



KONGSBERG

# QUARTERLY REPORT

## 3rd QUARTER 2021



# KONGSBERG



**GEIR HÅØY**  
President & CEO

“KONGSBERG has delivered profitable growth and a record high order intake of over NOK 15 billion. The increase in turnover was mainly driven by Kongsberg Defence & Aerospace (KDA), which can point to good growth over a number of quarters with deliveries for several large defence programmes. Kongsberg Maritime (KM) has continued to improve profitability in a market where we now start to see increased activity in some segments.

For Kongsberg Digital (KDI), the main priorities are to expand the customer portfolio and to further develop the digital ecosystem for Vessel Insight and Kognitwin. Within the business area, three important fleet roll-out contracts for Vessel Insight were signed during the quarter. The roll-out of Kognitwin, the business area’s dynamic digital twin solution, is continuing, and we have now installed twins for upstream, mid-stream and downstream operations.

KONGSBERG has significant ambitions to reduce the climate footprint, both in terms of direct reduction of our own impact but also indirectly through the value chain. How we can really make a difference is by looking at our entire value chain, from sub-supplier to the finished system and through the life cycle of the system. During Q3, we joined the Science Based Targets Initiative, and our ambition is that minimum two-thirds of our suppliers by spend will do the same within five years. This will help the value chain to work in a more targeted manner to reduce emissions and set specific ambitions for the reduction of its total environmental footprint. Through our technology expertise, we will help solve the environmental challenges facing our customers and industries, and we see significant business opportunities in the need for sustainable solutions.

Overall, the group has a solid foundation with sustainable technology- and market positions in both established and newer markets. This makes us confident that KONGSBERG will continue the positive development.”

# Highlights

## KONGSBERG

Growth, solid project execution and cost discipline resulted in increased EBITDA in Q3 2021 compared with Q3 2020. A good order intake resulted in a Group-wide book-to-bill ratio of 2.46.

	Q3	YTD 2021
Revenues:	MNOK 6,216	MNOK 19,342
EBITDA:	MNOK 1,054	MNOK 2,930
EBITDA margin:	17.0 per cent	15.1 per cent

## KONGSBERG MARITIME

A book-to-bill ratio of 1.30 was realised with the order intake including, among other things, a significant contract for the delivery of equipment to two new offshore wind installation vessels. Good cost discipline and a favourable project mix have improved profitability. The business area is experiencing somewhat improved market prospects in general.

	Q3	YTD 2021
Revenues:	MNOK 3,734	MNOK 11,632
EBITDA:	MNOK 560	MNOK 1,439
EBITDA margin:	15.0 per cent	12.4 per cent

## KONGSBERG DEFENCE & AEROSPACE

Growth in operating revenues of 17 per cent and 20.4 per cent EBITDA-margin, mainly due to a favourable project mix and continued solid project execution during the quarter. Contracts with Norway and Germany totalling NOK 8.2 billion for the delivery of combat systems to submarines and NSM. Record order backlog of over NOK 31 billion.

	Q3	YTD 2021
Revenues:	MNOK 2,261	MNOK 7,067
EBITDA:	MNOK 461	MNOK 1,443
EBITDA margin:	20.4 per cent	20.4 per cent

## KONGSBERG DIGITAL

A high level of market activity and scale up of the business related to the delivery and roll-out of dynamic digital twins and Vessel Insight for both new and existing customers.

	Q3	YTD 2021
Revenues:	MNOK 221	MNOK 616
EBITDA:	MNOK 22	MNOK 23
Share of "recurring revenues":	41 per cent	41 per cent

# Key figures

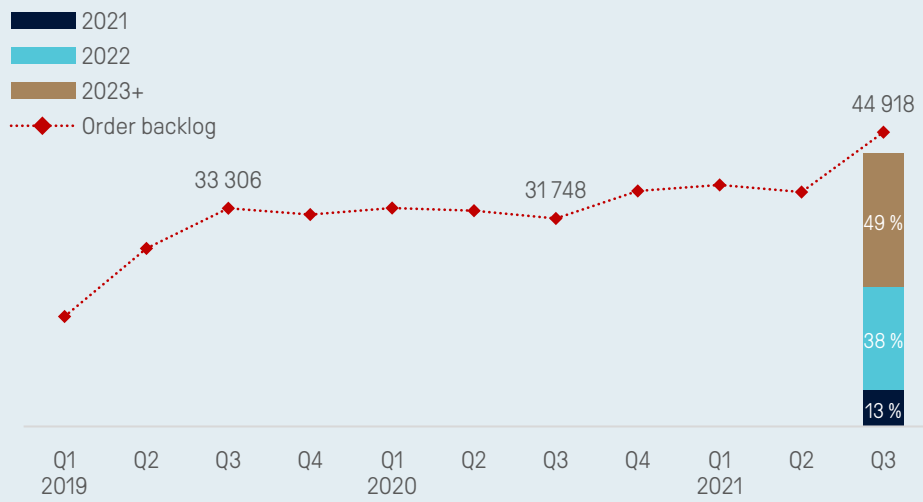
MNOK	1.7 - 30.9		1.1 - 30.9		1.1-31.12
	2021	2020	2021	2020	2020
Operating revenue	6 216	5 802	19 342	18 464	25 612
EBITDA	1 054	919	2 930	2 302	3 250
EBITDA (%)	17,0	15,8	15,1	12,5	12,7
EBIT	748	595	2 019	1 326	1 905
EBIT (%)	12,0	10,3	10,4	7,2	7,4
Share of net income from associated companies	79	35	148	67	186
Earnings before tax from continuing operations	786	566	2 021	1 203	1 855
Earnings after tax from continuing operations	619	444	1 572	916	1 481
Earnings after tax including discontinued operations	619	455	1 572	2 367	2 932
EPS continued operations (NOK)	3,04	2,36	8,23	4,86	8,01
EPS included discontinued operations (NOK)	3,04	2,41	8,23	12,92	16,08
Order Intake	15 315	4 558	28 503	17 437	28 818

MNOK	30.9.	30.6.	31.12.
	2021	2021	2020
Equity ratio (%)	33,7	33,6	33,9
Net interest-bearing debt <sup>1)</sup>	(3 593)	(2 835)	(3 949)
Working Capital <sup>2)</sup>	(244)	(28)	(458)
ROACE (%) <sup>3)</sup>	28,7	26,8	20,8
Order backlog	44 918	35 781	35 947
Net interest-bearing debt/EBITDA before IFRS 16 <sup>4)</sup>	(1,1)	(0,9)	(1,4)
No. of employees	11 045	10 896	10 689

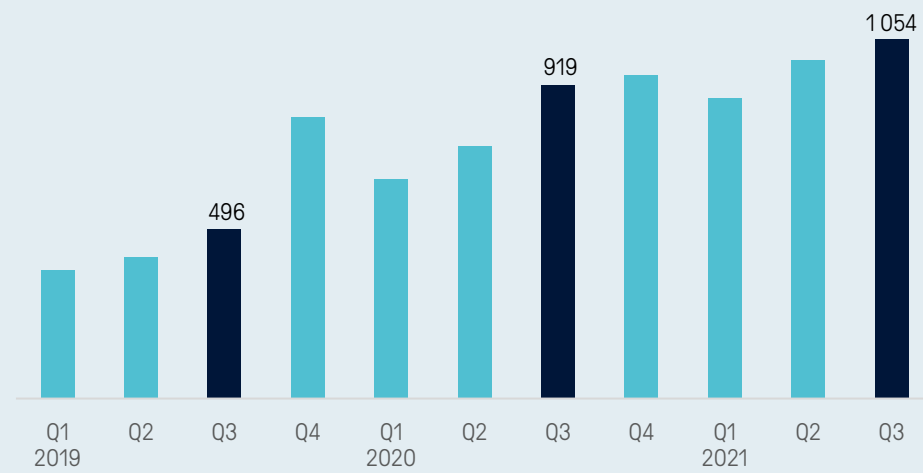
- 1) Net interest-bearing debt is the net amount of the accounting lines "Cash and cash equivalents" and "Short- and long-term interest-bearing liabilities, excluding leasing commitments".
- 2) Current assets (except cash and cash equivalents) minus non-interest-bearing liabilities (except taxes payable). Financial instruments classified as cashflow hedges are not included in working capital.
- 3) 12-month rolling EBIT including share of net income from joint arrangements and associated companies, excluding IFRS 16 divided by the 12-month mean of recognised equity and net interest-bearing debt.
- 4) 12-month rolling EBITA excluding IFRS 16



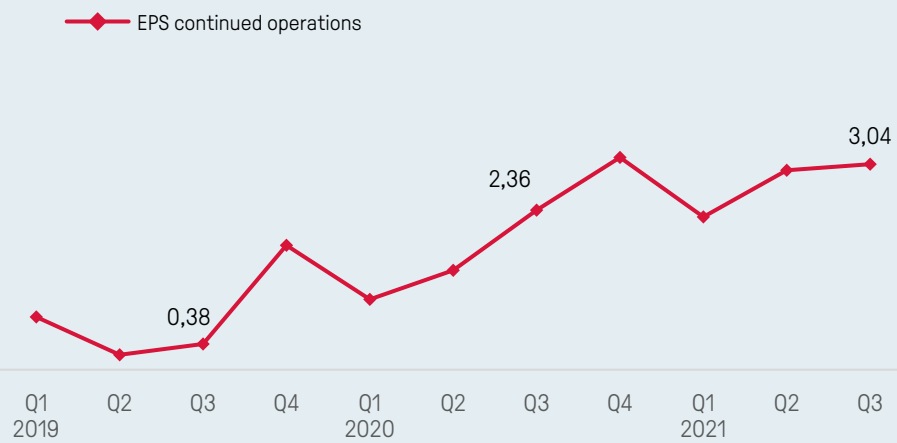
## ORDER BACKLOG



## EBITDA

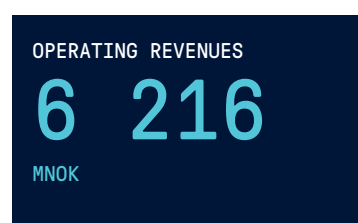


## EPS Continued operations

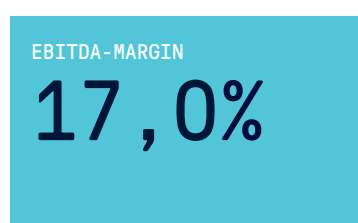


# Performance, market and orders

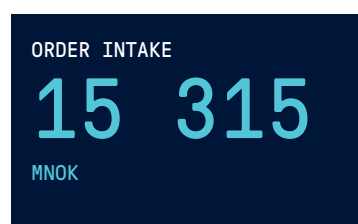
**Operating revenues in Q3 were MNOK 6,216** against MNOK 5,802 in the same quarter the previous year, representing an increase of 7 per cent. All business areas saw increased operating revenues compared to the corresponding quarter last year, but the majority of the increase was within Kongsberg Defence & Aerospace (KDA). Operating revenues for the year so far have been MNOK 19,342 (MNOK 18,464). Accumulated growth in 2021 was also driven by KDA.



**EBITDA was MNOK 1,054 in Q3, an EBITDA margin of 17.0 per cent** compared to MNOK 919 (15.8 per cent) in the same quarter the previous year. Accumulated EBITDA at the end of Q3 was MNOK 2,930, an increase of MNOK 628 compared to the same period in 2020.



**During Q3, order intake amounted to MNOK 15,315**, compared to MNOK 4,558 in the same quarter last year. This gives a book-to-bill ratio for the quarter of 2.46. KM had a book-to-bill ratio of 1.30, KDA had a book-to-bill ratio of 4.56 and KDI had a book-to-bill ratio of 0.75 during the quarter. Variations in order intake are normal, and order intake can vary considerably between quarters. This should be viewed in the context of the signing date of large contracts. At the beginning of July, KDA signed two significant contracts with Norway and Germany for the delivery of combat systems to submarines and Naval Strike Missiles. The total value of the contracts was NOK 8.2 billion. The Group's accumulated order intake has been MNOK 28,503 (MNOK 17,437) so far this year, equivalent to a book-to-bill ratio of 1.47.



**The order backlog at the end of Q3 was MNOK 44,918**, an increase of MNOK 9,137 during the quarter.

## Cash flow

KONGSBERG recorded a net increase in cash and cash equivalents of MNOK 755 in Q3 2021. Net cash flow from operating activities amounted to MNOK 1,094. Out of this, EBITDA amounted to MNOK 1,054, while the change in net current assets and other operating items amounted to MNOK 40. Group cash flow from investment activities amounted to MNOK -149. This consists of investments in property, plant and equipment, as well as capitalised research and development. Cash flow from financing activities was MNOK -188, of which MNOK 53 was share buy back.

So far in 2021, net cash and cash equivalents have decreased by MNOK 875. The largest negative cash flows were related to the payment of dividends, an increase in working capital at KDA and the settlement of bond loan KOG08. The largest positive cash flow elements were cash flow from operations and the issue of a new bond.

# Balance sheet

At the end of the quarter, the group had net interest-bearing debt totalling MNOK 2,953. Long-term interest-bearing debt consisted of four bond totalling MNOK 2,450. The KOG12 bond, of MNOK 500 that is due to mature in December 2021, is classified as short-term interest-bearing debt, see Note 8. The group had MNOK 6,545 in cash and cash equivalents at the end of Q3, against MNOK 5,790 at the end of Q2 and MNOK 7,420 at the end of 2020.

At the end of Q3, net interest-bearing debt was MNOK -3,593, compared to MNOK -2,835 at the end of Q2 and MNOK -3,949 at the end of 2020. The change in the quarter was mainly due to strong cash flow from operations. In addition, the group had a syndicated and committed credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. These were unused at the end of Q3 2021.

Kongsberg Gruppen ASA has a long-term issuer rating of A- with “stable outlook” awarded by the Nordic Credit Rating agency. The standalone credit assessment is BBB+.

NET INTEREST-BEARING DEBT

**-3 593**

MNOK

EQUITY RATIO

**33,7%**

	30.9.	30.6.	31.12.
<i>MNOK</i>	2021	2021	2020
Equity	13 052	12 415	13 301
Equity ratio (%)	33,7	33,6	33,9
Total assets	38 718	36 967	39 230
Working capital <sup>1)</sup>	(244)	(28)	(458)
Gross interest-bearing debt	2 953	2 956	3 471
Cash and cash equivalents	6 545	5 790	7 420
Net interest bearing debt <sup>1)</sup>	(3 593)	(2 835)	(3 949)
Net interest bearing debt/EBITDA before IFRS 16 <sup>1)</sup>	(1,1)	(0,9)	(1,4)

1) See definition note 13



## Foreign currency

KONGSBERG's financial policy states that contracts over a certain amount shall be hedged against foreign exchange risk. These are typically hedged through forward exchange contracts (fair value hedges). The net fair value of these hedges was MNOK 148 as of Q3 2021. In special cases, forward contracts and other types of financial derivatives are used as cash flow hedges, for example in the case of large tenders where the probability of winning the contracts is considered high. The company's portfolio of cash flow hedges had a net fair value of MNOK -69 at the end of the quarter, which has been recognised in equity. The fair value (market value) here represents unrealised profits/losses in relation to agreed rates.

Changes to the maturity structure in underlying contracts may result in cash effects when rolling over related forward contracts. The effect size will be dependent on the prevailing market rate of the Norwegian krone relative to the initial agreed exchange rate. In addition, other financial derivatives are used, such as interest rate swaps, cross currency swaps and currency options, where fair value is also recognised against equity. See Note 8 for further information.

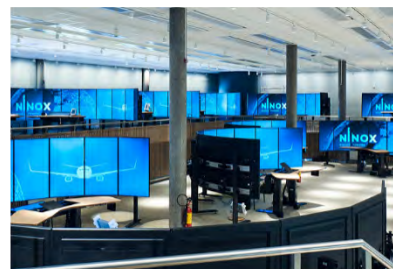
KONGSBERG's finance policy entails that revenue recognition will largely be based on exchange rates hedged at historical levels. This limits short-term effects on profits in the event of a strengthening or weakening of the company's functional currency (NOK).

## Product development

KONGSBERG is continually investing in product development, both through in-house-funded and customer-funded programmes. Total in-house-financed product development and maintenance amounted to MNOK 384 in the quarter and MNOK 1,219 accumulated over the year so far, of which MNOK 59 and MNOK 150 are capitalised, respectively. Capitalised development during the quarter was mainly related to KDI projects, although KDA and KM also were represented with a part of development capitalised during the quarter. See the table in Note 9.

As of Q3, the largest capitalised projects in the balance sheet were related to the development of the Kognifai digital platform, Joint Strike Missile and other missile technology, weapons stations, communications solutions and remote towers for airports.

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



## Employees

The company had 11,045 employees at the end of the quarter. This is an increase of 149 during the quarter and 356 since the turn of the year. This increase, both during the quarter and so far in 2021, was mainly within KDA and KDI, which are both increasing capacity. At KDA, total capacity increased to meet significant growth in the business area. KDI increased its capacity in development, sales and delivery to meet increased demand.



Number of employees by business area







# KONGSBERG MARITIME

## Results

**Operating revenues amounted to MNOK 3,734 in Q3**, compared to MNOK 3,695 during the same quarter last year, an increase of 1 per cent. There was increased after-market activity while activity related to deliveries to new vessels was lower. This is mainly due to the low level of contracting of new vessels during 2020. The Sensors & Robotics area, where activity is less reliant on new vessels, saw an increase in operating revenues. Operating revenues for the first three quarters of the year totalled MNOK 11,632 (MNOK 12,000).

**EBITDA was MNOK 560 in Q3, an EBITDA margin of 15.0 per cent**, compared to MNOK 411 (11.1 per cent) in the same quarter the previous year. Accumulated EBITDA at the end of Q3 was MNOK 1,439, an increase of MNOK 371 compared to the same period last year. This improvement was mainly a result of the successful integration programme implemented in 2019 and 2020 related to the acquisition of Commercial Marine (CM), continuous efficiency improvements and a good project mix.

Compared to Q3 2020, there was also a clear improvement in the after-market. The after-market generally sees relatively short lead time between orders and deliveries. This meant that the market was quickly hit by a reduction in demand caused by the pandemic in 2020. Since Q3 2020, we have seen a gradual increase in demand, confirmed by revenue and profit developments in Q3 2021.

## Market and orders

Order intake in Q3 was MNOK 4,864, equivalent to a book-to-bill ratio of 1.30, compared to MNOK 3,439 in Q3 2020. The after-market is an important driver for the total order intake, turnover and profitability of the business area. In Q3, order intake from the after-market amounted to more than 40 per cent of KM order intake.

The largest single contract during the quarter was a contract worth MEUR 49 with the Chinese shipyard COSCO Shipping Offshore, for the delivery of a significant technology package for two new wind turbine installation vessels (WTIV) that COSCO is building for the Danish company Cadeler. These vessels will be among the largest of their kind and will be able to ship and install multiple sets of wind turbines and their foundations. The delivery combines thrusters, electrical systems and dynamic positioning to enable the ship to maintain operations in challenging conditions, as well as a range of digital tools for sustainable performance and reliability. Offshore wind is a growth market, and so far in 2021 KM

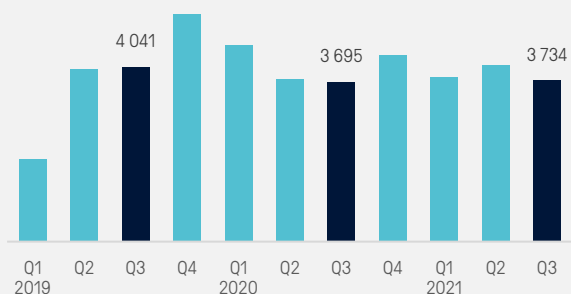
has secured contracts with a value of more than MNOK 1,300 from this market.

## KEY FIGURES

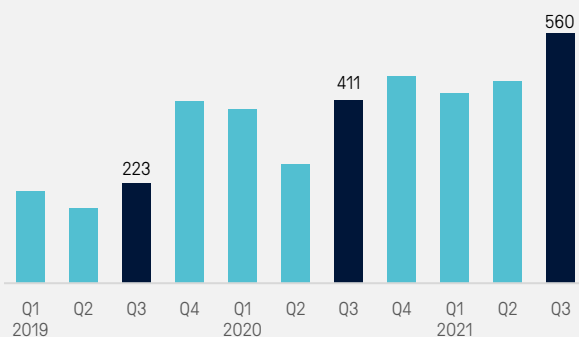
	1.7 - 30.9		1.1 - 30.9		1.1-31.12
	2021	2020	2021	2020	2020
<b>MNOK</b>					
Operating revenues	3 734	3 695	11 632	12 000	16 319
EBITDA	560	411	1 439	1 068	1 532
EBITDA (%)	15,0	11,1	12,4	8,9	9,4
Order Intake	4 864	3 439	13 158	12 103	15 925

	30.9.	30.6.	31.12.
	2021	2021	2020
<b>MNOK</b>			
Order backlog	12 870	11 731	11 386
No. of employees	6 837	6 817	6 815

### Operating revenue



### EBITDA



KM has relatively low emissions from its own operations, while at the same time supplying industries that have historically to a certain extent been responsible for high emissions and are now facing a significant transition. KM aims to ensure its deliveries improve efficiency and ensure safety of customer operations. In addition to our ambition of reducing the impact of our own operations on the climate, it is also important that we work with our customers to develop new and more environmentally friendly products and solutions. This is where the technologies within the business area can make a real difference. As part of the long-term strategy of KM, advanced digital infrastructures are also developed and used for data capture and monitoring, and the management of marine environments and resources. KM has been involved in a significant number of conversion projects in recent years. These projects typically convert vessels from pure diesel-electric propulsion systems to hybrid solutions which supplement propulsion with more environmentally friendly alternatives, like battery power. KM is also involved in a number of projects in which vessels are purely battery operated or are to run on more environmentally friendly fuel. In the future, a significant proportion of KM's projects are expected to focus on reducing emissions within maritime markets.

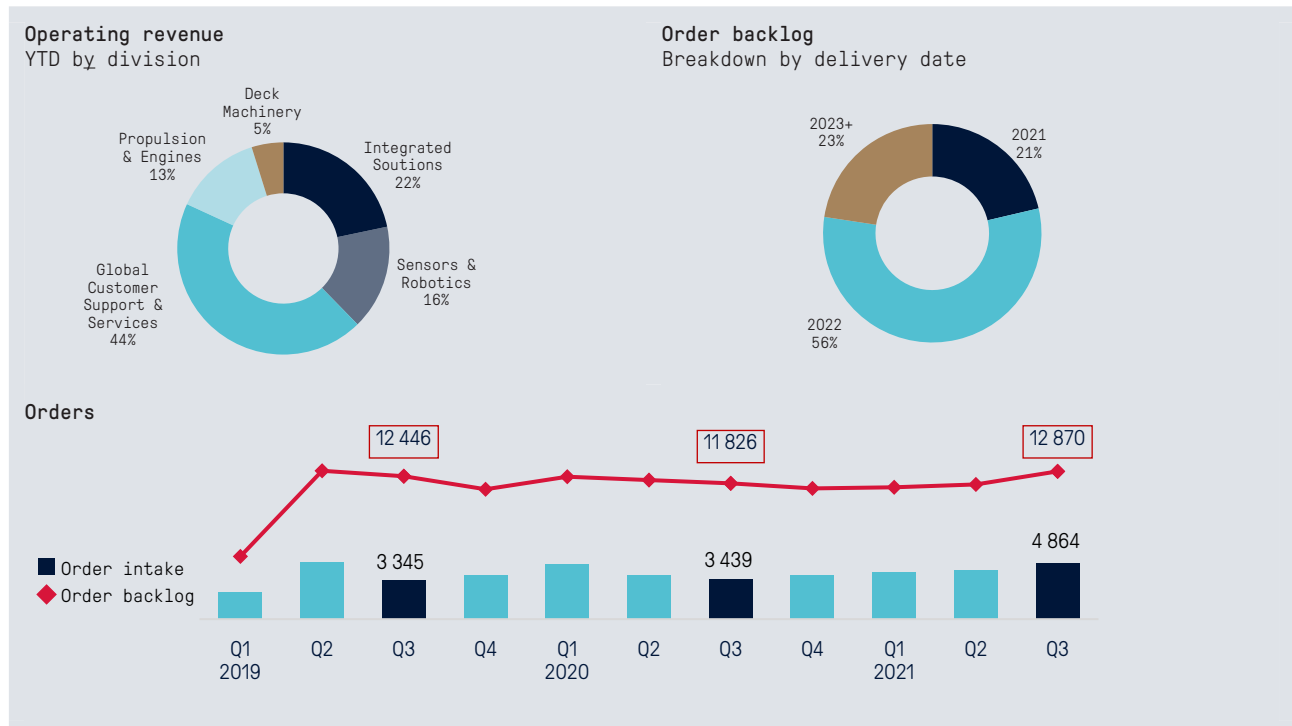
An important driver of growth at KM is sales synergies between KM and the acquired business CM. A large part of the rationale behind the acquisition of CM in 2019 was the complementary product and market portfolio between the two companies. So far in 2021, there have been cross-sales of over NOK 1 billion, of which around MNOK 300 were in Q3. A total of MNOK 700 in cross-sales were achieved in total in 2020. Cross-sales only include additional sales as a result of the integration of CM and KM. Around half of the additional sales are linked to offshore wind projects. The remainder is divided between offshore, traditional merchant marine, LNG and fishing. At the end of Q3 2021, KM had an order backlog of MNOK 12,870.

## COVID-19 and other factors

At the outbreak of the ongoing pandemic in the winter/spring of 2020, a number of measures were quickly implemented to limit infection, maintain as normal a level of operations as possible and to ensure that cost levels were adapted to the level of activity. The results achieved by KM during the pandemic would not have been possible without the measures that were implemented. The degree of measures and restrictions has varied throughout the pandemic, but digital solutions for customer support are still in use, with significant infection-control measures in place as well, including the use of homeworking. KM has employees in 34 countries and operations practically all over the world, which means that the measures vary considerably according to the current restrictions in individual territories. During the pandemic, our worldwide presence has been shown to be important both when delivering projects and performing service assignments, as travel and other restrictions have proved to be a significant challenge.

There is still some uncertainty about the impact on order intake, operating income and results arising from the pandemic, but a number of areas around the world have now started the transition to a more normal day-to-day life.

Worldwide, we are seeing both an increase in the price of raw materials, and a shortage of components. The majority of KM's product portfolio is made up to a limited extent of raw materials. At the same time, for example, the price of steel is affecting the cost of propeller production. The price of raw materials also affects total project costs for end customers. This may affect the demand for vessels. In terms of the situation with components, we are experiencing increased lead times and difficulty in sourcing certain components. This can lead to delays in deliveries and increased costs, but the situation is being closely monitored and continuous actions are taken to ensure continued progress of projects.



# KONGSBERG DEFENCE & AEROSPACE

## Results

**Operating revenues amounted to MNOK 2,261 in Q3**, compared to MNOK 1,933 during the same quarter the previous year, an increase of 17 per cent. There has been a high level of activity in several projects, especially weapons stations for the US CROWS programme, several NASAMS air-defence programmes and deliveries for the F-35 fighter aircraft. As of Q3, accumulated operating revenues were MNOK 7,067, up from MNOK 5,883 in the same period in 2020. All KDA divisions have seen increased operating revenues in the first three quarters of the year compared with last year.

**EBITDA was MNOK 461 in Q3, an EBITDA margin of 20.4 per cent**, compared to MNOK 473 (24.5 per cent) in the same quarter the previous year. KDA's EBITDA in Q3 2020 included approximately MNOK 150 in positive effects related to reduced costs in individual projects. This solid margin is a result of good project execution, a favourable project mix and high efficiency throughout the organisation. Cumulative EBITDA as of Q3 2021 was MNOK 1,443 (MNOK 1,142), corresponding to an EBITDA margin of 20.4 per cent (19.4 per cent)

The share of profits from associated companies amounted to MNOK 82 (MNOK 38) in the quarter. See also Note 6.

## Market and orders

Order intake reached MNOK 10,303 in Q3, compared to MNOK 987 for the same quarter last year. Total order intake for the first three quarters of the year was MNOK 14,769 (MNOK 4,543). The defence market is characterised by relatively few, but large, contracts. Deliveries are normally made over a number of years. Significant fluctuations in order intake between quarters and years are, therefore, considered normal.

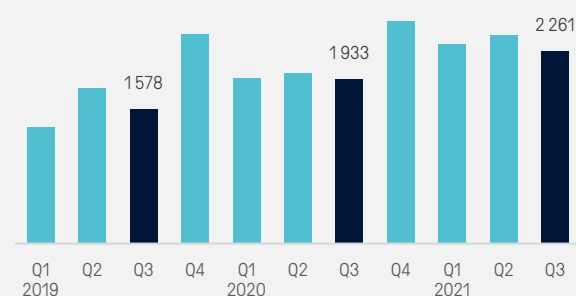
In July 2021, KONGSBERG signed agreements with Norway and Germany for the delivery of elements from the ORCCA™ combat system for their six new 212CD submarines, and Naval Strike Missile (NSM) for the naval defences of both countries. Deliveries will extend well into the next decade, and represent an important strategic milestone for the Group. The NSM contract is a joint Norwegian-German acquisition, valued at MNOK 4,404. Germany is the sixth country to opt for KONGSBERG's NSM. For Norway, the contract will serve to replenish and update the current inventory. The contract for the ORCCA™ combat system has a value of MNOK 3,800 for KONGSBERG. The business area's remaining order

## KEY FIGURES

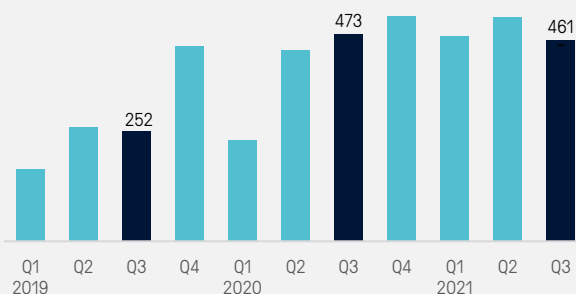
	1.7 - 30.9		1.1 - 30.9		1.1-31.12
	2021	2020	2021	2020	2020
<b>MNOK</b>					
Operating revenues	2 261	1 933	7 067	5 883	8 503
EBITDA	461	473	1 443	1 142	1 656
EBITDA (%)	20,4	24,5	20,4	19,4	19,5
Share of netincome associated companies	82	38	155	85	206
Order Intake	10 303	987	14 769	4 543	11 891

	30.9.	30.6.	31.12.
	2021	2021	2020
<b>MNOK</b>			
Order backlog	31 189	23 145	23 477
No. of employees	3 403	3 318	3 189

### Operating revenues



### EBITDA





intake during the quarter consisted of several smaller contracts, including a contract of MNOK 122 for the delivery of horizontal and vertical tails for the F-35.

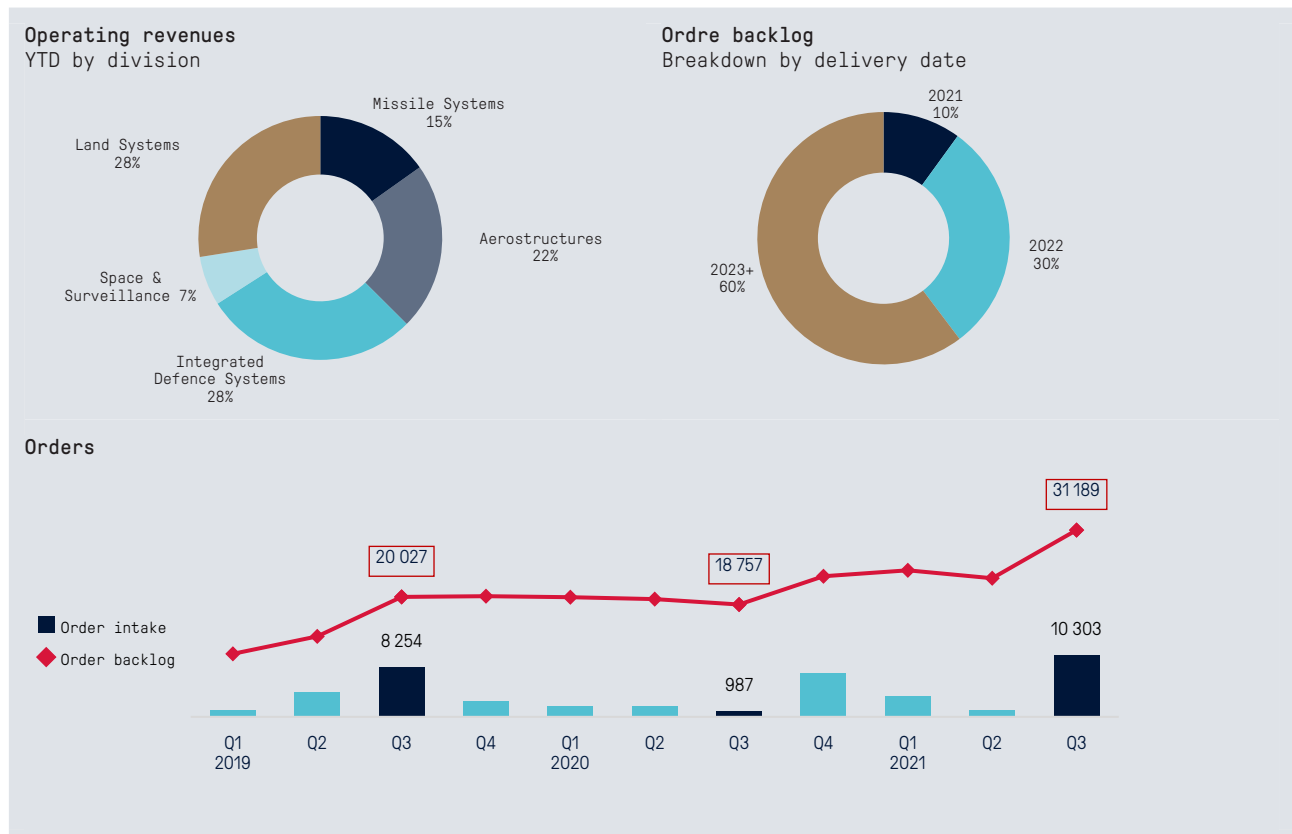
KDA sells systems that will be operational for decades. When a system is to remain operational and modern over a long period of time, it requires continuous product development, upgrading and maintenance along the way. Maintenance, repair and overhaul (MRO) is an important focus area for KDA, both in keeping systems modern and operational but also in relation to life extension of systems. KDA after-market volumes, including MRO, are increasing along with new sales growth and now account for just over MNOK 1,500 annually.

At the end of Q3 2021, KDA had an order backlog of MNOK 31,189.

## COVID-19 and other factors

The defence business has not experienced major financial consequences as a result of COVID-19. Progress within projects has been affected by the situation to a minor extent despite certain challenges relating to the movement of staff across borders. Furthermore, certain contract negotiations have proved more time-consuming due to travel restrictions.

In 2021, a lack of individual components has affected many companies. KDA is dependent on the supply capacity of several hundred subcontractors, both in Norway and elsewhere. Additional resources were introduced at an early stage of the pandemic, to ensure the flow of goods, shipments and, where necessary, alternative subcontractors to avoid delays in production. The component situation has been an area of great focus for KDA. So far, the business area has not experienced significant delays related to component deficiency, but now face increased cost and prolonged lead times for certain components. The situation and developments are under close monitoring and measures have been, and continue to be, taken on a going basis.



# KONGSBERG DIGITAL

## Results

Operating revenues totalled NOK 221 million in Q3, compared to MNOK 185 in the corresponding quarter in 2020. Recurring revenues (RR) increased to MNOK 91 during the quarter (41 per cent), up from MNOK 83 (41 per cent) in Q2. As of Q3, the accumulated operating revenues of KDI amounted to MNOK 616 (MNOK 601) with an RR share of 41 per cent.

Demand for KONGSBERG's digital twin solution, Kognitwin, and its "ship to cloud" solution, Vessel Insight, is increasing. In Q3, KDI signed an agreement with ExxonMobil, which will install and evaluate Kognitwin at one of its facilities in Guyana. Shell has also initiated a digital twin solution on the Ormen Lange field, which will be integrated with the existing Nyhamna digital twin. This will be the first fully integrated twin to cover the entire process, upstream to downstream. In addition, KDI has several ongoing proof of concept (POC) agreements, where the customer will test and evaluate Kognitwin on selected installations.

The roll-out of Vessel Insight continues, and a number of new agreements were entered into with both vessel owners and application partners during the quarter. Agreements have been entered into with Olympic Subsea, Island Offshore and Gungen for the roll-out of Vessel Insight on the entire fleets of respective ship owners.

The demand for traditional maritime simulators has been negatively affected by the COVID-19 pandemic. This has led to a reduction in operating revenues from the sector, which so far this year has amounted to about 35 per cent of KDI operating revenues. Despite the fact that the market for traditional maritime simulators is still challenging, we see an improved order intake, both compared to the first two quarters of the year and Q3 2020.

KONGSBERG has great ambitions in terms of the growth of KDI and significant investments are being made in the scaling and roll-out of new solutions and applications. This will affect the EBITDA development in the business area.

## KDI in the future

Since KONGSBERG established KDI in 2016, the business area has established itself as a leading supplier of digital solutions to the energy sector and maritime industry. Digitilisation is an important contributor to increased efficiency and reduction of climate emissions.

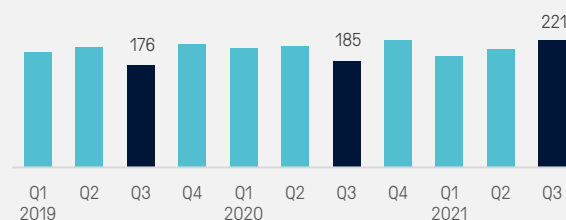
The Software as a Service (SaaS) solutions Kognitwin® Energy and Vessel Insight are the most important growth drivers for KDI. In 2020 and 2021, there has been a focus on market positioning and KDI has thus increased capacity related to development, sales and delivery.

## KEY FIGURES

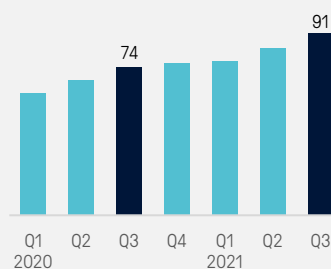
	1.7 - 30.9		1.1 - 30.9		1.1-31.12
	2021	2020	2021	2020	2020
<b>MNOK</b>					
Operating revenues	221	185	616	601	821
of this Recurring revenues*	91	74	250	128	278
EBITDA	22	26	23	57	34
EBITDA (%)	10,1	14,1	3,8	9,4	4,1
Order Intake	165	151	556	794	997

	30.9.	30.6.	31.12.
	2021	2021	2020
<b>MNOK</b>			
Order backlog	924	964	977
No. of employees	686	641	565

### Operating revenues



### Recurring Revenues\*



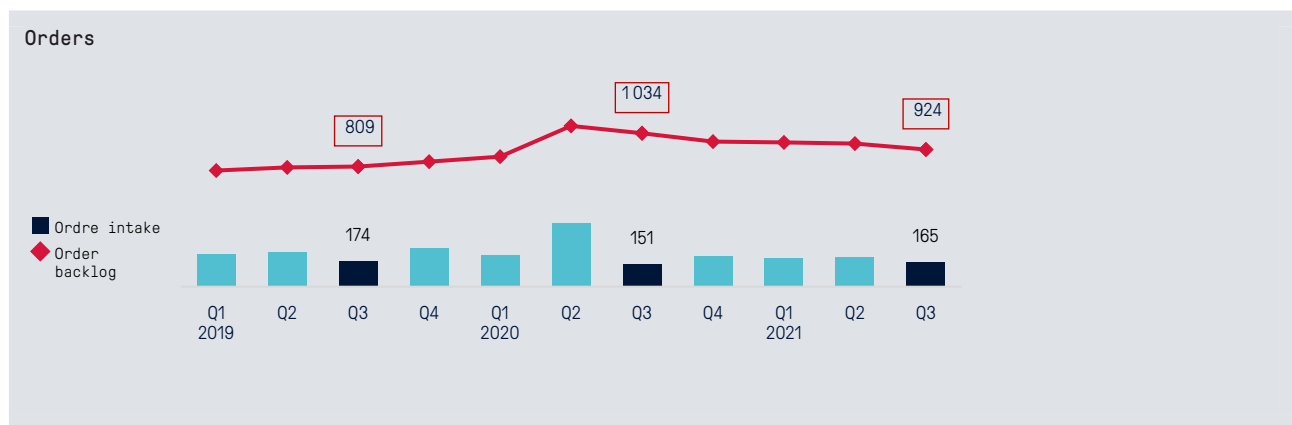
\*Recurring revenues (RR) consist of revenues from Software as a Service revenues, Software Leases and Software Maintenance & User Support.

In 2020, KDI signed a global framework agreement with Shell for the digitisation of current and future production facilities. Kognitwin® Energy has already been delivered and is operational at upstream, mid-stream and downstream facilities. Work on the delivery of multiple digital twins is being done in parallel. In the future, both the number of twins installed and their users will increase significantly.

The digitisation of the vessels market is an important driver for Vessel Insight. One prerequisite for digitisation is to connect the vessel to the cloud and make contextualised data available. Vessel Insight makes this possible quickly and efficiently and provides significant benefits, from cost, efficiency, environmental and operational perspectives. Many vessel markets have experienced challenges as a result of the COVID-19 pandemic. A decrease in

willingness to invest has led to delays in relation to the original Vessel Insight market and roll-out plans. KDI is now experiencing a significant improvement in the situation and several new customers are signed during the last quarter. The ambition is to increase the number of Vessel Insight customers significantly in the coming years.

The phase that KDI now finds itself in means that it is natural to assess both future partner models and other models in order to fully realise the potential KONGSBERG sees in the sector, including a stock exchange listing in the long term.





KONGSBERG has a solid balance sheet and an order backlog of NOK 44.9 billion at the end of Q3 2021. Of the order backlog, NOK 6.0 billion is expected to be delivered during Q4 2021. Order intake from the after-market is only included in the order backlog to a limited extent. The order backlog of associated companies, in addition to framework agreements, are in addition to the order backlog reported.

A number of countries have now reopened or started reopening post-pandemic, but restrictions and uncertainty may continue to affect the world and the markets in which the Group operates. Throughout the pandemic, KDA has maintained operations at an almost normal level, and this is expected to continue in the future. For KM and KDI, a number of markets have been challenging, but the group has a more optimistic view of market developments in the future. KONGSBERG has initiated new working methods and solutions as a consequence of the pandemic. The experience gained through this, together with continuous efficiency improvements and discipline in terms of costs, is a good basis for the group to achieve its stated objectives.

Going forward, KDA and KDI will continue to increase capacity, both to deliver the existing order backlog and to build a base for further growth. KDA has a record order backlog and is also well positioned in a number of significant international defence programmes. The maritime market has been characterised by a generally low level of vessel contracting for a number of years. In recent quarters, the contracting of new vessels has picked up across several segments. Despite the fact that increased cost for raw materials may affect overall demand, and challenges with component shortages persist in many of the world's industries, the company believes that the positive trend will continue. KONGSBERG has a technology portfolio contributing to a significant reduction in the climate footprint. The order intake so far this year shows that customers have an increased willingness to invest in more sustainable vessel and energy solutions.

Service and maintenance are a significant part of the business activities of KONGSBERG, and important to the company's customers. KM has equipment installed on over 30,000 vessels and, in recent years, KDA has built up a significant MRO (Maintenance, Repair & Overhaul) business. The after-market has shown positive development in recent quarters, and this trend is expected to continue.

The group expects growth within KDA to contribute to growth for the group overall in 2021. For KDI, the proportion of "recurring revenues" is expected to continue increasing, while KM expects activity approximately on a par with 2020 levels.

Kongsberg, 28 October 2021

The Board of Kongsberg Gruppen ASA



# NUMBERS & NOTES



## Key figures by quarter

KONGSBERG MNOK	2021				2020					2019				
	2021	Q3	Q2	Q1	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
Operating revenues	19 342	6 216	6 762	6 364	25 612	7 148	5 802	5 983	6 678	23 245	7 938	5 833	6 012	3 462
EBITDA	2 930	1 054	993	883	3 250	948	919	740	643	2 113	825	496	414	378
EBITDA (%)	15,1	17,0	14,7	13,9	12,7	13,3	15,8	12,4	9,6	9,1	10,4	8,5	6,9	10,9
EBIT	2 019	748	697	575	1 905	579	595	429	302	1 029	532	193	98	206
EBIT (%)	10,4	12,0	10,3	9,0	7,4	8,1	10,3	7,2	4,5	4,4	6,7	3,3	1,6	6,0
Share of net income associated companies	148	79	58	11	186	118	35	33	-	21	(2)	(9)	29	3
Order intake	28 503	15 315	5 544	7 643	28 818	11 381	4 558	6 067	6 812	31 413	6 645	11 810	9 297	3 661
Order backlog	44 918	44 918	35 781	36 867	35 947	35 947	31 748	32 935	33 342	32 347	32 347	33 306	27 177	16 786

KONGSBERG MARITIME MNOK	2021				2020					2019				
	2021	Q3	Q2	Q1	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
Operating revenues	11 632	3 734	4 092	3 807	16 319	4 319	3 695	3 762	4 543	15 198	5 263	4 041	3 989	1 905
EBITDA	1 439	560	452	427	1 532	464	411	267	390	1 005	408	223	168	206
EBITDA (%)	12,4	15,0	11,1	11,2	9,4	10,7	11,1	7,1	8,6	6,6	7,8	5,5	4,2	10,8
EBIT	951	403	295	254	718	236	227	86	169	356	234	33	(46)	136
EBIT (%)	8,2	10,8	7,2	6,7	4,4	5,5	6,2	2,3	3,7	2,3	4,5	0,8	(1,2)	7,1
Share of net income associated companies	-	-	-	-	-	-	-	(1)	1	-	-	-	-	-
Order intake	13 158	4 864	4 220	4 074	15 925	3 822	3 439	3 850	4 813	14 427	3 858	3 345	4 917	2 306
Order backlog	12 870	12 870	11 731	11 483	11 386	11 386	11 826	12 111	12 404	11 311	11 311	12 446	12 920	5 465

KONGSBERG DEFENCE AEROSPACE MNOK	2021				2020					2019				
	2021	Q3	Q2	Q1	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
Operating revenues	7 067	2 261	2 456	2 350	8 503	2 619	1 933	2 008	1 942	7 245	2 468	1 578	1 829	1 369
EBITDA	1 443	461	513	469	1 656	514	473	437	231	1 123	446	252	260	165
EBITDA (%)	20,4	20,4	20,9	20,0	19,5	19,6	24,5	21,8	11,9	15,5	18,1	16,0	14,2	12,1
EBIT	1 061	330	386	344	1 157	389	338	314	116	725	336	150	164	75
EBIT (%)	15,0	14,6	15,7	14,7	13,6	14,8	17,5	15,6	6,0	10,0	13,6	9,5	9,0	5,5
Share of net income associated companies	155	82	59	14	206	120	38	37	10	34	2	(5)	31	6
Order intake	14 769	10 303	1 120	3 346	11 891	7 348	987	1 788	1 769	16 060	2 509	8 254	4 160	1 137
Order backlog	31 189	31 189	23 145	24 470	23 477	23 477	18 757	19 658	19 977	20 146	20 146	20 027	13 433	10 519

KONGSBERG DIGITAL MNOK	2021				2020					2019				
	2021	Q3	Q2	Q1	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
Operating revenues	616	221	204	192	821	220	185	209	207	799	214	176	209	200
EBITDA	23	22	10	(9)	34	(23)	26	33	(2)	15	-	7	(2)	9
EBITDA (%)	3,8	10,1	4,9	(4,8)	4,1	(10,4)	14,1	15,6	(1,0)	1,8	(0,1)	4,0	(0,8)	4,7
EBIT	(32)	3	(8)	(28)	(22)	(44)	14	21	(14)	(28)	(10)	(5)	(12)	(1)
EBIT (%)	(5,2)	1,5	(4,0)	(14,4)	(2,7)	(19,8)	7,7	10,1	(6,6)	(3,5)	(4,8)	(2,8)	(5,8)	(0,5)
Order intake	556	165	199	192	997	203	151	428	216	884	260	174	233	218
Order backlog	924	924	964	972	977	977	1 034	1 083	876	842	842	809	804	783

Due to eliminations and that Property and Corporate functions are not included, the sum of Business Areas does not add up to Group.

## Condensed income statement

MNOK	Note	1.7 - 30.9		1.1 - 30.9		1.1-31.12
		2021	2020	2021	2020	2020
Operating revenues	5	6 216	5 802	19 342	18 464	25 612
Operating expenses	9	(5 161)	(4 883)	(16 412)	(16 162)	(22 362)
<b>EBITDA</b>	<b>5, 13</b>	<b>1 054</b>	<b>919</b>	<b>2 930</b>	<b>2 302</b>	<b>3 250</b>
Depreciation		(124)	(122)	(354)	(358)	(481)
Depreciation, leasing assets	7	(99)	(104)	(296)	(307)	(411)
Impairment of property, plant and equipment		-	(4)	(3)	(4)	(52)
Amortisation		(82)	(84)	(257)	(251)	(339)
Impairment of intangible assets		-	(10)	-	(55)	(60)
<b>EBIT</b>	<b>5, 13</b>	<b>748</b>	<b>595</b>	<b>2 019</b>	<b>1 326</b>	<b>1 905</b>
Share of net income from joint arrangements and associated companies	6	79	35	148	67	186
Interest on leasing liabilities	7	(33)	(35)	(101)	(107)	(142)
Net financial items	8	(8)	(29)	(45)	(83)	(93)
<b>Earnings before tax from continuing operations (EBT)</b>		<b>786</b>	<b>566</b>	<b>2 021</b>	<b>1 203</b>	<b>1 855</b>
Income tax expense	12	(167)	(122)	(449)	(288)	(374)
<b>Earnings after tax from continuing operations</b>		<b>619</b>	<b>444</b>	<b>1 572</b>	<b>916</b>	<b>1 481</b>
Earnings after tax from discontinued operations		-	11	-	1 451	1 451
<b>Earnings after tax (EAT)</b>		<b>619</b>	<b>455</b>	<b>1 572</b>	<b>2 367</b>	<b>2 932</b>
<b>Attributable to:</b>						
Equity holders of the parent		543	434	1 470	2 326	2 891
Non-controlling interests		76	20	102	41	41
<b>Earnings per share (EPS) / EPS diluted in NOK</b>						
-Earnings per share from continuing operations		3,04	2,36	8,23	4,86	8,01
-Earnings per share from continuing operations, diluted		3,04	2,36	8,23	4,86	8,01
-Earnings per share		3,04	2,41	8,23	12,92	16,08
-Earnings per share, diluted		3,04	2,41	8,23	12,92	16,08

## Condensed statement of comprehensive income

MNOK	Note	1.7 - 30.9		1.1 - 30.9		1.1-31.12
		2021	2020	2021	2020	2020
Earnings after tax		619	455	1 572	2 367	2 932
<b>Specification of other 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	8	45	(59)	94	(202)	(118)
Tax effect cash flow hedges		(10)	13	(21)	44	26
Translation differences currency		34	118	(154)	437	76
<b>Total items to be reclassified to profit or loss in subsequent periods</b>		<b>69</b>	<b>72</b>	<b>(81)</b>	<b>279</b>	<b>(16)</b>
<i>Items not to be reclassified to profit or loss:</i>						
Actuarial gains/losses pensions		-	-	-	-	(167)
Tax effect on actuarial gain/loss on pension		-	-	-	-	36
<b>Total items not to be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(131)</b>
<b>Comprehensive income</b>		<b>688</b>	<b>527</b>	<b>1 491</b>	<b>2 646</b>	<b>2 785</b>



## Condensed statement of financial position

		30.9. 2021	30.6. 2021	31.12. 2020
<b>MNOK</b>	<b>Note</b>			
Property, plant and equipment		3 793	3 641	3 665
Leasing assets	7	1 735	1 805	1 965
Intangible assets	9	5 093	5 116	5 196
Shares in joint arrangements and associated companies	6	3 427	3 320	3 465
Other non-current assets		437	541	516
<b>Total non-current assets</b>		<b>14 484</b>	<b>14 423</b>	<b>14 808</b>
Inventories		4 157	4 097	4 132
Trade receivables		6 192	5 318	5 542
Customer contracts, asset	8	6 295	5 918	5 783
Derivatives	8	493	641	964
Other short-term receivables		551	781	580
Cash and cash equivalents		6 545	5 790	7 420
<b>Total current assets</b>		<b>24 234</b>	<b>22 544</b>	<b>24 422</b>
<b>Total assets</b>		<b>38 718</b>	<b>36 967</b>	<b>39 230</b>
Issued capital	4	5 932	5 932	5 933
Retained earnings		6 489	5 999	6 754
Other reserves		480	410	559
Non-controlling interests		150	74	55
<b>Total equity</b>		<b>13 052</b>	<b>12 415</b>	<b>13 301</b>
Long-term interest-bearing loans	8	2 453	2 453	1 971
Long-term leasing liabilities	7	1 531	1 599	1 753
Other non-current liabilities and provisions	3	2 688	2 619	2 509
<b>Total non-current liabilities and provisions</b>		<b>6 672</b>	<b>6 671</b>	<b>6 233</b>
Customer contracts, liabilities	8	11 846	10 387	11 103
Derivatives	8	412	345	546
Short-term interest-bearing loans	8	500	502	1 500
Short-term leasing liabilities	7	361	353	339
Other current liabilities and provisions	3	5 876	6 294	6 208
<b>Total current liabilities and provisions</b>		<b>18 994</b>	<b>17 882</b>	<b>19 696</b>
<b>Total equity, liabilities and provisions</b>		<b>38 718</b>	<b>36 967</b>	<b>39 230</b>
Equity ratio (%)		33,7	33,6	33,9
Net interest-bearing debt		(3 593)	(2 835)	(3 949)

## Condensed statement of changes in equity

<i>MNOK</i>	<i>Note</i>	30.9. 2021	30.6. 2021	31.12 2020
Equity opening balance		13 301	13 301	12 810
Other comprehensive income		1 491	804	2 785
Dividends paid		(1 425)	(1 425)	(450)
Additional dividend paid		-	-	(1 800)
Share buy-back related to share buy-back programme		-	-	(29)
Transactions with treasury shares related to employee share programme		(112)	(62)	(15)
Capital reduction		(196)	(196)	-
Dividends, non-controlling interests		(5)	(5)	-
Purchase/sale, in non-controlling interests		(1)	(1)	-
<b>Equity closing balance</b>		<b>13 052</b>	<b>12 415</b>	<b>13 301</b>

## Condensed cash flow statement

MNOK	Note	1.7 - 30.9		1.1 - 30.9		1.1-31.12
		2021	2020	2021	2020	2020
EBITDA		1 054	919	2 930	2 302	3 250
EBITDA from discontinued operations		-	-	-	40	40
Change in net current assets and other operatings-related items		40	(577)	(649)	(1 220)	(539)
<b>Net cash flow from operating activities</b>		<b>1 094</b>	<b>343</b>	<b>2 281</b>	<b>1 122</b>	<b>2 751</b>
Dividend from joint arrangements and associated companies		-	-	147	130	130
Purchase/disposal of property, plant and equipment		(89)	(119)	(328)	(362)	(506)
Proceeds from acquiring subsidiaries and associated companies		-	(16)	(8)	(59)	(59)
Proceeds from sale of business		-	(455)	-	3 177	3 051
Capitalised internal developed/ purchase of intangible assets (R&D)	9	(59)	(40)	(150)	(187)	(224)
<b>Net cash flow from investing activities</b>		<b>(149)</b>	<b>(630)</b>	<b>(339)</b>	<b>2 699</b>	<b>2 392</b>
Net change interest-bearing loans		(2)	(63)	(518)	(603)	(617)
Payment of principal portion of lease liabilities	7	(90)	(86)	(266)	(257)	(342)
Interest paid		(18)	(22)	(58)	(81)	(102)
Interest paid on leasing liabilities	7	(33)	(34)	(101)	(107)	(142)
Interest income	7	9	-	33	(51)	57
Net payment related to employee share programme		-	-	(91)	-	(51)
Share buy-back related to share buy-back programme		(53)	-	(217)	-	(29)
Dividends paid to equity holders of the parent		-	-	(1 440)	(450)	(450)
- of which dividends from treasury shares		-	-	15	2	2
Additional dividend		-	-	-	-	(1 800)
Settlement of cross-currency swaps	8	(2)	-	(114)	-	-
<b>Net cash flow from financing activities</b>		<b>(188)</b>	<b>(205)</b>	<b>(2 755)</b>	<b>(1 547)</b>	<b>(3 474)</b>
Effect of changes in exchange rates on cash and cash equivalents		(2)	(20)	(62)	170	97
<b>Net change in cash and cash equivalents</b>		<b>755</b>	<b>(512)</b>	<b>(875)</b>	<b>2 444</b>	<b>1 766</b>
Cash and cash equivalents at the beginning of the period		5 790	8 610	7 420	5 654	5 654
Cash and cash equivalents at the end of the period		6 545	8 098	6 545	8 098	7 420



## Note 1 | General information and principles

### *General information*

The consolidated financial statement for Q3 (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 2020. The consolidated financial statements for 2020 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 2020 are available on [www.kongsberg.com](http://www.kongsberg.com).

*The interim financial statement has not been audited.*

## Note 2 | New standards as from 1.1.2021

The accounting principles used in the quarterly report are the same principles as those applied to the consolidated financial statements for 2020, with the exception of changes to IFRS 9, IFRS 7 and IFRS 16 regarding amendments to new interest-rate benchmarks, which was implemented 1 January 2021. The implementation of the changes has not had any significant effect on the consolidated financial statements.

## 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 major sources of uncertainty remain the same as when the 2020 consolidated financial statements was compiled.

## Note 4 | Capital reduction in Q2 2021 and share buy-back in Q3 2021

KONGSBERG's Annual General Meeting resolved on 6 May 2021 to reduce the company's share capital by NOK 1, 445, 773.75 from NOK 224,987,581.25, through cancellation and redemption of 1, 156, 619 shares. Following the capital reduction, the share capital of KONGSBERG is NOK 223, 541, 807.50 divided into 178, 833, 446 shares of NOK 1,25 each.

As earlier communicated in the stock exchange notification on 19 May 2021 Kongsberg Gruppen ASA ("KONGSBERG") has put in place a non-discretionary agreement with Danske Bank for the repurchase of KONGSBERG shares for up to NOK 200 million in the market. The share repurchases started 16<sup>th</sup> of August 2021. KONGSBERG has in Q3 repurchased 218 878 shares equivalent to a value of MNOK 53. At the end of the Q3 KONGSBERG owned 240 839 shares.

## Note 5 | Segment information

	OPERATING REVENUES					EBITDA					EBIT				
	1.7 - 30.9		1.1 - 30.9		1.1-31.12	1.7 - 30.9		1.1 - 30.9		1.1-31.12	1.7 - 30.9		1.1 - 30.9		1.1-31.12
<i>MNOK</i>	2021	2020	2021	2020	2020	2021	2020	2021	2020	2020	2021	2020	2021	2020	2020
KM	3 734	3 695	11 632	12 000	16 319	560	411	1 439	1 068	1 532	403	227	951	482	718
KDA	2 261	1 933	7 067	5 883	8 503	461	473	1 443	1 142	1 656	330	338	1 061	769	1 157
Other <sup>1)</sup>	220	174	643	580	790	33	35	48	93	62	16	30	7	75	30
<b>Group</b>	<b>6 216</b>	<b>5 802</b>	<b>19 342</b>	<b>18 464</b>	<b>25 612</b>	<b>1 054</b>	<b>919</b>	<b>2 930</b>	<b>2 302</b>	<b>3 250</b>	<b>748</b>	<b>595</b>	<b>2 019</b>	<b>1 326</b>	<b>1 905</b>

1) Other activities consist of Kongsberg Digital (KDI), property, corporate functions and eliminations. For information about KDI see separate section.

### Operating revenues YTD by division:

<i>MNOK</i>	2021	2020
Divisions		
Global customer support & Services	5 603	5 349
Integrated Solutions	2 753	3 292
Sensor & Robotics	2 027	2 041
Propulsion & Engines	1 689	1 715
Deck Machinery	612	534
Other/elimination	(1 051)	(930)
<b>Kongsberg Maritime</b>	<b>11 632</b>	<b>12 000</b>
Land Systems	2 116	1 595
Integrated Defence Systems	2 191	1 746
Aerostructures	1 716	1 519
Missile Systems	1 167	955
Space & Surveillance	505	421
Other/elimination	(628)	(353)
<b>Kongsberg Defence &amp; Aerospace</b>	<b>7 067</b>	<b>5 883</b>

The table shows the anticipated date on which remaining performance obligations as of 30 September 2021 are recognised as income:

	2021				2020			
	Date of revenue recognition				Date of revenue recognition			
<i>MNOK</i>	Order backlog 30.9.21	2021	2022	2023 and later	Order backlog 30.9.20	2020	2021	2022 and later
Kongsberg Maritime	12 870	2 746	7 215	2 909	11 826	3 453	6 324	2 049
Kongsberg Defence & Aerospace	31 189	3 118	9 265	18 806	18 757	2 573	8 030	8 154
Other/elimination	860	179	446	234	1 165	234	473	457
<b>Total</b>	<b>44 918</b>	<b>6 043</b>	<b>16 927</b>	<b>21 948</b>	<b>31 748</b>	<b>6 261</b>	<b>14 828</b>	<b>10 659</b>

## 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 September

<i>MNOK</i>	Owner ship	Carrying amount 1.1.2021	Additions/ disposals	Dividends received	Share of net income <sup>1)</sup>	Other items and comprehensive income	Carrying amount 30.9.21	Share of net income 1.7 - 30.9
Patria Oyj	49,9 %	2 841	-	(84)	58	(41)	2 773	38
Kongsberg Satellite Services AS	50,0 %	557	-	(63)	105	-	599	43
Other shares		68	2	-	(14)	-	55	(2)
<b>Total</b>		<b>3 465</b>	<b>2</b>	<b>(147)</b>	<b>148</b>	<b>(41)</b>	<b>3 427</b>	<b>79</b>

<sup>1)</sup> The share of net result is included after tax and amortisation of excess value.

Share of net result from Patria:

<i>Millions</i>	1.7 - 30.9		1.1 - 30.9		1.1-31.12
	2021	2020	2021	2020	2020
KONGSBERG's share (49,9%) <sup>1)</sup>	42	8	68	20	132
Amortisation of excess values after tax	(4)	(4)	(11)	(16)	(25)
<b>Share of net income recognised in KDA for the period</b>	<b>38</b>	<b>4</b>	<b>58</b>	<b>4</b>	<b>108</b>

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

Share of net income and dividend from associated companies per business area:

<i>MNOK</i>	Share of net income					Dividend			
	1.7 - 30.9		1.1 - 30.9		1.1-31.12	1.7 - 30.9		1.1 - 30.9	
	2021	2020	2021	2020	2020	2021	2020	2021	2020
KDA	82	38	155	85	206	-	-	147	130
Other	(3)	(3)	(7)	(18)	(20)	-	-	-	-
<b>Group</b>	<b>79</b>	<b>35</b>	<b>148</b>	<b>67</b>	<b>186</b>	<b>-</b>	<b>-</b>	<b>147</b>	<b>130</b>



## Note 7 | 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 financial position:*

Opening balance 1 January 2021	1 965
Addition	47
Depreciation Q1	(98)
Translation differences	(16)
<b>Opening balance 1 April 2021</b>	<b>1 899</b>
Addition	5
Disposal	(4)
Depreciation Q2	(99)
Translation differences	4
<b>Opening balance 1 July 2021</b>	<b>1 805</b>
Addition	27
Depreciation Q3	(99)
Translation differences	3
<b>Closing balance 30 September 2021</b>	<b>1 735</b>

	30.9.2021	30.6.2021	31.12.2020
Leasing assets	1 735	1 805	1 965
Long-term leasing liabilities	1 531	1 599	1 753
Short-term leasing liabilities	361	353	339

*IFRS 16 effects on condensed income statement in the period:*

	1.7 - 30.9		1.1 - 30.9		1.1-31.12
	2021	2020	2021	2020	2020
Returned rental cost earlier included in EBITDA	123	119	366	364	484
Profit/Loss on disposed leases	-	-	1	-	-
<b>Increased EBITDA in the period</b>	<b>123</b>	<b>119</b>	<b>367</b>	<b>364</b>	<b>484</b>
Depreciation on leases	(99)	(104)	(296)	(307)	(411)
<b>Increased EBIT in the period</b>	<b>23</b>	<b>15</b>	<b>71</b>	<b>56</b>	<b>73</b>
Interest cost on leasing liabilities for the period	(33)	(35)	(101)	(107)	(142)
<b>Reduced EBT in the period</b>	<b>(9)</b>	<b>(20)</b>	<b>(30)</b>	<b>(51)</b>	<b>(69)</b>

## Note 8 | Financial instruments

### Loans and credit facilities

The group has five bond loans amounting to a total of MNOK 2,950. The loans are classified as long-term loans, except KOG12 (nominal value of MNOK 500), which is due within a year and are reclassified to short-term loans. The maturity dates of the long-term bond loans range from 5 December 2023 to 2 June 2026. In addition, the group has a syndicated credit facility of MNOK 2,300 and an overdraft credit facility of MNOK 500. Neither were utilised.

### Interest-bearing loans:

			30.9.2021	31.12.2020
MNOK	Due date	Nominal interest rate	Value <sup>1</sup>	Value <sup>1</sup>
<b>Long-term loans:</b>				
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 KOG13 - floating interest rate	06.06.2024	1,62%	500	500
Bond issue KOG14 - floating interest rate <sup>2</sup>	26.02.2026	1,28%	500	-
Other long-term loans <sup>3</sup>			3	21
<b>Total long-term loans</b>			<b>2 453</b>	<b>1 971</b>
<b>Short-term loans:</b>				
Bond issue KOG08 - floating interest rate			-	1 000
Bond issue KOG12 - floating interest rate <sup>4</sup>	06.12.2021	1,30%	500	500
Other short-term loans			-	-
<b>Total short-term loans</b>			<b>500</b>	<b>1 500</b>
Total interest-bearing loans			2 953	3 471
Syndicated credit facility (unutilised borrowing limit)	15.03.2023		2 300	2 300
Overdraft facility (unutilised)			500	500

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

<sup>2)</sup> KONGSBERG issued MNOK 500 on 22 February 2021 in a new bond with a 5-year tenor and a floating rate coupon of 3M NIBOR + 0.86% p.a. The bonds have been listed at Oslo Stock Exchange during the third quarter.

<sup>3)</sup> Other long-term loans consist of minor loans in some of the Group's subsidiaries.

<sup>4)</sup> The bond issue KOG12 was reclassified to short-term loans at 31 December 2020.

### Forward exchange contracts

Fair value of balances classified as cash flow hedges, as shown in the condensed statement of comprehensive income, increased by MNOK 94 before tax during the period 1 January – 30 September 2021. The change in fair value of forward exchange contracts accounted for an increase of MNOK 9. The total change in net fair value of fair value hedges represented a decrease of MNOK 481 from the end of last year. The end-of-quarter spot prices were USD/NOK 8.75, EUR/NOK 10.13 and GBP/NOK 11.78.

### Forward exchange contracts classified as cash flow hedges:

MNOK	Due in 2021		Due in 2022 or later		Total		
	Value in NOK on agreed rates	Fair value at 30.9.21	Value in NOK on agreed rates	Fair value at 30.9.21	Value in NOK on agreed rates	Change in fair value from 31.12.20	Fair value at 30.9.21
USD	58	(29)	(255)	(43)	(197)	(3)	(72)
EUR	224	8	(123)	(4)	100	13	4
Other	(9)	-	(44)	(1)	(54)	(1)	(2)
<b>Sum</b>	<b>272</b>	<b>(21)</b>	<b>(423)</b>	<b>(49)</b>	<b>(151)</b>	<b>9</b>	<b>(69)</b>
Roll-over of currency futures		(9)		(49)		62	(58)
<b>Total</b>	<b>272</b>	<b>(30)</b>	<b>(423)</b>	<b>(98)</b>	<b>(151)</b>	<b>71</b>	<b>(128)</b>

Forward exchange contracts cash flow hedges, assets	22
Forward exchange contracts cash flow hedges, liabilities	91
<b>Net forward exchange contracts cash flow hedges</b>	<b>(69)</b>

Fair value is referring to the net present value of the variance between the revaluated forward rate at 30 September 2021 and the forward rate at the time of entering the forward exchange contract.

The change in the fair value of cash flow hedges recognized in the statement of comprehensive income is MNOK 94, while the table above show a change in fair value of MNOK 71 since year end 2020. The difference between these two amounts of MNOK 22 was ascribable to a change in fair value of cross-currency swaps of MNOK 34 and revers of fair value of terminated currency options with net MNOK -11.

### Forward exchange contracts classified as fair value hedges:

MNOK	Due in 2021		Due in 2022 or later		Total		
	Value in NOK on agreed rates	Fair value at 30.9.21	Value in NOK on agreed rates	Fair value at 30.9.21	Value in NOK on agreed rates	Change in fair value from 31.12.20	Fair value at 30.9.21
USD	2 850	(11)	4 914	(3)	7 764	(419)	(14)
EUR	1 677	9	4 050	127	5 728	42	137
GBP	(5)	(2)	1 083	1	1 078	(16)	(1)
Other	209	4	517	22	726	(88)	26
<b>Total</b>	<b>4 731</b>	<b>1</b>	<b>10 565</b>	<b>147</b>	<b>15 296</b>	<b>(481)</b>	<b>148</b>

Forward exchange contracts fair value hedges, assets	468
Forward exchange contracts fair value hedges, liabilities	320
<b>Net forward exchange contracts fair value hedges</b>	<b>148</b>

The net value of fair value hedges is recognized as derivatives in the statement of financial position, offset against customer contracts, assets by MNOK 182 (decrease) and customer contracts, liabilities by MNOK -28 (decrease).

*Specification of derivatives:*

	30.9.	30.6.	31.12.
<i>MNOK</i>	2021	2021	2020
Forward exchange contracts, cash flow hedges	22	12	23
Forward exchange contracts, fair value hedges	468	629	924
Cross-currency swaps	3	-	-
Currency options	-	-	17
<b>Total derivatives, current assets</b>	<b>493</b>	<b>641</b>	<b>964</b>
Forward exchange contracts, cash flow hedges	91	90	101
Forward exchange contracts, fair value hedges	320	251	295
Cross-currency swaps	-	5	144
Currency options	-	-	6
<b>Total derivatives, current liabilities</b>	<b>412</b>	<b>345</b>	<b>546</b>

## Note 9 | Product development

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

	1.7 - 30.9		1.1 - 30.9		1.1-31.12
<i>MNOK</i>	2021	2020	2021	2020	2020
Product maintenance	102	92	314	292	414
Development cost	223	165	755	637	939
<b>Total</b>	<b>325</b>	<b>258</b>	<b>1069</b>	<b>929</b>	<b>1353</b>

*Capitalised development recognised during the period:*

	1.7 - 30.9		1.1 - 30.9		1.1-31.12
<i>MNOK</i>	2021	2020	2021	2020	2020
Capitalised development	59	39	150	186	223

In the consolidated statement of financial position as of Q3 the largest capitalised projects were related to the development of the digital platform Kognifai, Joint Strike Missile (JSM) and other missile technology, medium-calibre weapon station (MCT and RWS), communication solutions and remote towers for airports.



## Note 10 | Related parties

The Board is not aware of any changes or transactions in Q3 associated with related parties that in any significant way have an impact on the Group's financial position and profit for the period.

## Note 11 | Important risk and uncertainty factors

The Group's risk management is described in the 2020 annual report. No new risk and uncertainty factors emerged during this quarter.

## Note 12 | Tax

The income tax expense per Q3 was calculated to be 22.2 per cent of earnings before tax. The income tax expense was affected by non-deductible costs, withholding tax on dividends and the fact that shares of net income from associated companies were recognised after tax.

## Note 13 | Definitions

### *Definitions*

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

Kongsberg considers *EBITDA* and *EBIT* to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is the abbreviation of "Earnings Before Interest, Taxes, Depreciation and Amortisation". KONGSBERG uses EBITDA in the income statement as a summation line for other accounting lines. These accounting lines are defined in our accounting principles, which are part of the 2020 financial statements. The same applies to EBIT.

*Restructuring costs* consist of 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 not in use.

*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 including share of net income from joint arrangements and associated companies, excluding IFRS 16 divided by the 12-month mean of recognised equity and net interest-bearing debt.

*Net interest-bearing debt/EBITDA before IFRS 16* is defined as net interest-bearing debt divided by 12-month rolling EBITA excluding IFRS 16.

*Working capital* is defined as current assets (except cash and cash equivalents) minus non-interest-bearing liabilities (except taxes payable). Financial instruments classified as cash flow hedges are not included in working capital.

Working capital is calculated as follow:

	30.9. 2021	30.6. 2021	31.12. 2020
<i>MNOK</i>			
Current assets	24 234	22 544	24 422
Current liabilities and provisions	(18 994)	(17 882)	(19 696)
<i>Adjusted for:</i>			
Cash and cash equivalents	(6 545)	(5 790)	(7 420)
Short-term interest-bearing loans	500	502	1 500
Short-term leasing liabilities	361	353	339
Net tax payable	77	75	66
Financial instruments classified as cash flow hedges	124	170	332
<b>Working capital</b>	<b>(244)</b>	<b>(28)</b>	<b>(458)</b>

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

*Recurring revenues* consist of revenues from Software as a Service revenues, Software Leases and Software Maintenance & User Support.

*Organic growth* is change in operating revenues exclusive acquired companies.



