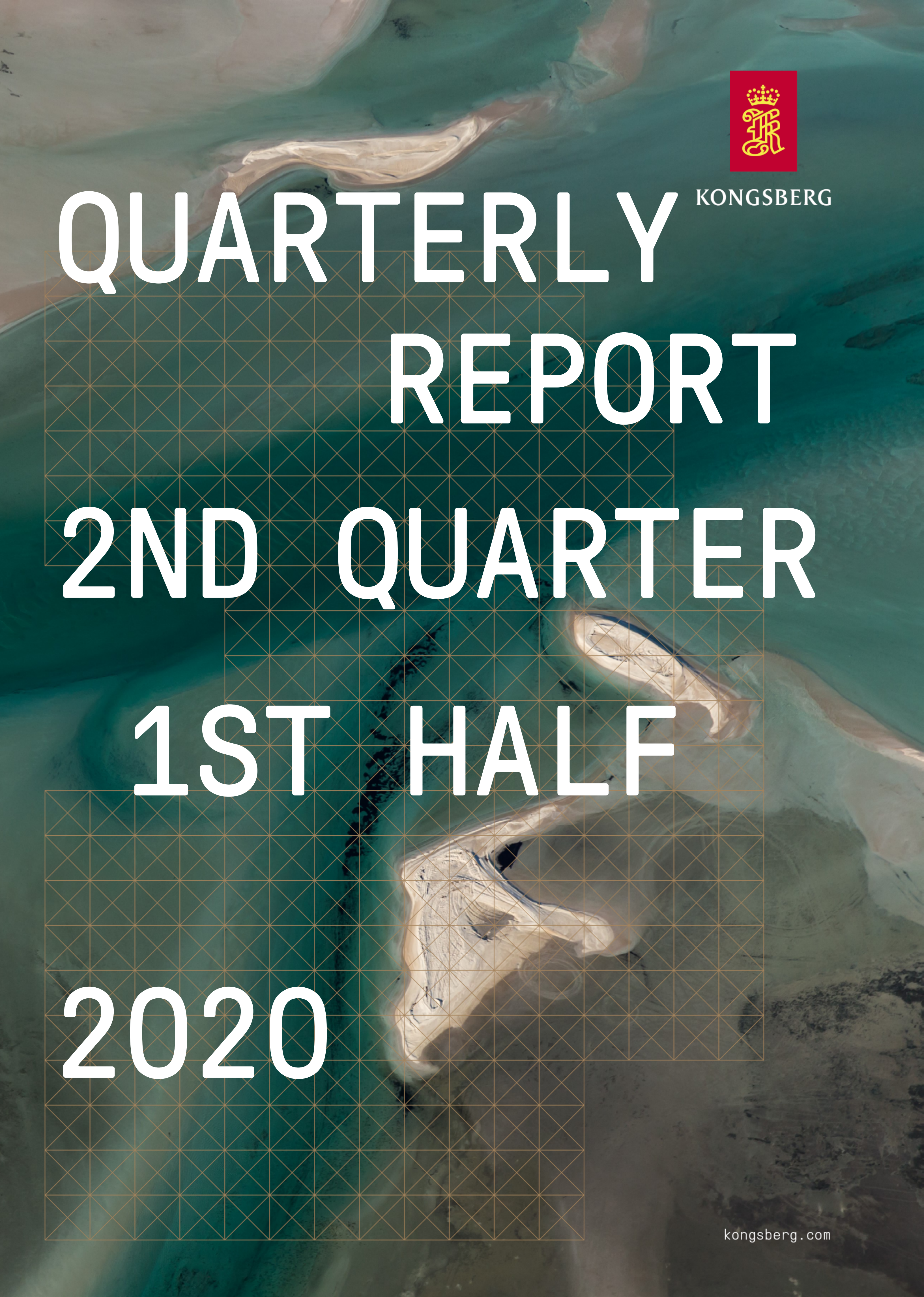

KONGSBERG

QUARTERLY REPORT

2ND QUARTER 1ST HALF 2020

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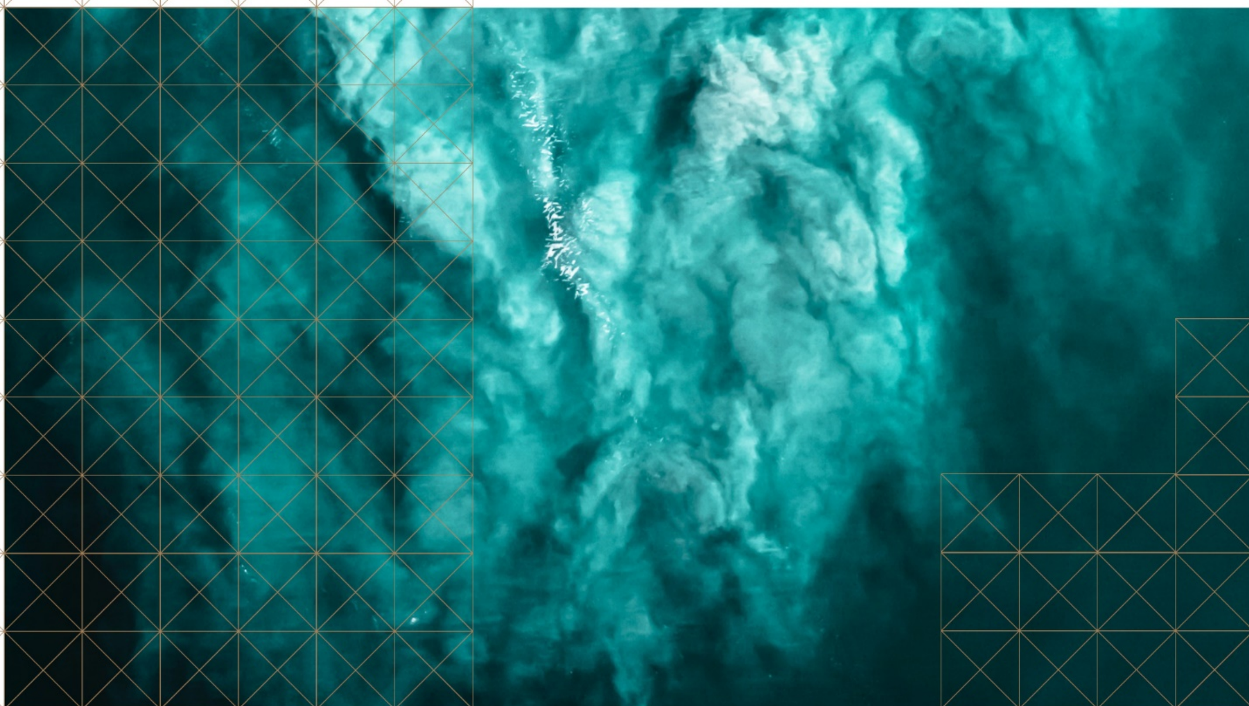
KONGSBERG



GEIR HÅØY
President & CEO

“Kongsberg Gruppen has managed the challenges posed by the COVID-19 outbreak well so far, as evidenced by the development of the Group in Q2. Our customers, partners, and my approximately 11,000 colleagues at Kongsberg Gruppen have faced the crisis with great adaptability and with a focus on finding solutions. I am impressed with how we have managed to maintain operations and processes in an almost normal matter, despite the unusual situation. We are delivering on our commitments and solving challenges in ways we would not have considered less than six months ago. This applies to development and delivery projects, the commissioning of systems and training of users. The world has not recovered. COVID-19, in combination with the low oil prices, will continue to affect us. We are prepared to work under these conditions for a long time to come.

The measures we have initiated are working and we have been able to maintain close to full production at all our locations. In addition to savings achieved through the “value capture” programme linked to the integration of Commercial Marine, we have reduced costs by a further NOK 150 million during the quarter. Some of the savings are directly related to COVID-19 and only short-term, while other efficiencies gains will be permanent. Solid project execution, good operations and the continued realisation of synergies related to the acquisition of Commercial Marine mean that we have delivered good results and an overall EBITDA margin of 12.9 per cent. At the same time, we are seeing a declining level of contracting in the new builds market and progressively lower activity in the after market throughout the quarter, a development we will be following very closely going forward.

I would like to emphasise that KONGSBERG is well equipped to deal with the challenging situation. Our ambition is to come out of this period in a stronger position.”

Highlights

KONGSBERG

Operating revenues on a par, and order intake down from Q2 2019. Close follow-up of customers, suppliers and project implementation. Measures initiated across the organisation to compensate for and secure operations despite challenges related to COVID-19.

Operating revenues:	NOK 5,983 million
EBITDA:	NOK 772 million
EBITDA margin:	12.9 per cent

KONGSBERG MARITIME

Downward trend in order intake and operating revenues as a result of COVID-19. Implemented measures have ensured a satisfactory result for the quarter, albeit with uncertainty regarding the quarters to come.

Operating revenues:	NOK 3,762 million
EBITDA:	NOK 267 million
EBITDA margin:	7.1 per cent

KONGSBERG DEFENCE & AEROSPACE

Solid project execution in air defence projects contribute to the results. Few effects from COVID-19 so far. A number of important contracts and strategic agreements signed during the period, and the order backlog remain stable at approximately NOK 20 billion.

Operating revenues:	NOK 2,008 million
EBITDA:	NOK 474 million
EBITDA margin:	23.6 per cent

KONGSBERG DIGITAL

Signed the largest contract in the history of the business area, worth USD 25 million. The acquisition of the Danish software company COACH Solutions has expanded the installed base and complemented the product portfolio.

Key figures

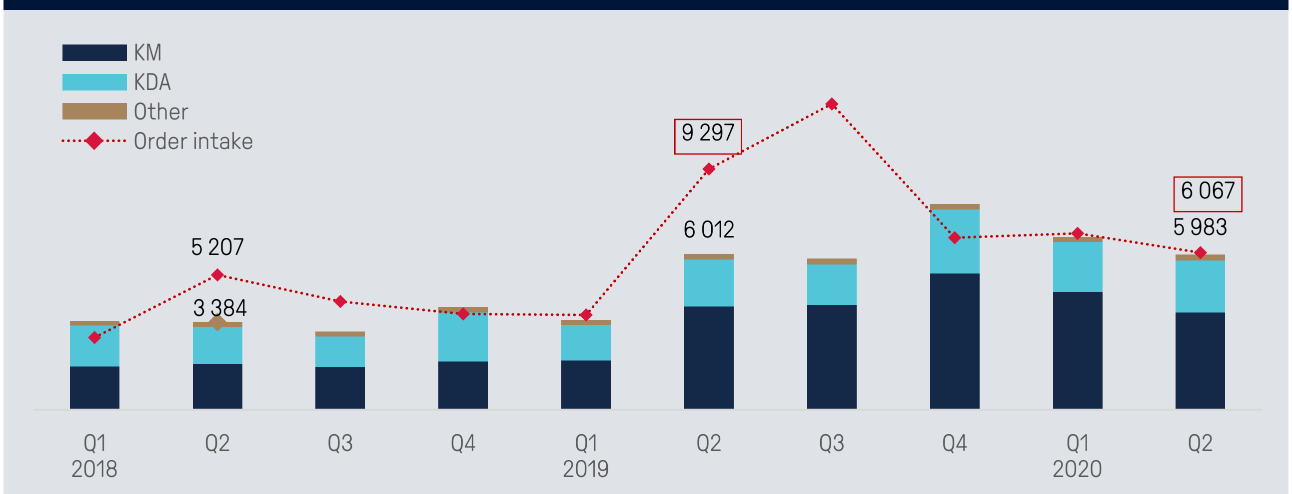
KONGSBERG sold Hydroid Inc., a wholly owned subsidiary in the Kongsberg Maritime business area, on 26 March 2020. Hydroid's contribution to results, order intake and order backlog has been adjusted out of the key figures in the quarterly report as "discontinued operations". Key figures for results, order intake and order backlog, including comparative figures, therefore refer to continuing operations. In terms of balance sheet figures and cash flows, no adjustments have been made for Hydroid (see note 14 Discontinued operations for more information).

	1.4. - 30.6.		1.1. - 30.6.		
MNOK	2020	2019	2020	2019	2019
Operating revenue	**5 983**	6 012	**12 661**	9 474	23 245
EBITDA	**772**	443	**1 415**	824	2 134
EBITDA (%)	**12,9**	7,4	**11,2**	8,7	9,2
EBIT	**462**	127	**763**	336	1 050
EBIT (%)	**7,7**	2,1	**6,0**	3,5	4,5
Earnings before tax from continuing operations	**380**	54	**637**	244	833
Earnings after tax from continuing operations	**274**	41	**472**	181	596
Earnings after tax including discontinued operations	**274**	74	**1 912**	243	717
EPS continued operations (NOK)	**1,47**	0,22	**2,51**	1,01	3,22
EPS included discontinued operations (NOK)	**1,47**	0,40	**10,51**	1,35	3,89
Order Intake	**6 067**	9 297	**12 879**	12 958	31 413

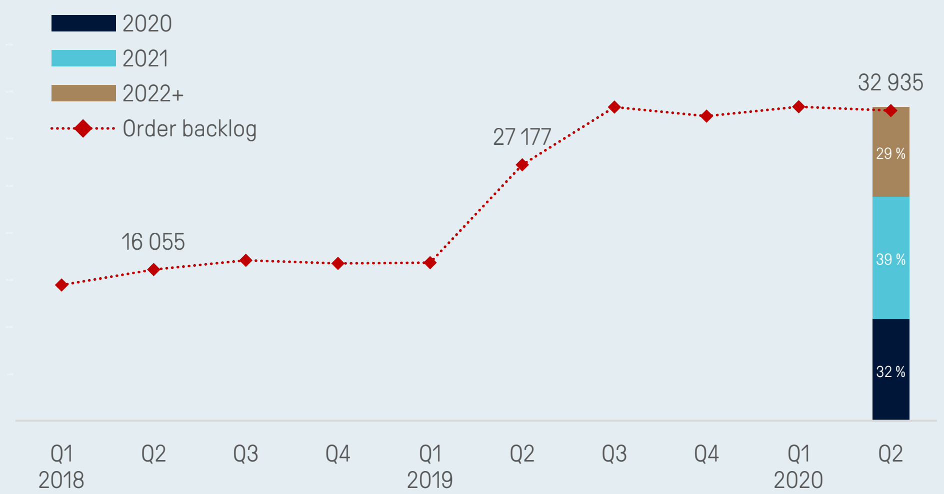
	30.6.	31.3.	31.12.
MNOK	2020	2020	2019
Equity ratio (%)	**36,0**	35,1	32,5
Net interest-bearing debt [1]	**(5 061)**	(5 983)	(1 565)
Working Capital [2]	**(114)**	(871)	17
ROACE (%) [3]	**13,6**	10,1	10,0
Order backlog	**32 935**	33 342	32 347
No. of employees	**10 649**	10 621	10 793

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

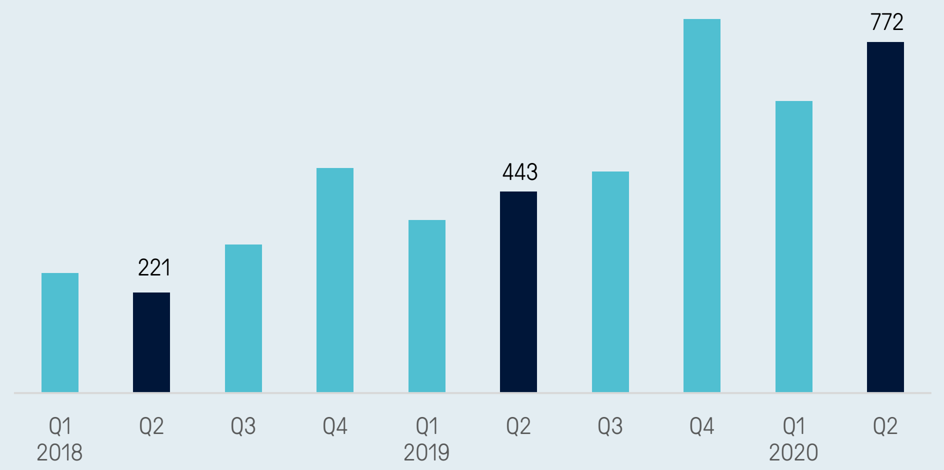
OPERATING REVENUE AND ORDER INTAKE



ORDER BACKLOG

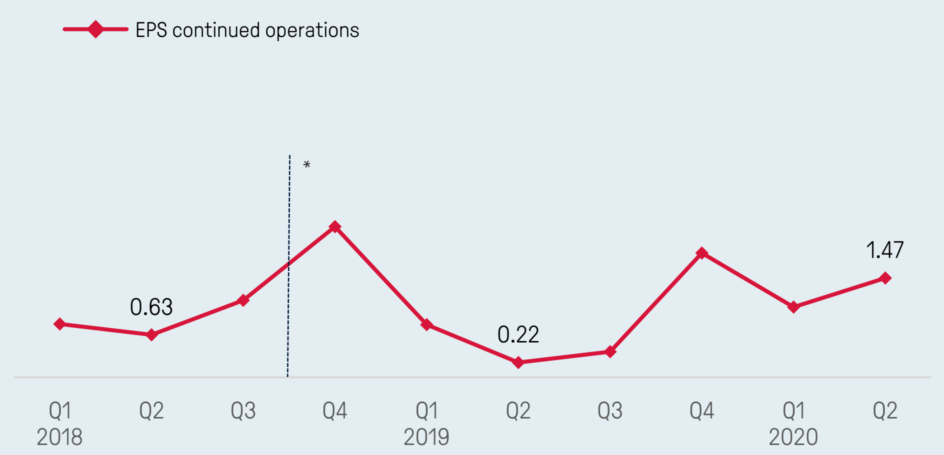


EBITDA



2018 figures are exclusive IFRS 16

EPS
Continued operations



*Number of shares increased from 120 000 000 to 179 990 065
2018 figures are exclusive IFRS 16

Performance, market and orders

Operating revenues in Q2 were NOK 5,983 million, compared to NOK 6,012 million in the same quarter last year. In the first half of the year, operating revenue amounted to NOK 12,661 million, compared to NOK 9,474 million for the same period last year. Including pro forma revenue from Commercial Marine for Q1 2019, operating revenues in the first half of 2019 were NOK 11,345 million.

EBITDA was NOK 772 million in Q2, equivalent to an EBITDA margin of 12.9 per cent compared to NOK 443 million (7.4 per cent) in the same quarter last year. Included in the figures for second quarter 2020 are integration costs of NOK 18 million and restructuring costs of NOK 5 million linked to the ongoing integration and restructuring of Commercial Marine. For the first half of the year, EBITDA amounted to NOK 1,415 million (11.2 percent), compared to NOK 824 million (8.7 percent) in the same period last year. In the first half of 2020, EBITDA was affected by integration costs of NOK 50 million and restructuring costs of NOK 12 million. The comparative costs in the first half of 2019 were NOK 133 million and NOK 31 million respectively.

The sale of Hydroid, which took place in Q1 2020, resulted in a preliminary calculated profit after tax of NOK 1,420 million, which has been recognised as a result of operations being discontinued. Profit after tax from Hydroid in Q1 amounted to NOK 20 million, which is also classified as a result of operations being discontinued. Profits from discontinued operations totalled NOK 1,440 million after tax in the first half of 2020 (NOK 62 million in 2019).

During Q2, order intake amounted to NOK 6,067 million, compared to NOK 9,297 million in the same quarter last year. This gives a book-to-bill ratio for the quarter of 1.01. The order intake for the first half of the year was NOK 12,879 million, compared to NOK 12,958 million in the first half of 2019 (NOK 14,931 million including pro forma order intake in CM).

The order backlog at the end of Q2 was NOK 32,935 million, compared with NOK 32,347 million at the end of the year and NOK 27,177 at the same time last year. The reduction in the order backlog in Q2 was mainly due to the effects of currency fluctuations on order backlogs outside Norway.

OPERATING REVENUES

5 983

MNOK

EBITDA-MARGIN

12,9%

ORDER INTAKE

6 067

MNOK

Cash flow

KONGSBERG recorded a net reduction in cash and cash equivalents of NOK 927 million in Q2. Net cash flow from operating activities amounted to NOK -34 million. EBITDA was NOK 772 million from continuing operations. Changes in net current assets and other operations-related items contributed NOK -806 million in cash flow. During the period, net payments to suppliers were somewhat higher, related to project progress, payment of holiday pay, as well as negative roll-over effects related to currency hedging. Cash flow from investment activities was NOK -247 million. This was a combination of investments in property, plant and equipment, settlements in connection with the acquisition of COACH Solutions as well as capitalised research and development, mainly related to projects in KDA and KDI. Cash flow from financing activities was NOK -492 million. This is mainly related to the payment of dividends (repaid equity). In addition, the Group had NOK -154 million in exchange differences related to cash holdings outside Norway.

In the first half of 2020, net cash and cash equivalents increased by NOK 2,956 million. The largest positive individual elements were the settlement for the sale of Hydroid Inc., along with good cash flow from operations, particularly in Q1 2020. The largest negative cash flows were related to the repayment of the KOG10 bond and the payment of dividends. In connection with the sale of Hydroid Inc, the Group will have to pay approximately NOK 650 million in tax related to the transaction later in 2020. In addition, tax will be levied on the allocation of the funds.

Balance sheet

The Group has interest-bearing debt totalling NOK 3,549 million. At the end of the quarter, long-term interest-bearing debt consists of four bonds totaling NOK 2,450 million, and other long-term interest-bearing debt of NOK 24 million. Furthermore, the KOG08 bond of NOK 1,000 million has been reclassified as short-term debt. Total short-term interest-bearing debts amount to NOK 1,075 million. See Note 7. At the end of Q2, the Group had NOK 8,610 million in cash and cash equivalents, compared to NOK 9,537 million at the end of Q1 and NOK 5,654 million at the end of Q4 2019. The General Meeting on 14th of May 2020 gave the board the power of authority to approve one or more dividend payments totaling up to an amount of NOK 1,800 million (NOK 10 /share) based on the company's annual accounts for 2019. The General Meeting also gave the board the authority to purchase own shares for cancellation for a total amount up to NOK 500 million. Both authorizations can be used multiple times and are valid to the next ordinary General Meeting.

At the end of the quarter, net interest-bearing debt was NOK -5,061 million, compared to NOK -5,983 million at the end of Q1 and NOK -1,565 million at the end of 2019. The change in the quarter is mainly due to reduced cash holdings as a result of, among other things, dividends paid and changes in working capital. The changes in the first half of the year are mainly due to an increase in cash and cash equivalents as a result of the settlement received for the sale of Hydroid Inc, customer advances received and repayment of bond. In addition, the Group had a syndicated and committed credit facility of NOK 2,300 million and an overdraft credit facility of NOK 500 million. These were undrawn at the end of the first half of 2020.

NET INTEREST-BEARING DEBT

-5 061

MNOK

EQUITY RATIO

36,0%

The overall balance sheet has been reduced with NOK 2,560 million in the quarter. This is mainly due to changes in the value of currency derivatives securing the order backlog and reduced cash holdings, partly due to the payment of dividends and changes in working capital. From the end of the year, the overall balance sheet increased by NOK 731 million.

MNOK	30.6. 2020	31.3. 2020	31.12. 2019
Equity	14 466	14 989	12 810
Equity ratio (%)	36,0	35,1	32,5
Total assets	40 153	42 713	39 422
Working capital [1]	(114)	(871)	17
Gross interest-bearing debt	3 549	3 554	4 089
Cash and cash equivalents	8 610	9 537	5 654
Net interest bearing debt [1]	(5 061)	(5 983)	(1 565)

1) See definition note 14

Currency

The company's currency policy states that contractual currency flows are hedged by forward contracts (fair value hedges). In addition, a proportion of the currency exposure in expected major contracts can be secured. This occurs where the probability of being awarded the contract is high (cash flow hedges). The company's portfolio of cash flow hedges had a fair value of NOK -155 million at the end of the quarter, which is recognised in equity. The fair value here represents unrealised profits/losses in relation to agreed rates. Also see Note 7 for a numerical representation.

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

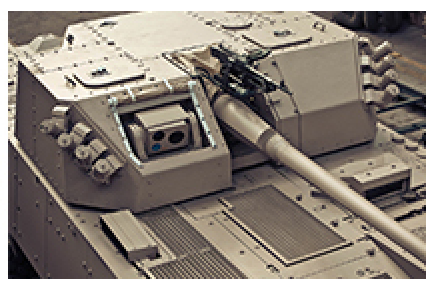
The Group's currency policy implies that the accounting income recognition will largely be based on exchange rates secured at historical levels. This limits short-term effects on profits in the event of a sharp rise or fall in the value of the Group's functional currency (NOK).

Product development

KONGSBERG is continually investing in product development, both through in-house-funded and customer-funded programmes. Total self-financed product development and maintenance amounted to NOK 411 million in the quarter and NOK 818 million for the first six months, of which NOK 83 million and NOK 147 million are capitalised, respectively. See table in Note 8. Development posted on the balance sheet for the quarter and first half of the year is mainly related to projects in KDI and KDA.

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

The company had 10,649 employees at the end of the quarter, which is on par with the number of employees at the end of the previous quarter. This represents a reduction of 144 employees during the first half of the year, mainly related to the sale of Hydroid. In relation to the restructuring of CM, it was announced that the number of employees will be reduced by about approximately 450. Throughout the first half of the year this number has increased to 485, which now has terminated their employment, signed termination agreement, or received notice that their employment will be terminated. At the peak KONGSBERG had approximately 750 employees on temporary lay-off, as a result of COVID-19. At the end of Q2, the number of was somewhat above 200.

Number of employees by business area

Other activities

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

KDI had revenues of NOK 209 million, which is the same as Q2 2019. Revenue to date is NOK 417 million, NOK 8 million higher than the corresponding period last year. During the quarter, KDI signed its largest-ever contract, worth USD 25 million. The business area has also acquired the Danish company COACH Solutions, complementing the product portfolio and expanding the installed base. The book-to-bill ratio for the quarter was 2.05.

Events after balance date

On 1 July, Kongsberg Aviation Maintenance Services AS (KAMS) signed an agreement with Patria Aviation Oy to acquire Patria Helicopters AS and the acquisition was completed on the same day. The company is based at Bardufoss Airport, with particular responsibility for the maintenance of NH-90 helicopters. The acquisition is part of KONGSBERG's long-term commitment to the operation and maintenance of the Norwegian Armed Forces' systems and platforms and will strengthen the Group's ability to support the NH-90.

The parties agreed on an enterprise value of NOK 12 million on a cash- and debt-free basis, and with normalised working capital. The expected consideration is NOK 17.5 million. The added value will be allocated to goodwill.

KONGSBERG MARITIME

Background

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

During Q1, KM completed the sale of the US subsidiary Hydroid Inc. This means that all Hydroid figures and orders have been removed from the results for KONGSBERG and Kongsberg Maritime for 2020 and previous quarters, and net figures are listed on a separate line in the overall results as “discontinued operations”.

Performance

Operating revenues amounted to NOK 3,762 million in Q2, compared to NOK 3,989 million during the same quarter last year, a decrease of 5.7 per cent. All divisions have seen reduced operating revenues. Accumulated operating revenues for the first half of 2020 were NOK 8,305 million, an increase of 7 per cent from NOK 7,764 million in the first half of 2019 (including Q1 pro forma CM revenues)

EBITDA was NOK 267 million in Q2, equivalent to an EBITDA margin of 7.1 per cent compared to NOK 168 million (4.2 per cent) in the same quarter the previous year. In Q2 2020, a total of NOK 23 million in integration and restructuring costs was recognised in relation to the integration of CM. The corresponding amount was NOK 85 million in Q2 2019. In the first half of the year, KM implemented a number of measures to reduce the financial and operational effects of COVID-19. Furthermore, costs in relation to travel have been minimal since the start of the pandemic. In total, these savings amounted to over NOK 100 million in the quarter. Some of the savings are directly related to COVID-19 and only short-term, while other efficiencies gains will be permanent.

EBITDA in the first half of the year was NOK 657 million, corresponding to an EBITDA margin of 7.9 per cent. A total of NOK 62 million was incurred in integration and restructuring costs in the first half of 2020. In the first half of 2019, EBITDA was NOK 374 million, corresponding to an EBITDA margin of 6.3 per cent. This included NOK 164 million in integration and restructuring costs as well as a profit of NOK 107 million related to the sale of Evotec.

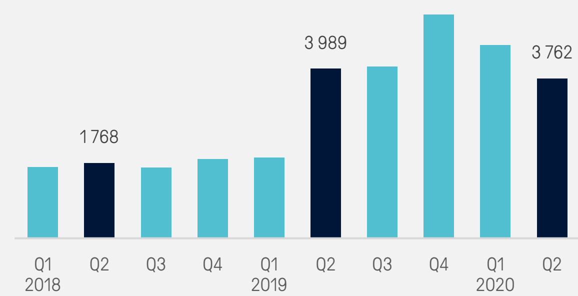
As part of the acquisition of CM, an extensive integration programme was implemented. The savings will come from merging of offices, reduced overheads and harmonisation of the product portfolio. Restructuring measures were also implemented, which together mean a reduction of about 485 full-time equivalents. The process for all of this has now been concluded.

KEY FIGURES

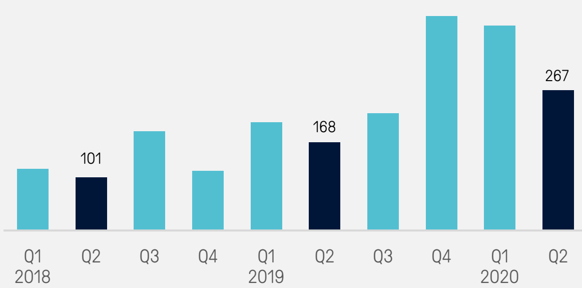
	1.4. - 30.6.		1.1. - 30.6.		
MNOK	2020	2019	2020	2019	201
Operating revenues	**3 762**	3 989	**8 305**	5 893	15 198
EBITDA	**267**	168	**657**	374	1 005
EBITDA (%)	**7,1**	4,2	**7,9**	6,3	6,6
Order Intake	**3 850**	4 917	**8 663**	7 223	14 427

	30.6.	31.3.	31.12.
MNOK	2020	2019	*2019*
Order backlog	**12 111**	12 404	**11 311**
No. of employees	**6 973**	6 991	**7 212**

Operating revenue



EBITDA



The costs for integration and restructuring in Q2 are mainly linked to the merger and streamlining of IT systems, and costs related to downsizing.

Overall, the integration programme has shown isolated positive effects in Q1 2020 of NOK 160 million, a total of NOK 295 million in the first half of the year, and KONGSBERG is on track to meet its target of NOK 500 million in savings by the end of 2020.

Market and orders

Order intake in Q2 was NOK 3,850 million, equivalent to a book-to-bill ratio of 1.02, compared to NOK 4,917 in Q2 2019. In total, the order intake in the first half of the year was NOK 8,663 million, corresponding to a book/bill of 1.04.

The Deck Machinery division was the only division with an increased order intake in Q2 2020 compared to Q2 2019. Among other things, the division signed its first contract for a new "Launch and Recovery" system for remote-controlled underwater vehicles (ROV) to be installed on Ocean Infinity's new, autonomous Armade fleet. The other divisions saw a reduced order intake. The aftermarket has also seen a slight reduction in order intake compared with the corresponding quarter last year. In this case, order intake fell particularly towards the end of the quarter.

At the end of Q2 2020, KM had an order backlog of NOK 12,111 million. Cancellations of contracts totalling NOK 12 million in the quarter and NOK 348 million during the first half of the year were received.

KM and covid-19

Kongsberg Maritime has extensive international operations and is directly affected by the decline in the world economy. At the same time, we expect the fall in oil prices to lead to less activity in the oil and gas markets.

In addition, we see individual sectors, such as the cruise industry, being heavily affected.

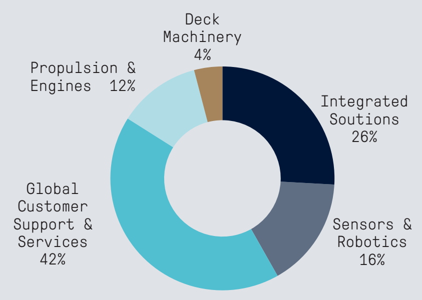
In connection with the outbreak, a number of measures were quickly implemented to limit infection, maintain operations as normally as possible and ensure that cost levels were adjusted to the level of activity. Among the measures are the extensive use of digital solutions for customer support, temporary lay-offs and other cost-saving measures, as well as significant infection control measures, including the extensive use of home office. In addition, the decision has been taken to put certain less-critical development projects on hold. During Q2, restrictions in many countries have been gradually eased somewhat, but there are still strict rules associated with infection control measures. At its peak, KM had around 700 employees on furlough. At the end of Q2, around 200 are on furlough.

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

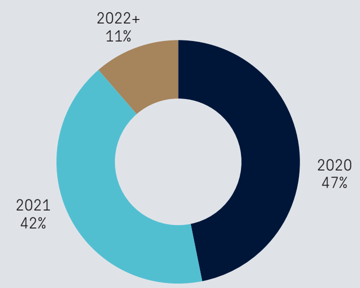
In some areas, such as Asia and parts of Europe, the authorities seem to have gained more control over the situation and society seems to be gradually returning to some kind of normality. In other areas, such as the US, Brazil and India, there is still great uncertainty. Measures and initiatives related to both operations and health must therefore be adapted to the local situation.

The impact of COVID-19 was clear in a number of areas in Q2. Despite this, KM has delivered satisfactory results. This would not have been possible without the measures put in place. The order intake in certain areas, particularly in relation to new vessels and the aftermarket, is uncertain and has been showing a negative trend throughout Q2. Therefore, there will still be great uncertainty regarding the impact on order intake, operating income and earnings in the second half of 2020.

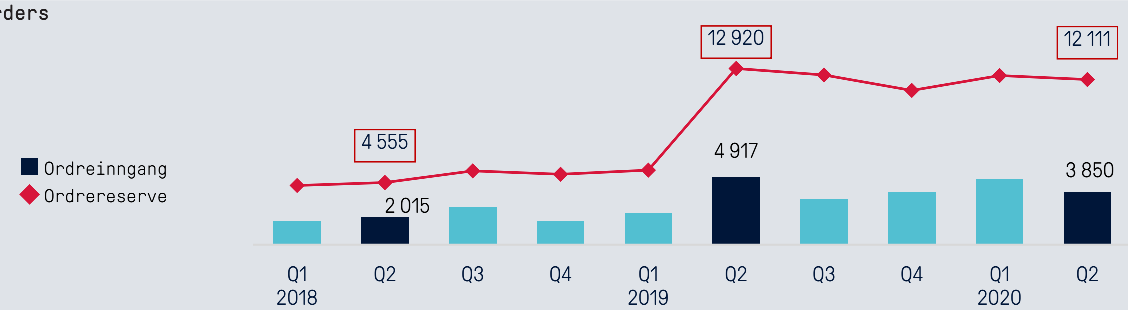
Operating revenue
YTD by division



Order backlog
Breakdown by delivery date



Orders



KONGSBERG DEFENCE & AEROSPACE

Performance

Operating revenues amounted to NOK 2,008 million in Q2, compared to NOK 1,829 million during the same quarter last year, an increase of around 10 per cent. There has been good activity in all divisions. Accumulated operating revenues so far in 2020 are NOK 3,950 million, up NOK 752 million from the corresponding period in 2019. NOK 252 million of the operating revenues in 2020 are related to Kongsberg Aviation Maintenance Services (KAMS) which contributed NOK 43 million in operating revenues during the ownership period from 29 May 2019 and into the first half of the year.

The projects with the highest revenues in Q2 2020 were:

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

EBITDA was NOK 474 million in Q2, equivalent to an EBITDA margin of 23.6 per cent compared to NOK 291 million (15.9 per cent) in the same quarter last year. Accumulated EBITDA for KDA in the first half of the year was NOK 715 million, compared to NOK 462 million in the corresponding period in 2019.

In Q2, assessments were made of the remaining costs for delivery of air defence projects, which have resulted in higher margins in the period. The reason for the increased margins is better project execution than previously estimated. These projects will also have a positive effect on KDA results in the second half of the year. In addition, there are positive effects on KDA earning from measures related to COVID-19, order intake in the quarter on previously performed work leading to additional revenue recognition and other positive effects. In total, this has a positive effect of approximately NOK 150 million on EBITDA for the quarter.

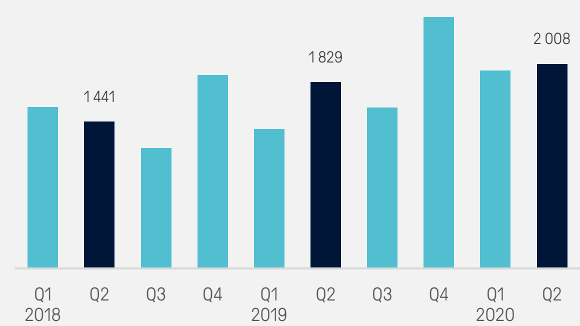
Income from associated companies in KDA is included in the EBITDA with NOK 37 million (31) for Q2 and NOK 47 million (37) for the first half of the year. For Patria, this amounts to NOK 6 million (5) for Q2 and NOK 0 million (-11) for the first half of the year. For Kongsberg Satellite Services, this amounts to NOK 37 million (NOK 30 million) and NOK 56 million (NOK 55 million) for the corresponding periods. See also Note 6.

KEY FIGURES

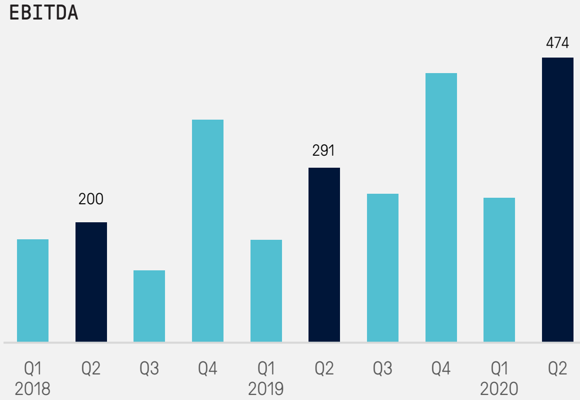
	1.4. - 30.6.		1.1. - 30.6.		
MNOK	2020	2019	2020	2019	201
Operating revenues	**2 008**	1 829	**3 950**	3 198	7 245
EBITDA	**474**	291	**715**	462	1 157
EBITDA (%)	**23,6**	15,9	**18,1**	14,4	16,0
Order Intake	**1 788**	4 160	**3 556**	5 297	16 060

	30.6.	31.3.	31.12.
MNOK	2020	2019	*2019*
Order backlog	**19 658**	19 977	**20 146**
No. of employees	**3 007**	2 962	**2 917**

Operating revenues



EBITDA



Patria recorded operating revenues of EUR 137 million during Q2, compared to EUR 134 million during the same quarter last year. In Q2, EBITDA amounted to EUR 13 million, compared to EUR 11 million in the same period in 2019. In the first half of the year, Patria had operating revenues of EUR 255 million and EBITDA of EUR 22 million. Correspondingly, they had EUR 238 million in operating revenue and EUR 16 million in EBITDA in first half of 2019. See Note 6.

Market and orders

Order intake was NOK 1,788 million in Q2, compared to NOK 4,160 for the same quarter last year. This gives a book-to-bill ratio of 0.89. The order intake in Q2 2019 included a significant contract for the F-35 and NASAMS in Australia.

The most important contracts with order intake in Q2 2020:

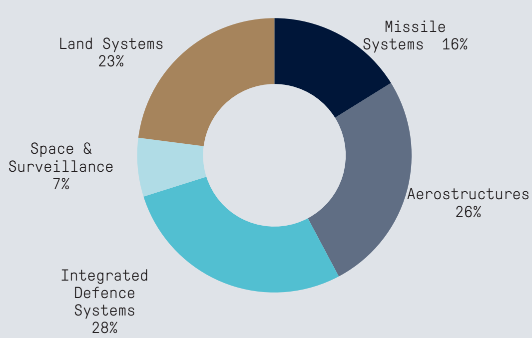
- Contract with General Dynamics Land Systems Canada for the supply of PROTECTOR remote controlled weapon stations to the Canadian Army worth NOK 500 million. PROTECTOR will be integrated with Canada's fleet of armoured vehicles.
- Canada has previously acquired KONGSBERG weapons stations in 2005, 2012 and 2014.
- Contracts for deliveries to the F35 programme of a total value of NOK 936 million. The first is a contract worth NOK 136 million with Marvin Engineering for the supply of weapon adapters for F-35 air-to-air missiles. The other is a contract worth NOK 800 million with Northrop Grumman Corporation for the supply of hull panels and hatches for the F-35. NOK 426 million of this contract has already been received in previous quarters.

Other important strategic agreements:

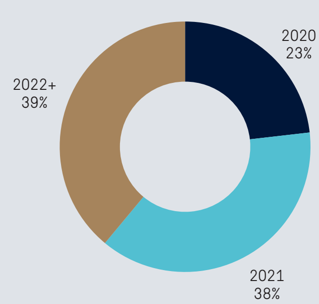
- Selected by BAE Systems, Inc. to develop and supply remote-controlled medium calibre towers (MCTs) to the U.S. Marine Corps Amphibious Combat Vehicle (ACV) -30 programme. KONGSBERG will deliver up to 150 MCT towers in a programme divided into phases, where the first tower for testing will be delivered in early 2021, followed by a series of phased deliveries.
- Signed a memorandum of understanding (MoU) with Boeing related to maintenance of the Norwegian P8 Poseidon fleet of maritime surveillance aircraft that Norway acquired in 2017
- On 1 July, KONGSBERG signed an agreement with Patria for the acquisition of Patria Helicopters AS in Bardufoss. The agreement strengthens KONGSBERG's position in the maintenance of NH-90 helicopters.

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

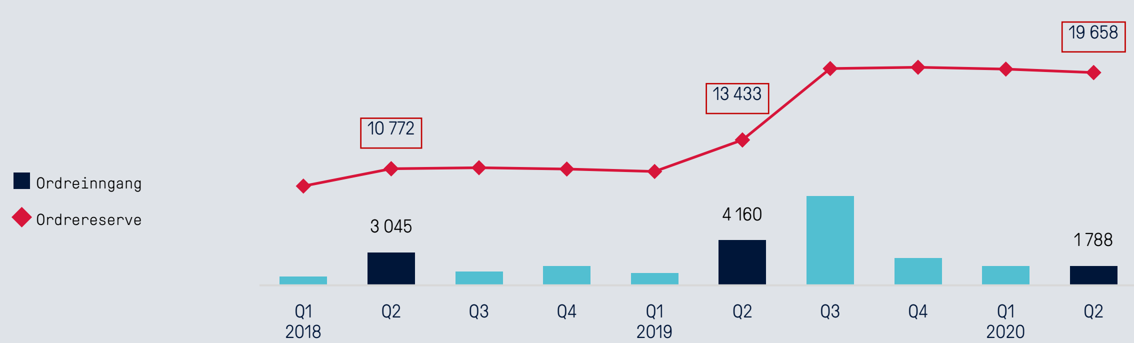
Operating revenues
YTD by division



Ordre backlog
Breakdown by delivery date



Orders



KDA and COVID-19

KDA has a high proportion of exports, but the bulk of operations are in Norway. The defence division has not experienced major consequences as a result of COVID-19 in Q2, although some projects have seen challenges with final deliveries and the completion of acceptance tests with customers. However, some projects have experienced challenges with subcontractors who have had to close for a period, thereby causing certain delays. However, operations have proceeded at a near-normal level. KDA and its associated company Kongsberg Satellite Services are defined as societally critical enterprises and the part of the workforce that cannot work from home can attend the workplace and carry out tasks almost in a normal manner, providing necessary measures are observed. In addition, shift measures and other precautions in production have been introduced to reduce the exposure to infection within the environment.

With a very high proportion of exports, travel restrictions pose challenges, but this has largely been solved in other ways, and so far it has not greatly affected the progress of projects. KDA also finds that many customers have been extremely adaptable in the use of digital platforms, where collaboration has previously been based on physical meetings. Furthermore, KDA is dependent on the supply capacity of several hundred subcontractors, both in Norway and abroad. Additional resources have been introduced to ensure the flow of goods, shipments and, where necessary, alternative subcontractors in the event of a stop in production. These elements may have a further effect on KDA in the future.

KDA has extensive operations in Johnstown, USA. These operations are defined as socially critical by the US authorities and are not currently affected by the COVID-19 restrictions in the USA, but the risk of interruptions increases with the extent of the virus situation in the USA. Neither has Arsenalet, the factory at Kongsberg that delivers critical components for the F-35 combat aircraft, experienced any delays in production so far.

The worldwide COVID-19 situation may delay the expected order intake somewhat, and in the worst case scenario may lead to programmes KDA is prepared for being scaled down or cancelled. However, there are no signs of that yet.

KONGSBERG ended first half 2020 with a solid balance sheet and an order backlog of NOK 32,935 million. At the beginning of 2020, the world saw the outbreak of COVID-19, which has developed into a global pandemic. The international community has launched numerous measures and restrictions to limit the spread of the virus. In some parts of the world, certain restrictions have been eased during Q2, but there are still areas where we operate with significant restrictions. Uncertainty regarding oil prices in the future will affect investment levels in several segments, while at the same time this may lead to opportunities in other segments where KONGSBERG has strong positions.

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

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

Financially, KONGSBERG has performed well through the first half of 2020, as a result of these measures, some of which have been significant. It is still a challenge to be specific about the financial consequences of COVID-19 for the company. We expect that KONGSBERG activities and results will continue to be affected by the pandemic. The defence market has been strong in recent years, and there is still good demand for KONGSBERGs product portfolio. Kongsberg Defence & Aerospace has maintained operations at a relatively normal level, but it is likely that some delays will occur. However, significant parts of the maritime market have been challenging in the same period, with generally low levels of new-build contracting. This trend has continued in the first half of 2020, and no immediate improvement is expected. However, Kongsberg Maritime also has a large degree of exposure to markets that are not directly affected by new-build contracting. This contributes to the fact that the business area has had a good order intake in recent quarters. This applies, among other things, to the Sensors & Robotics area as well as the aftermarket, where KM monitors more than 30,000 vessels. The company's digital solutions for remote services enable us to carry out service assignments for our customers to a great extent, despite the situation.

In recent years, Kongsberg Digital has made significant investments in establishing new positions, as well as strengthening existing positions related to the digitisation of core sectors. This applies to markets including oil and gas and maritime. Oil company investment levels are expected to decline, due to both the current COVID-19 situation and the fall in oil prices. This may affect KDI order intake. Equally, the consequences of the current situation demonstrate the need for and benefits of KONGSBERG digital and remote solutions.

Out of the solid order backlog, approximately BNOK 10.5 is due to be delivered in the second half of 2020. Order intake from the after market and framework agreements are not part of the order backlog.

Kongsberg, 14 July 2020

NUMBERS & NOTES

Key figures by quarter

The statements below for KONGSBERG and Kongsberg Maritime have been adjusted for discontinued operations (Hydroid see note 13). The 2018 figures are exclusive IFRS 16 effects. The Kongsberg Maritime figures for 2018 have been adjusted compared to presented in Q1.

KONGSBERG	2020			2019					2018				
MNOK	2020	Q2	Q1	2019	Q4	Q3	Q2	Q1	2018	Q4	Q3	Q2	Q1
Operating revenues	12 661	5 983	6 678	23 245	7 938	5 833	6 012	3 462	13 807	3 971	3 023	3 384	3 429
EBITDA	1 415	772	643	2 134	823	487	443	381	1 306	495	326	221	264
EBITDA (%)	11,2	12,9	9,6	9,2	10,4	8,4	7,4	11,0	9,5	12,5	10,8	6,5	7,7
Order intake	12 879	6 067	6 812	31 413	6 645	11 810	9 297	3 661	15 879	3 700	4 181	5 207	2 790
Order backlog	32 935	32 935	33 342	32 347	32 347	33 306	27 177	16 786	16 707	16 707	17 037	16 055	14 413
EBIT	763	462	301	1 050	530	184	127	209	882	385	223	113	161
EBIT (%)	6,0	7,7	4,5	4,5	6,7	3,2	2,1	6,0	6,4	9,7	7,4	3,3	4,7

KONGSBERG MARITIME	2020			2019					2018				
MNOK	2020	Q2	Q1	2019	Q4	Q3	Q2	Q1	2018	Q4	Q3	Q2	Q1
Operating revenues	8 305	3 762	4 543	15 198	5 263	4 041	3 989	1 905	6 971	1 864	1 667	1 768	1 671
EBITDA	657	267	390	1 005	408	223	168	206	521	113	189	101	117
EBITDA (%)	7,9	7,1	8,6	6,6	7,8	5,5	4,2	10,8	7,5	6,1	11,3	5,7	7,0
Order intake	8 663	3 850	4 813	14 427	3 858	3 345	4 917	2 306	8 189	1 694	2 728	2 015	1 751
Order backlog	12 111	12 111	12 404	11 311	11 311	12 445	12 920	5 465	5 163	5 163	5 410	4 555	4 339
EBIT	255	85	170	356	234	33	(46)	136	404	82	164	72	86
EBIT (%)	3,1	2,2	3,7	2,3	4,5	0,8	(1,2)	7,1	5,8	4,4	9,8	4,1	5,1

KONGSBERG DEFENCE AEROSPACE	2020			2019					2018				
MNOK	2020	Q2	Q1	2019	Q4	Q3	Q2	Q1	2018	Q4	Q3	Q2	Q1
Operating revenues	3 950	2 008	1 942	7 245	2 468	1 578	1 829	1 369	6 104	1 898	1 180	1 441	1 585
EBITDA	715	474	241	1 157	448	248	291	171	863	371	120	200	172
EBITDA (%)	18,1	23,6	12,4	16,0	18,1	15,7	15,9	12,5	14,1	19,5	10,2	13,9	10,9
Order intake	3 556	1 788	1 769	16 060	2 509	8 254	4 160	1 137	6 885	1 770	1 272	3 045	798
Order backlog	19 658	19 658	19 977	20 146	20 146	20 027	13 433	10 519	10 744	10 744	10 867	10 772	9 170
EBIT	477	351	126	760	338	145	196	81	621	309	58	137	117
EBIT (%)	12,1	17,5	6,5	10,5	13,7	9,2	10,7	5,9	10,2	16,3	4,9	9,5	7,4

Condensed income statement

MNOK	Note	1.4. - 30.6. 2020	1.4. - 30.6. 2019	1.1. - 30.6. 2020	1.1. - 30.6. 2019	2019
Operating revenues	5	5 983	6 012	12 661	9 474	23 245
Operating expenses	8	(5 243)	(5 599)	(11 279)	(8 682)	(21 132)
Share of net income from joint arrangements and associated companies	6	33	29	33	32	21
EBITDA	5, 14	772	443	1 415	824	2 134
Depreciation		(122)	(135)	(236)	(219)	(427)
Depreciation, leasing assets	3	(105)	(89)	(203)	(155)	(348)
Impairment of property, plant and equipment		-	-	-	(1)	(18)
Amortisation		(84)	(91)	(167)	(113)	(290)
Impairment of intangible assets		-	-	(45)	-	-
EBIT	5, 14	462	127	763	336	1 050
Interest on leasing liabilities	3	(37)	(35)	(73)	(60)	(131)
Net financial items	7	(44)	(37)	(54)	(31)	(86)
Earnings before tax from continuing operations (EBT)		380	54	637	244	833
Income tax expense	11	107	14	165	64	237
Earnings after tax from continuing operations		274	41	472	181	596
Earnings after tax from discontinued operations	13	-	33	1 440	62	121
Earnings after tax (EAT)		274	74	1 912	243	717
Attributable to:						
Equity holders of the parent		264	73	1 891	243	701
Non-controlling interests		9	1	21	-	17
Earnings per share (EPS) / EPS diluted in NOK						
-Earnings per share from continuing operations		1,47	0,22	2,51	1,01	3,22
-Earnings per share from continuing operations, diluted		1,47	0,22	2,51	1,01	3,22
-Earnings per share		1,47	0,40	10,51	1,35	3,89
-Earnings per share, diluted in NOK		1,47	0,40	10,51	1,35	3,89

Condensed statement of comprehensive income

		1.4. - 30.6.		1.1. - 30.6.		
MNOK	*Note*	*2020*	*2019*	*2020*	*2019*	*2019*
Earnings after tax		274	74	1 912	243	717
Specification of other comprehensive income for the period:						
Items to be reclassified to profit or loss in subsequent periods:						
Change in fair value, financial instruments						
- Cash flow hedges (Currency futures and interest rate swaps)	7	(38)	(157)	(143)	(15)	(117)
Tax effect cash flow hedges (Currency futures and interest rate swaps)		8	34	31	3	26
Translation differences currency		(461)	(8)	318	(62)	108
Total items to be reclassified to profit or loss in subsequent periods		(491)	(131)	206	(74)	17
Items not to be reclassified to profit or loss:						
Actuarial gains/losses pensions		-	-	-	-	(112)
Tax effect on actuarial gain/loss on pension		-	-	-	-	15
Total items not to be reclassified to profit or loss		-	-	-	-	(97)
Comprehensive income after tax for the period		(217)	(57)	2 118	169	637

Condensed statement of financial position

MNOK	Note	30.6. 2020	31.3. 2020	31.12. 2019
Property, plant and equipment		3 797	3 890	3 924
Leasing assets	3	2 036	2 146	2 141
Intangible assets	8	5 311	5 280	6 487
Shares in joint arrangements and associated companies	6	3 275	3 518	3 247
Other non-current assets		389	417	380
Total non-current assets		14 808	15 251	16 179
Inventories		4 182	4 064	3 964
Trade receivables		5 125	5 455	6 363
Customer contracts, asset	7	6 131	6 471	5 888
Derivatives	7	624	1 311	376
Other short-term receivables		673	624	998
Cash and cash equivalents		8 610	9 537	5 654
Total current assets		25 345	27 461	23 243
Total assets		40 153	42 713	39 422
Issued capital		5 933	5 933	5 933
Retained earnings		7 662	7 715	6 249
Other reserves		778	1 268	571
Non-controlling interests		93	72	57
Total equity		14 466	14 989	12 810
Long-term interest-bearing loans	7	2 474	3 473	3 469
Long-term leasing liabilities	3	1 789	1 871	1 850
Other non-current liabilities and provisions	4	2 212	2 194	2 481
Total non-current liabilities and provisions		6 476	7 539	7 801
Customer contracts, liabilities	7	9 245	8 550	10 481
Derivatives	7	1 593	3 808	494
Short-term interest-bearing loans	7	1 075	81	619
Short-term leasing liabilities	3	334	341	348
Other current liabilities and provisions	4	6 965	7 407	6 868
Total current liabilities and provisions		19 211	20 186	18 812
Total equity, liabilities and provisions		40 153	42 713	39 422
Equity ratio (%)		36,0	35,1	32,5
Net interest-bearing debt		(5 061)	(5 983)	(1 565)

Condensed statement of changes in equity

MNOK	Note	30.6. 2020	31.3. 2020	31.12. 2019
Equity opening balance		12 810	12 810	12 626
Other comprehensive income		2 118	2 335	637
Dividends paid		(450)	-	(450)
Treasury share		(15)	(160)	(3)
Purchase/sale, in non-controlling interests		3	4	-
Equity closing balance		14 466	14 989	12 810

Condensed cash flow statement

		1.4. - 30.6.		1.1. - 30.6.		
MNOK	*Note*	*2020*	*2019*	*2020*	*2019*	*2019*
EBITDA		772	479	1 415	893	2 279
EBITDA from discontinued operations	13	-	-	40	-	-
Change in net current assets and other operatings-related items		(806)	(940)	(549)	(764)	(273)
Net cash flow from operating activities		(34)	(461)	906	129	2 006
Purchase/disposal of property, plant and equipment		(128)	(115)	(243)	(204)	(534)
Proceeds from aquiring subsidiaries and associated companies	12	(39)	(3 850)	(39)	(3 819)	(3 625)
Repayment of debt in aqcuired business		-	(1 000)	-	(1 000)	(1 000)
Proceeds from sale of business	13	-	161	3 631	161	161
Capitalised internal developed intangible assets (R&D)	8	(80)	(39)	(147)	(69)	(176)
Net cash flow from investing activities		(247)	(4 843)	3 202	(4 931)	(5 174)
Net change interest-bearing loans		(5)	(2)	(540)	12	(238)
Payment of principal portion of lease liabilities	3	(83)	(74)	(171)	(125)	(292)
Interest paid		(27)	(28)	(59)	(52)	(122)
Interest paid on leasing liabilities	3	(38)	(35)	(73)	(60)	(131)
Transactions with treasury shares		109	34	(51)	(27)	(27)
Dividends paid to equity holders of the parent		(450)	(450)	(450)	(450)	(450)
- of which dividends from treasury shares		2	2	2	2	2
Net cash flow from financing activities		(492)	(553)	(1 342)	(700)	(1 258)
Effect of changes in exchange rates on cash and cash equivalents		(154)	(10)	190	(14)	42
Net change in cash and cash equivalents		(927)	(5 867)	2 956	(5 516)	(4 384)
Cash and cash equivalents at the beginning of the period		9 537	10 389	5 654	10 038	10 038
Cash and cash equivalents at the end of the period		8 610	4 522	8 610	4 522	5 654

Note 1 | General information and principles

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

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

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

The interim financial statement has not been audited.

Note 2 | New standards as from 1.1.2020

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

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

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

Note 3 | Leasing

KONGSBERG has leases that are primarily related to land and buildings, as well as leases for machinery, vehicles and equipment.

IFRS 16 effects on condensed statement of

Opening balance 01.01.2020	**2 141**
Addition	45
Depreciation Q1	(98)
Translation differences	58
Opening balance 01.04.2020	**2 146**
Addition	18
Depreciation Q2	(105)
Translation differences	(23)
Closing balance 30.6.2020	**2 036**

	30.6.2020	31.3.2020	31.12.2019
Leasing assets	**2 036**	**2 146**	**2 141**
Long-term leasing liabilities	**1 789**	**1 871**	**1 850**
Short-term leasing liabilities	**334**	**341**	**348**

IFRS 16 effects on condensed income statement in the period:

	1.4. - 30.6.		1.1. - 30.6.		
	2020	2019	2020	2019	2019
Returned rental cost earlier included in EBITDA	(121)	(109)	(244)	(185)	(423)
Increased EBITDA in the period	**121**	**109**	**244**	**185**	**423**
Depreciation on leases	105	89	203	155	348
Increased EBIT in the period	**16**	**20**	**41**	**30**	**75**
Interest cost on leasing liabilities for the period	37	35	73	60	131
Reduced EBT in the period	**(21)**	**(15)**	**(32)**	**(30)**	**(56)**

Note 4 | Estimates

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

Note 5 | Segment information

	OPERATING REVENUES					EBITDA					EBIT				
	1.4. - 30.6.		1.1. - 30.6.			1.4. - 30.6.		1.1. - 30.6.			1.4. - 30.6.		1.1. - 30.6.		
MNOK	*2020*	*2019*	*2020*	*2019*	*2019*	*2020*	*2019*	*2020*	*2019*	*2019*	*2020*	*2019*	*2020*	*2019*	*2019*
KM	3 762	3 989	8 305	5 893	15 198	267	168	657	374	1 005	85	(46)	255	89	356
KDA	2 008	1 829	3 950	3 198	7 245	474	291	715	462	1 157	351	196	477	277	760
Other	213	195	406	382	802	32	(17)	43	(12)	(29)	27	(23)	32	(29)	(65)
Group	5 983	6 012	12 661	9 474	23 245	772	443	1 415	824	2 134	462	127	763	336	1 050

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

Note 6 | Shares in joint arrangements and associated companies

Specification of movement in the balance sheet line "Shares in joint arrangements and associated companies" 1 January to 30 June

MNOK	Ownership	Carrying amount 1.1.2020	Additions/ disposals	Dividends received	Share of net income [1]	Other items and comprehensive income	Carrying amount 30.6.20
Patria Oyj	49,9 %	2 656	-	(75)	-	125	2 706
Kongsberg Satellite Services AS	50,0 %	492	-	(55)	56	-	493
Other shares		100	-	-	(24)	-	76
Total		3 247	-	(130)	33	125	3 275

[1] The profit/loss is included after tax and amortisation of excess value. The profit/loss for Q2 is 33 MNOK.

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

	1.4. - 30.6.		1.1. - 30.6.		1.1. - 31.12.	
	2020		2020		2019	
Millions	EUR	NOK	EUR	NOK	EUR	NOK
EBITDA	13		22		33	
Financial items, taxes, depreciations and amortisation	(8)		(15)		(28)	
Net income after tax	5		7		5	
KONGSBERG's share (49,9%) [1]		12		12		(8)
Amortisation of excess values after tax		(6)		(12)		(27)
Share of net income recognised in KDA for the period		6		-		(35)

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

Note 7 | Financial instruments

Loans and credit facilities

The Group has five bond loans amounting to a total of MNOK 3,450. The loans are classified as long-term loans, except KOG08(nominal value of MNOK 1,000), which is due within a year and is reclassified to short-term loans. The maturity dates of the long-term bond loans range from 6 December 2021 to 2 June 2026. The bond loan KOG10 (nominal value of MNOK 550) was repaid in its entirety when matured in March 2020. In addition, the Group has a syndicated credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. Neither are utilised.

Interest-bearing loans:

			30.6.2020	31.12.2019
MNOK	*Due date*	*Nominal interest rate*	*Value* [1]	*Value* [1]
Long-term loans				
Bond issue KOG08 - floating interest rate			-	1 000
Bond issue KOG09 - fixed interest rate	02.06.2026	3,20%	1 000	1 000
Bond issue KOG11 - fixed interest rate	05.12.2023	2,90%	450	450
Bond issue KOG12 - floating interest rate	06.12.2021	1,17%	500	500
Bond issue KOG13 - floating interest rate	06.06.2024	1,49%	500	500
Other long-term loans [2]			24	19
Total long-term loans			**2 474**	**3 469**
Short-term loans:				
Bond issue KOG08 - floating interest rate[3]	02.06.2021	1,53%	1 000	-
Bond issue KOG10 - floating interest rate [4]			-	550
Other short-term loans			75	70
Total short-term loans			**1 075**	**620**
Total interest-bearing loans			3 549	4 089
Syndicated credit facility (unused borrowing limit)	15.03.2023		2 300	2 300
Overdraft facility (unused)			500	500

[1] Value is equal to nominal amount. For long-term bond loans, the carrying amount is equal to the nominal amount.

[2] "Other long-term loans" consists of minor loans in local banks in some of the Group's subsidiaries.

[3] The bond issue KOG08 with nominal value MNOK 1,000 and due date 02.06.21, was reclassificated to short-term loans at 30.06.2020.

[4] The bond issue KOG10 was repaid at due date 05.03.20.

Forward exchange contracts and interest rate swaps
As shown in the condensed statement of comprehensive income the fair value of cash flow hedges has been decreased by MNOK 143 before tax during the period 1 January – 30 June 2020. Of this amount, the change in fair value of forward exchange contracts accounted for a decrease of MNOK 24 during the same period. The net value of fair value hedges has been significantly reduced as a result of the depreciation of the Norwegian krone against relevant currencies during the first quarter. During the second quarter the Norwegian krone has strengthen slightly and the total change from the end of the year represents a reduction of MNOK 671. The end-of-quarter spot prices were USD/NOK 9.66 and EUR/NOK 10.84.

Forward exchange contracts classified as cash flow hedging:

	Due in 2020		Due in 2021 or later		Totalt		
MNOK (before tax)	*Value based on agreed exchange rates*	*Fair value at 30.6.20*	*Value based on agreed exchange rates*	*Fair value at 30.6.20*	*Value based on agreed exchange rates*	*Change in fair value from 31.12.19*	*Fair value at 30.6.20*
USD	(324)	58	312	(87)	(12)	(31)	(29)
EUR	(450)	(5)	-	-	(450)	7	(5)
Other	(29)	-	(3)	-	(32)	-	-
Sum	**(803)**	**53**	**309**	**(87)**	**(494)**	**(24)**	**(35)**
Roll-over of currency futures	-	(39)	-	(82)	-	36	(121)
Total	**(803)**	**14**	**309**	**(169)**	**(494)**	**12**	**(155)**

Forward exchange contracts cash flow hedging, asset	135
Forward exchange contracts cash flow hedging, liability	169
Net forward exchange contracts cash flow hedging	**(35)**

Fair value is calculated as the difference between the spot rate at 30 June 2020 and the forward rates on currency contracts.
The difference (MNOK -155) between changes in the fair value of balances classified as cash flow hedges (MNOK -143) and changes in fair value on forward exchange contracts (MNOK 12) is ascribable to a change in fair values of basis swaps and interest rate according to implementation of hedge accounting in acquired companies with MNOK -19.

Forward exchange contracts classified as fair value hedging:

	Due in 2020		Due in 2021 or later		Total		
MNOK	*Value based on agreed exchange rates*	*Fair value at 30.6.20*	*Value based on agreed exchange rates*	*Fair value at 30.6.20*	*Value based on agreed exchange rates*	*Change in fair value from 31.12.19*	*Fair value at 30.6.20*
USD	4 442	(166)	7 757	(565)	12 199	(679)	(732)
EUR	841	2	1 378	(52)	2 218	(49)	(50)
Øvrige	240	4	674	45	914	57	50
Totalt	**5 523**	**(160)**	**9 809**	**(572)**	**15 331**	**(671)**	**(732)**

Forward exchange contracts fair value hedges, asset	489
Forward exchange contracts fair value hedges, liability	1 221
Net forward exchange contracts fair value hedges	**(732)**

The value of fair value hedges is recognised in the statement of financial position against customer contracts, assets by MNOK 55 and customer contracts, liabilities by MNOK 677.

Specification of derivatives:

MNOK	30.6. 2020	31.3. 2020	31.12. 2019
Forward exchange contracts, cash flow hedging	135	400	44
Forward exchange contracts, fair value hedges	489	905	314
Loan hedges	-	6	18
Total derivatives, current assets	**624**	**1 311**	**376**
Forward exchange contracts, cash flow hedging	169	307	55
Forward exchange contracts, fair value hedges	1 221	3 222	374
Fair value	200	279	64
Loan hedges	3	-	-
Total derivatives, current liabilities	**1 593**	**3 808**	**493**

Note 8 | Product development

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

	1.4. - 30.6.		1.1. - 30.6.		
MNOK	*2020*	*2019*	*2020*	*2019*	*2019*
Product maintenance	95	119	200	202	442
Development cost	234	236	472	398	807
Total	329	354	671	599	1 249

Capitalised development recognised in the balance sheet during the period:

	1.4. - 30.6.		1.1. - 30.6.		
MNOK	*2020*	*2019*	*2020*	*2019*	*2019*
Capitalised development	83	29	147	57	173

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

Note 9 | Related parties

The Board is not aware of any changes or transactions in Q2 associated with related parties that in any significant way have an impact on the Group's financial position and profit for the period.

Note 10 | Important risk and uncertainty factors

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

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

In preparing KONGSBERG's financial statement for the first half of the year, thorough assessments have been made in relation to any COVID-19 impact on accounting items. Despite the downward trend in sales and order intake in a number of areas, no significant negative effects on profits were recorded. This is largely due to the introduction of comprehensive cost-saving measures. KONGSBERG is expected to be affected to a greater extent in the coming quarters. Uncertainty regarding oil prices in the future will affect investment levels in a number of segments, while at the same time leading to opportunities in other segments where KONGSBERG is strong. Lower activity among customers and suppliers, travel restrictions and increased risk of delays within projects due to temporary closures and lack of resources are expected to affect revenue, profit and order intake. In addition, there is a greater risk of the cancellation of customer contracts and delayed or missing payments due to the fact that large parts of the customer base are affected, which could lead to an increased risk of losses on trade receivables, goods, project assets and foreign exchange contracts. KONGSBERG is therefore closely monitoring the development of the virus situation in other countries, and especially in the US. The Group's large international presence, and global dependency makes the Group vulnerable for conditions that influence the international trade and the world economy in general. It is still great uncertainty regarding how the effects from the COVID-19 will affect the world economy in the longer term and how it will affect KONGSBERG.

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

Note 11 | Tax

The effective tax rate as of Q2 is calculated to be 26.0 per cent. The effective tax rate is affected by non-deductible costs, withholding tax on dividends from foreign subsidiaries and the fact that shares of net income from associated companies are recognised after tax.

Note 12 | Acquisitions

Final added value allocation of 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 owner with 50.1 per cent, while Patria owns 49.9 per cent of the shares in AIM. The company is the Norwegian Armed Forces' organisation that support the maintenance, repair and inspection of aircraft and helicopters.

In June 2019 AIM was renamed Kongsberg Aviation Maintenance Services AS.

KONGSBERG has now completed its assessments of assets and liabilities acquired in the acquisition. This has led to changes in the allocation of added value. The purchase price includes contingent considerations and these will not be clarified until 2023 at the earliest and 2027 at the latest. The statement below shows the change in excess value allocation reported in Q2 2019 against final excess value allocation.

MNOK	*Preliminary PPA Q219*	*Adjustments*	*Final PPA*
Intangible assets exclusive goodwill	2	-	**2**
Non current assets held for sale[1]	199	3	**202**
Property, plant and equipment	42	-	**42**
Leasing assets	172	-	**172**
Deferred tax asset	156	(3)	**153**
Current assets exclusive cash and cash equivalents	192	-	**192**
Cash and cash equivalents	210	-	**210**
Total assets exclusive goodwill	**974**	**-**	974
Pension liabilities	(125)	8	**(117)**
Long-term leasing liabilities	(138)	-	**(138)**
Customer contracts, liabilities	(165)	-	**(165)**
Short-term leasing liabilities	(34)	-	**(34)**
Other current liabilities and provisions	(509)	20	**(489)**
Total liabilities and provisions	**(971)**	**27**	(944)
Net identifiable assets and liabilities	**3**	**27**	30
Goodwill upon aquisition	-	-	-
Remuneration	**3**	**27**	30
Cash and cash equivalents acquired	(210)	-	(210)
Net ingoing cash flow for the acquisition	**207**	**(27)**	180

1) Non current assets held for sale are related to shares in BEC sold to Patria in June 2019

COACH Solutions ApS

On 30 June, KONGSBERG signed an agreement to purchase COACH Solutions ApS, and the acquisition was completed on the same day.

The company is a Danish maritime software company founded by the Danish shipping company Clipper Group. The company develops software to optimise energy consumption and receive continuously-updated weather routing, which enables customers to achieve large financial and environmental operational savings. The solutions have been installed on 600 active vessels. COACH software complements Kongsberg Digital's maritime portfolio and the company is included as a wholly owned subsidiary in this business area.

The parties agreed on an enterprise value on a cash- and debt-free basis, and with normalised working capital. Added value in the acquisition is allocated to customer relations, technology and goodwill.

The company will change its name to KONGSBERG COACH Solutions ApS.

Preliminary purchase price allocation COACH Solutions ApS

MNOK	*Carrying amount prior to acquisition*	*Adjustments fair value*	*Recognised values at acquisition*
Customer relationship	-	12	**12**
Technology	-	12	**12**
Total intangible assets exclusive goodwill	**-**	**25**	**25**
Current assets exclusive cash and cash equivalents	6	-	**6**
Cash and cash equivalents	4	-	**4**
Total assets exclusive goodwill	**10**	**25**	**35**
Other current liabilities and provisions	(5)	-	**(5)**
Total liabilities and provisions	**(5)**	**-**	**(5)**
Net identifiable assets and liabilities	**6**	**25**	**31**
Goodwill upon acquisitions	-	12	12
Remuneration	**-**	**-**	**43**
Cash and cash equivalents acquired	-	-	(4)
Net outgoing cash flow for the acquisition	**-**	**-**	**39**

Note 13 | Discontinued operations

Hydroid Inc.
On 4 February 2020 Kongsberg Maritime signed an agreement to sell the subsea technology company Hydroid Inc. in the USA to Huntington Ingalls Industries (HII) for USD 350 million, on a debt- and cash-free basis and adjusted for agreed working capital. The transaction was completed with effect from 26 March 2020 and means that Hydroid's profit and loss figures have been removed from the accounts in the financial statement and reported on the line "Earnings after tax from discontinued operations". Comparative figures have also been recalculated. For further information see the quarterly report for Q1.

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

Specification of the earnings after tax for discontinued operations

	1.1. - 30.6.		
MNOK	*2020*	*2019*	*2019*
Operating revenues	268	400	840
Operating expenses	(228)	(330)	(695)
EBITDA	**40**	**69**	**145**
EBIT	**36**	**63**	**132**
Earnings before tax	**27**	**64**	**134**
Tax	(7)	(2)	(13)
Earnings after tax	**20**	**62**	**121**
Gain from sale of business before tax	2 020	-	-
Tax on gain	600	-	-
Gain from sale of business after tax	**1 420**	**-**	**-**
Earnings after tax from discontinued operations	**1 440**	**62**	**121**

Cash flow from Hydroid

EBITDA	40	69	145
Change in net current assets and other operating related items	(249)	(73)	(26)
Net cash flow from operating activities	**(209)**	**(1)**	**120**
Net cash flow from investing activities	**(5)**	**(5)**	**(15)**
Net cash flow from financing activities	**(9)**	**(1)**	**(2)**

Effect of Hydroid on the condensed statement of financial position

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

Note 14 | Definitions and abbreviations

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

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

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

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

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

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

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

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

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

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

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

Organic growth is change in operating revenues exclusive acquired companies.

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 2020 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, 14. July 2020

Eivind Reiten
Chairman

Anne-Grete Strøm-Erichsen
Deputy Chairman

Martha Kold Bakkevig
Director

Morten Henriksen
Director

Per A. Sørlie
Director

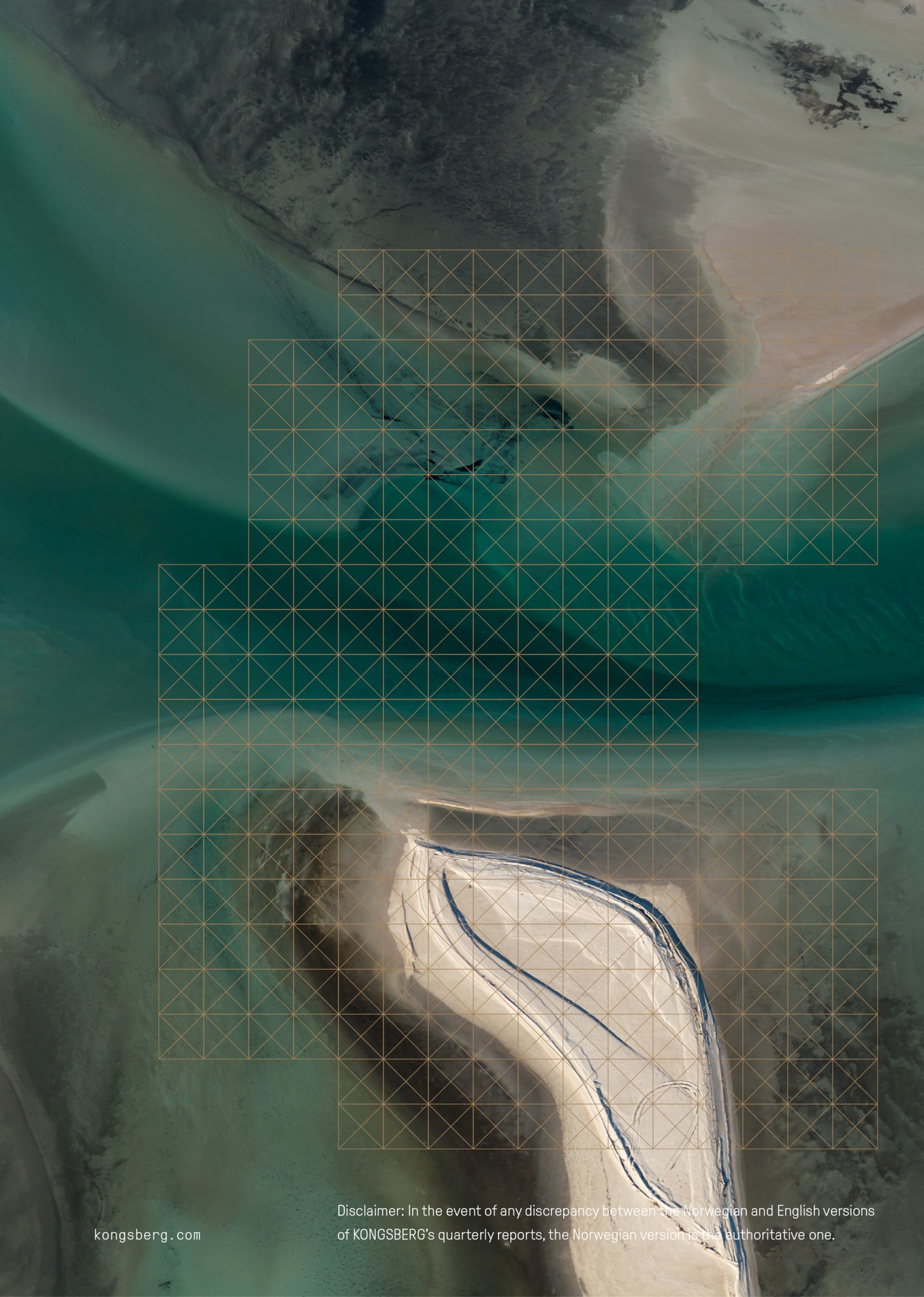
Sigmund Ivar Bakke
Director

Elisabeth Fossan
Director

Helge Lintvedt
Director

Geir Håøy
President and CEO

This translation from Norwegian of KONGSBERG's first half report of 2020 has been made for information purposes only.



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