been applied in 2019 are described in Note 2 of this report.

*The interim financial statement has not been audited.*

## Note 2 | New standards as from 1.1.2019

“IFRS 16 Leases” has been implemented with effect from 1 January 2019

IFRS 16 sets principles for recognition of rental agreements. The standard states that the lessee recognises the value of significant leases with a duration exceeding 12 months as assets and liabilities. The asset is depreciated over the remaining period of the lease and the lease payment is reclassified to payment of debt and interest in accordance with the annuity method. Hiring of property and buildings is substantial for KONGSBERG, which has also hired production facilities and vehicles. According to IAS 17, these were classified as operational lease agreements. With effect from 1 January 2019, lease agreements have been recognised on the balance sheet. The lease contracts will now be reflected as depreciation and interest expenses on the financial statement. KONGSBERG has applied the modified retrospective method for the transition to IFRS 16, which means that the comparative figures for 2018 have not been updated, and that the overall effect on results of depreciation and interest expense will exceed the lease payments in the first few years of the leases with remaining terms. The lease period for KONGSBERG’s contracts ranges from one to 12 years.

IFRS 16 effects on condensed statement of financial position:

Opening balance 01.01.2019	1 615
Depreciation Q1	(66)
Opening balance 01.04.2019	1 549
Addition AIM	172
Addition CM	523
Depreciation Q2	(89)
<b>Closing balance 30.06.2019</b>	<b>2 155</b>

ASSETS	30.06.2019	31.03.2019	01.01.2019
Leasing assets	2155	1 549	1 615
<b>Total assets</b>	<b>2155</b>	<b>1 549</b>	<b>1 615</b>

Equity

Effects on earned equity:

Returned rent after tax	145	59	-
Depreciation and interest expensed after tax	(167)	(71)	-
<b>Total equity</b>	<b>(22)</b>	<b>(12)</b>	<b>-</b>

Long-term liabilities and provisions:

Long-term leasing liabilities	1863	1 362	1 362
Deferred tax	(5)	(3)	-
<b>Total long-term liabilities and provisions:</b>	<b>1 858</b>	<b>1 359</b>	<b>1 362</b>

Short-term liabilities and provisions:

Short-term leasing liabilities	320	202	253
<b>Total short-term liabilities and provisions:</b>	<b>320</b>	<b>202</b>	<b>253</b>

<b>Total equity, liabilities and provisions</b>	<b>2 155</b>	<b>1 549</b>	<b>1 615</b>
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IFRS 16 effects on condensed income statement:

	1.4-30.6.2019	1.1-30.6.2019	1.1-31.3.2019
Returned rental cost earlier included in EBITDA	(109)	(185)	(76)
<b>Increased EBITDA in the period</b>	<b>109</b>	<b>185</b>	<b>76</b>
Depreciation on leases	(89)	(155)	(66)
<b>Increased EBIT in the period</b>	<b>20</b>	<b>30</b>	<b>10</b>
Interest cost on leasing liabilities for the period	(35)	(60)	(25)
<b>Reduced EBT in the period</b>	<b>(15)</b>	<b>(30)</b>	<b>(15)</b>

## Note 3 | 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 biggest sources of uncertainty remain the same as when the 2018 consolidated financial statements was compiled.

## Note 4 | Segment information

2019 is inclusive IFRS 16 effects.

	OPERATING REVENUES					EBITDA					EBIT				
	1.4. - 30.6.		1.1. - 30.6.			1.4. - 30.6.		1.1. - 30.6.			1.4. - 30.6.		1.1. - 30.6.		
<i>MNOK</i>	2019	2018	2019	2018	2018	2019	2018	2019	2018	2018	2019	2018	2019	2018	2018
KM	4 221	1 910	6 293	3 706	7 545	205	115	443	249	594	(12)	78	152	171	453
KDA	1 829	1 441	3 198	3 026	6 104	291	200	462	372	863	196	137	277	254	621
Other	194	174	380	347	732	(17)	(74)	(12)	(94)	(63)	(24)	(91)	(30)	(126)	(129)
Group	6 244	3 525	9 871	7 079	14 381	479	241	893	527	1 394	160	124	399	299	945

On 21 January 2019, KONGSBERG entered into an agreement with Rome AS regarding the sale of the company Kongsberg Evotec AS then owned by Kongsberg Maritime AS. The sale came as a consequence of the acquisition of Rolls-Royce Commercial Marine. The sale was completed in January 2019 and is reflected in KM's revenues for the first half of the year in the form of a profit of MNOK 107.

External turnover for Kongsberg Evotec AS was MNOK 104 in the 2018 financial year and MNOK 83 in 2017.

## Note 5 | 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 30 June:

MNOK	Owner-ship	Carrying amount 1.1.19	Additions/ disposals in the period	Dividends received in the period	Share of net income in the period <sup>1)</sup>	Other items and comprehensive income in the period	Carrying amount 30.6.19
Patria Oyj	49,9 %	2 807	(31)	(68)	(11)	(35)	2 663
Kongsberg Satellite Services AS	50,0 %	437	-	(55)	55	-	437
Other		156	-	-	(12)	-	144
<b>Total</b>		<b>3 400</b>	<b>(31)</b>	<b>(123)</b>	<b>32</b>	<b>(35)</b>	<b>3 244</b>

<sup>1)</sup> 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:

Milliones	1.4. - 30.6.		1.1. - 30.6.		1.1. - 31.12.	
	2019		2019		2018	
	EUR	NOK	EUR	NOK	EUR	NOK
EBITDA	11		16		48	
Financial items, taxes, depreciations and amortisation	(7)		(13)		(18)	
Net income after tax	4		3		30	
KONGSBERG's share (49,9 %) <sup>1)</sup>		12		3		122
Amortisation of excess values after tax		(7)		(14)		(42)
<b>Share of net income recognised in KDA for the period</b>		<b>5</b>		<b>(11)</b>		<b>80</b>

<sup>1)</sup> Share of Patria's net income after tax adjusted for non-controlling interests.

## Note 6 | Financial instruments

### Loans and credit facilities

The Group has seven interest-bearing loans amounting to a total of MNOK 4,250. The loans are classed as long-term loan, with the exception of KOG07 (nominal value of MNOK 250) and KOG10 (nominal value of MNOK 550), both of which mature within one year and are therefore reclassified as current loans. The maturity dates of the long-term bond loans range from 2 June 2021 to 2 June 2026. In addition, the Group had a syndicated credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. Both of these are unused

### Interest-bearing loans:

			30.6.2019	31.12.2018
Amount in MNOK	Due date	Nominal interest rate	Value <sup>1)</sup>	Value <sup>1)</sup>
<b>Long-term loans:</b>				
Bond issue KOG08 - floating interest rate	02.06.2021	2,75 %	1 000	1 000
Bond issue KOG09 - fixed interest rate	02.06.2026	3,20 %	1 000	1 000
Bond issue KOG10 - floating interest rate <sup>3)</sup>	05.03.2020	2,39 %	-	550
Bond issue KOG11 - fixed interest rate	05.12.2023	2,90 %	450	450
Bond issue KOG12 - floating interest rate	06.12.2021	2,35 %	500	500
Bond issue KOG13 - floating interest rate	06.06.2024	2,67 %	500	500
Other long-term loans <sup>2)</sup>			19	20
<b>Total long-term loans</b>			<b>3 469</b>	<b>4 020</b>
<b>Short-term loans:</b>				
Bond issue KOG07 - fixed interest rate	11.09.2019	4,80 %	250	250
Bond issue KOG10 - floating interest rate <sup>3)</sup>	05.03.2020	2,39 %	550	-
Other short-term loans and interest rate swaps <sup>4)</sup>			80	62
<b>Total short-term loans</b>			<b>880</b>	<b>312</b>
<b>Total interest-bearing loans</b>			<b>4 349</b>	<b>4 332</b>
Syndicated credit facility (unused borrowing limit)	15.03.2023		2 300	2 300
Overdraft facility (unused)			500	500

<sup>1)</sup> Value is equal to nominal amount. For long-term loans, the carrying amount is equal to the nominal amount.

<sup>2)</sup> "Other long-term loans" consists of smaller loans in local banks in some of the Group's subsidiaries.

<sup>3)</sup> Interest rate swaps with a value MNOK 10 is related to the bond loan KOG07.

### Forward exchange contracts and interest rate swaps

The fair value of balances classified as cash flow hedges fell by MNOK 15<sup>2)</sup> before tax during the period 1 January — 30 June 2019. Of this amount, the change in fair value of forward exchange contracts accounted for a reduction of MNOK 19 during the same period. The end-of-quarter spot prices were USD/NOK 8.53 and EUR/NOK 9.70.



*Forward exchange contracts classified as cash flow hedging:*

MNOK (before tax)	Due in 2019		Due in 2020 or later		Total		
	Value based on agreed exchange rates	Fair value at 30.6.19 <sup>1)</sup>	Value based on agreed exchange rates	Fair value at 30.6.19 <sup>1)</sup>	Value based on agreed exchange rates	Change in fair value from 31.12.18	Fair Value at 30.6.19 <sup>1)</sup>
EUR	(220)	5	1 200	49	980	73	54
USD	(619)	(6)	-	-	(619)	(15)	(6)
Other	(27)	(0)	-	-	(27)	(77)	(0)
<b>Sum</b>	<b>(866)</b>	<b>(1)</b>	<b>1 200</b>	<b>49</b>	<b>334</b>	<b>(19)</b>	<b>48</b>
Roll-over of currency futures		(48)		(82)		(54)	(130)
<b>Total</b>	<b>(866)</b>	<b>(49)</b>	<b>1 200</b>	<b>(33)</b>	<b>334</b>	<b>(73)<sup>2)</sup></b>	<b>(82)</b>

<sup>1)</sup> Virkelig verdi er forskjellen mellom spotkurs 30.6.19 og kurs på avtalte valutaterminer.

<sup>2)</sup> Differansen mellom disse to tallene, MNOK 58, skyldes endring i virkelig verdi på basiswaper med MNOK 39 og tilpasninger ifm implementering av sikringsbokføring i oppkjøpte selskaper med MNOK 19.

## Note 7 | Self-financed development

*Self-financed product maintenance, research and development recognised via the income statement during the period:*

MNOK	1.4. - 30.6.		1.1. - 30.6.		2018
	2019	2018	2019	2018	
Product maintenance	125	63	211	137	280
Research and development cost	243	189	412	362	665
<b>Total</b>	<b>368</b>	<b>252</b>	<b>623</b>	<b>499</b>	<b>945</b>

*Self-financed development recognised via the balance sheet during the period:*

MNOK	1.4. - 30.6.		1.1. - 30.6.		2018
	2019	2018	2019	2018	
Additions self-financed development	29	34	57	54	130

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

## Note 8 | Related parties

The Board is unaware of any changes or transactions in Q2 associated with related parties that in any significant way impact on the Group's financial position and profit for the period, other than the fact that, during Q2, KONGSBERG acquired shares in Aerospace Industrial Maintenance Norway AS from the Ministry of Defence. See the description of the transaction in Note 11.

## Note 9 | Important risk and uncertainty factors

The Group's risk management is described in the 2018 annual report. No new significant risk and uncertainty factors emerged during this quarter.

## Note 10 | Tax

The tax effective rate as of Q2 is calculated to 21.1 per cent. The effective tax rate is affected by source tax on dividends from foreign subsidiaries, adjustments in previous years and the fact that shares of net income from associated companies are recognised after tax.

## Note 11 | Acquisitions

### *Rolls-Royce Commercial Marine*

On 6 July 2018, KONGSBERG entered into 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 from Q2 2019 onwards. The acquired entity is hereinafter reported and referred to as 'Commercial Marine'.

A preliminary excess value analysis was presented in the Q1 report for 2019 and this remains unchanged, as negotiations concerning the final settlement remain ongoing. For more information, see the Q1 2019 report.

### *Aerospace Industrial Maintenance Norway AS*

On 13 December 2018, KONGSBERG announced an agreement with the Ministry of Defence for the acquisition of Aerospace Industrial Maintenance Norway (AIM). The acquisition was completed on 29 May 2019 and the agreement concerning shared ownership with Patria was concluded on the same day. KONGSBERG is the majority shareholder with 50.1 percent, while Patria (in which KONGSBERG has a 49.9 percent stake) owns 49.9 percent of the shares in AIM. The company is the Norwegian Armed Forces' organisation that support the maintenance, repair and overhaul of aircraft and helicopters.

If the acquisition had been completed on 1 January 2019, KONGSBERG's operating revenues would have been MNOK 197 higher, while EBIT would have been reduced by MNOK 6. (These figures are exclusive of IFRS 16 effects).

The parties agreed on an enterprise value of MNOK 151 on a cash- and debt-free basis, and with normalised working capital. Among other things, the agreed value reflects the fact that AIM is committed to investing around MNOK 540 in a new engine depot for the F-35 at Rygge over the next two to three years.

The excess value allocation is attached, and shows that the expected consideration will amount to MNOK 3. The expected consideration includes earn-outs linked to EBITDA 2019 and strategic collaboration. In June, AIM was renamed Kongsberg Aviation Maintenance Services AS.

*Preliminary purchase price allocation Aerospace Industrial Maintenance Norway AS*

<b>MNOK</b>	<b>Recognised values at acquisition</b>	<b>Adjustments of fair value</b>	<b>Carrying amount prior to acquisition</b>
Intangible assets	2	-	2
<b>Total intangible assets excluding goodwill</b>	<b>2</b>	<b>-</b>	<b>2</b>
Assets held for sale	199	7	192
Property, plant and equipment	42	(176)	218
Leasing assets	172	-	172
Deferred tax asset	156	40	117
Current assets exclusive cash and cash equivalents	192	-	192
Cash and cash equivalents	210	-	210
<b>Total assets exclusive goodwill</b>	<b>974</b>	<b>(129)</b>	<b>1103</b>
Pension liabilities	(125)	-	(125)
Long-term liabilities	(380)	(5)	(375)
Long-term leasing liabilities	(138)	-	(138)
Short-term leasing liabilities	(34)	-	(34)
Provisions	-	-	-
Other current liabilities	(294)	(19)	(275)
<b>Net identifiable assets and liabilities</b>	<b>3</b>	<b>(152)</b>	<b>156</b>
<b>Expected remuneration</b>	<b>3</b>	<b>-</b>	<b>-</b>
Cash and cash equivalents acquired	(210)	-	-
<b>Expected net ingoing cash flow linked to the acquisition</b>	<b>207</b>	<b>-</b>	<b>-</b>

**New companies in KONGSBERG's consolidation:**

<b>Name of company</b>	<b>Name of company before the acquisitions</b>	<b>Country of origin</b>	<b>KONGSBERG's ownership stake 30.06.19</b>
Kongsberg Maritime CM AS	Rolls-Royce Marine AS	Norway	100
Ulstein Holding AS	Ulstein Holding AS	Norway	100
Kongsberg Maritime CM Brasil Ltda	Commercial Marine Brasil Limitada	Brasil	100
Kongsberg Maritime CM Canada Ltd	NewCo	Canada	100
Kongsberg Maritime Chile SpA	NewCo	Chile	100
Kongsberg Maritime Denmark A/S	Rolls-Royce Marine A/S – Denmark	Denmark	100
Kongsberg Maritime Finland OY	Rolls-Royce Oy AB	Finland	100
Kongsberg Maritime France SARL	Rolls-Royce Marine France SARL	France	100
Kongsberg Commercial Marine SA	RR Marine Hellas SA	Greece	100
Kongsberg Maritime Hong Kong Ltd	Rolls-Royce Marine Asia Ltd. Hong Kong	Hong Kong	100
Kongsberg Maritime CM India Pvt Ltd	Rolls-Royce Marine India Pvt Ltd	India	100
Kongsberg Maritime Italy S.r.l	Rolls-Royce Italia SRL	Italy	100
Kongsberg Maritime Japan Co Ltd	NewCo	Japan	100
Kongsberg Maritime CM China Ltd	Rolls-Royce Marine (Shanghai) Ltd.	China	100
Kongsberg Maritime CM Korea Ltd	Rolls-Royce Marine Korea Ltd	South Korea	100
Navis Consult d.o.o. Croatia (JV 75%)	Navis Consult d.o.o. Croatia (JV 75%)	Croatia	75
Kongsberg Maritime Namibia (Pty) Ltd	Rolls-Royce Namibia (Pty) Ltd	Namibia	100
Kongsberg Maritime Benelux BV	Rolls-Royce Marine Benelux BV (Nederland)	The Netherlands	100
Kongsberg Maritime CM Sp. z o.o.	Rolls-Royce Poland Sp. z o.o.	Poland	100
Scandinavian Electric Gdansk Sp z o.o.	SCANDINAVIAN ELECTRIC GDANSK SP Z O.O.	Poland	66,6
Kongsberg Maritime RUS LLC	Rolls-Royce International LLC	Russia	100
Kongsberg Maritime Spain SA	Rolls-Royce Marine España SA	Spain	100
Kongsberg Maritime Sweden AB	Rolls-Royce AB	Sweden	100
Kongsberg Maritime Turkey Denizcilik Sanayi Ve Ticaret Limited Şirketi	NewCo	Turkey	100
Kongsberg Maritime CM Germany GmbH	Rolls-Royce Marine Deutschland GmbH	Germany	100
Kongsberg Maritime Vietnam Ltd	Rolls-Royce Vietnam Ltd	Vietnam	100
Kongsberg Aviation Maintenance Services AS	Aerospace Industrial Maintenance AS	Norway	50,1
Rygge 2 AS	Rygge 2 AS	Norway	50,1
Rygge Eiendom AS	Rygge Eiendom AS	Norway	50,1

## Note 12 | Definitions

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

*EBITDA and EBIT* are considered by KONGSBERG to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is an 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 that are part of the financial statements for 2018. The same applies for EBIT.

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

*Return on Average Capital Employed (ROACE)* is defined as the 12-month rolling EBIT exclusive of IFRS 16 divided by the 12-month mean of equity and net interest-bearing debt. Net interest-bearing debt is adjusted for the purchase price for Rolls-Royce Commercial Marine, compared to what was reported in first quarter 2019.

*Working capital* is defined as current assets minus cash and cash equivalents, current non-interest debt (except taxes payable) and financial instruments recognised at fair value.

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

*RRCM* is Rolls-Royce Commercial Marine

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

*AIM* is Aerospace Industrial Maintenance Norway AS

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

# Statement from the Board of Directors and CEO

We hereby confirm that, to the best of our conviction, the H1 accounts for 1 January to 30 June 2019 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, 27. August 2019

**Eivind Reiten**  
Chairman

**Anne-Grete Strøm-Erichsen**  
Deputy Chairman

**Martha Kold Bakkevig**  
Director

**Morten Henriksen**  
Director

**Per A. Sørli**  
Director

**Sigmund Ivar Bakke**  
Director

**Elisabeth Fossan**  
Director

**Helge Lintvedt**  
Director

**Geir Håøy**  
President & CEO

*This translation from Norwegian of KONGSBERG's first half report of 2019 has been made for information purposes only.*



*Disclaimer: In the event of any discrepancy between the Norwegian and English versions of KONGSBERG's quarterly reports, the Norwegian version is the authoritative one.*