



KONGSBERG

QUARTERLY REPORT

2nd QUARTER 1ST HALF

2021

KONGSBERG



GEIR HÅØY
President & CEO

“KONGSBERG continue to develop well, with a 13 per cent increase in operating revenues and a 34 per cent improvement in EBITDA compared with the corresponding quarter last year. Kongsberg Defence & Aerospace (KDA) has shown good growth and solid profitability. Kongsberg Maritime (KM) has a book-to-bill ratio of more than one, increasing turnover and improving its margin by 4 percentage points compared with Q2 last year. At Kongsberg Digital (KDI), the main focus is to expand on the customer portfolio and to develop the digital ecosystem for Vessel Insight and Kognitwin. The business area has shown positive development, both in terms of the roll-out of its digital solutions and the creation of new customer relationships.

Going forward, we expect continued growth for KDA. While a number of KM’s markets remain challenging, the progress we have seen, particularly in the last six months, makes us more optimistic for the future. Through the expansion of our product portfolio and the efficiency measures we have implemented in recent years we have never been better positioned for an upswing in the market. With KDI, we have established a number of leading positions in digitalisation, and the number of users of our systems is constantly increasing.

Through our expertise in technology, we will contribute to solve the environmental challenges that our industries and the world are facing. We also see significant business opportunities connected to the green shift, including in offshore wind, where KM has signed a number of important contracts.

Just two weeks into Q3, we have already signed significant orders. KDA has signed a significant agreement for the delivery of combat systems for submarines and NSMs. KM has signed a contract for the delivery of an extensive technology package for two offshore wind installation vessels and KDI has signed an important agreement with ExxonMobil.

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

Highlights

KONGSBERG

Growth and continued solid project execution and cost discipline resulted in increased EBITDA in Q2 2021 compared with Q2 2020. MNOK 1,440 paid in dividends and shares cancelled in connection with the repurchase programme. KOG currently has 178,833,446 outstanding shares, a reduction of approximately 0.6 percent of outstanding shares.

	Q2	H1
Revenues:	MNOK 6,762	MNOK 13,127
EBITDA:	MNOK 993	MNOK 1,876
EBITDA margin:	14.7 per cent	14.3 per cent

KONGSBERG MARITIME

A book-to-bill ratio of 1.03 with the order intake including deliveries to new offshore wind construction and service vessels. Growth, improved profitability and improved market prospects in general.

	Q2	H1
Revenues:	MNOK 4,092	MNOK 7,898
EBITDA:	MNOK 452	MNOK 879
EBITDA margin:	11.1 per cent	11.1 per cent

KONGSBERG DEFENCE & AEROSPACE

Increase in operating revenues of 22 per cent, and solid project execution during the quarter. The MUSD 498 extension of the CROWS framework agreement provides consistency in deliveries of remote weapon stations in future periods.

	Q2	H1
Revenues:	MNOK 2,456	MNOK 4,806
EBITDA:	MNOK 513	MNOK 982
EBITDA margin:	20.9 per cent	20.4 per cent

KONGSBERG DIGITAL

A high level of activity and scaling up the business. Delivery of new dynamic digital twins and roll-out of Vessel Insight to new and existing customers.

	Q2	H1
Revenues:	MNOK 204	MNOK 396
EBITDA:	MNOK 10	MNOK 1
Share of "recurring revenues":	41 per cent	40 per cent

Key figures

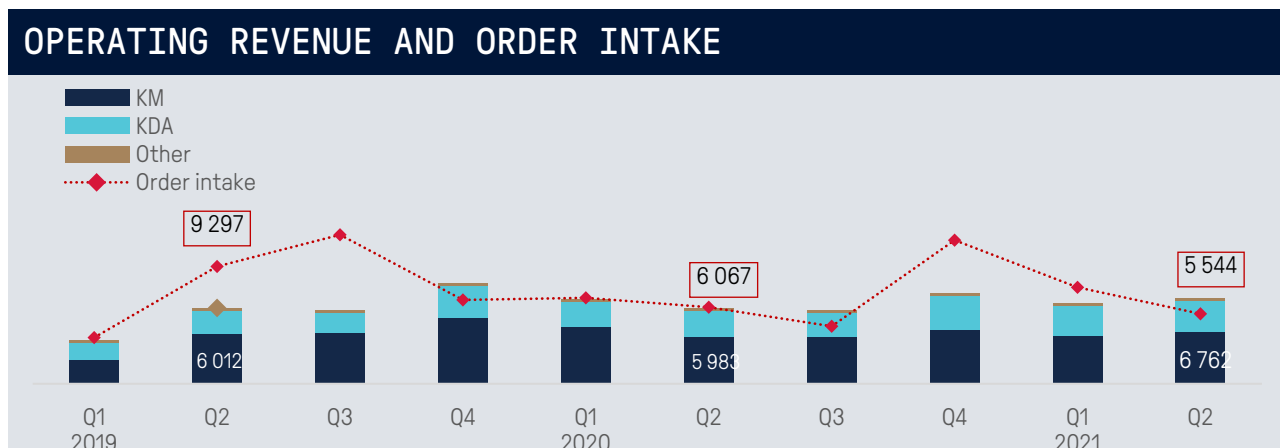
MNOK	1.4 - 30.6		1.1 - 30.6		2020
	2021	2020	2021	2020	
Operating revenue	6 762	5 983	13 127	12 661	25 612
EBITDA	993	740	1 876	1 383	3 250
EBITDA (%)	14,7	12,4	14,3	10,9	12,7
EBIT	697	429	1 271	731	1 905
EBIT (%)	10,3	7,2	9,7	5,8	7,4
Share of net income from associated companies	58	33	69	33	186
Earnings before tax from continuing operations	706	380	1 235	637	1 855
Earnings after tax from continuing operations	542	274	953	472	1 481
Earnings after tax including discontinued operations	542	274	953	1 912	2 932
EPS continued operations (NOK)	2,95	1,47	5,18	2,51	8,01
EPS included discontinued operations (NOK)	2,95	1,47	5,18	10,51	16,08
Order Intake	5 544	6 067	13 187	12 879	28 818

MNOK	30.6.	31.3.	31.12.
	2021	2021	2020
Equity ratio (%)	33,6	35,4	33,9
Net interest-bearing debt ¹⁾	(2 835)	(4 310)	(3 949)
Working Capital ²⁾	(28)	(524)	(458)
ROACE (%) ³⁾	26,8	24,1	20,8
Order backlog	35 781	36 867	35 947
Net interest-bearing debt/EBITDA before IFRS 16	(0,9)	(1,4)	(1,4)
No. of employees	10 896	10 770	10 689

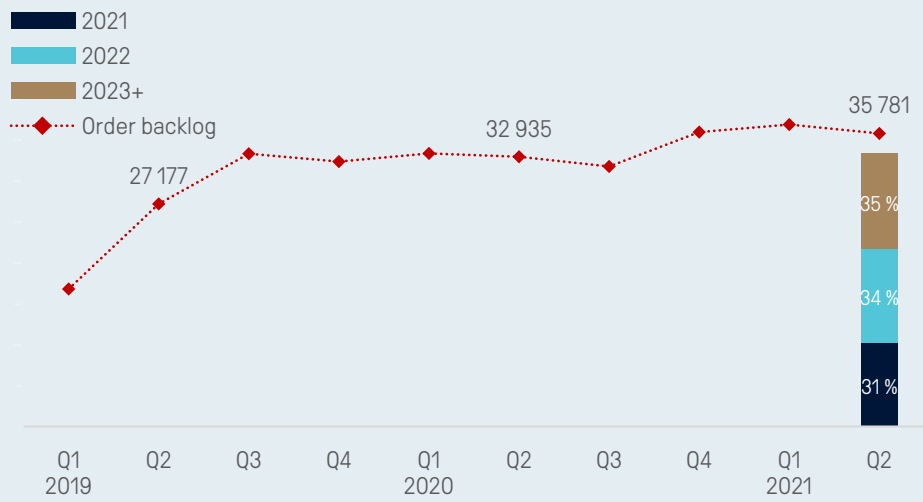
1) Net interest-bearing debt is the net amount of the accounting lines "Cash and cash equivalents" and "Short- and long-term interest-bearing liabilities, excluding leasing commitments".

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.

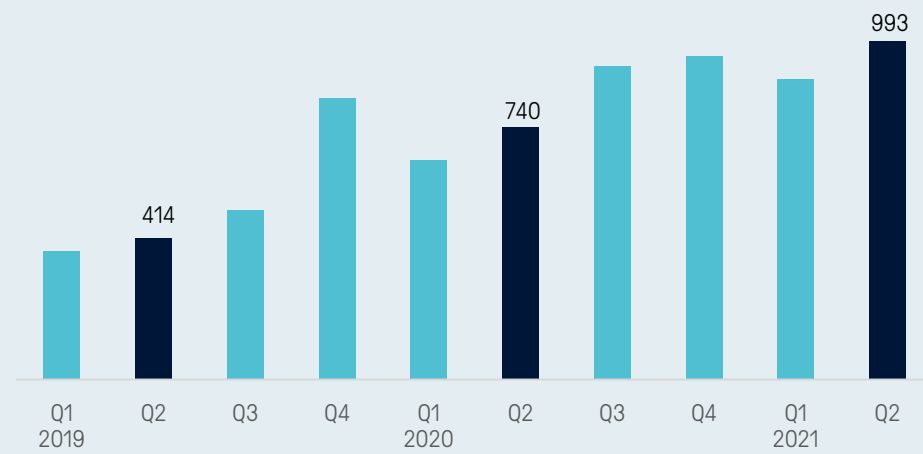
3) 12-month rolling EBIT including share of net income from joint arrangements and associated companies, excluding IFRS 16 divided by the 12-month mean of recognised equity and net interest-bearing debt.



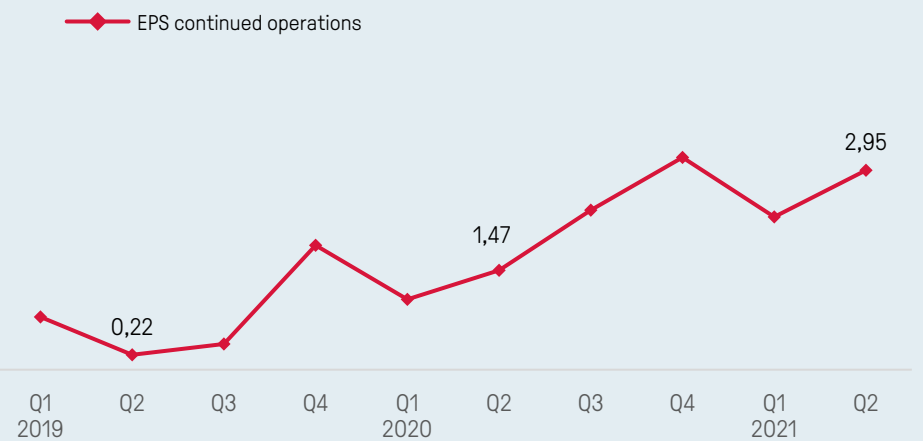
ORDER BACKLOG



EBITDA

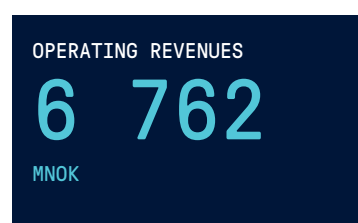


EPS Continued operations

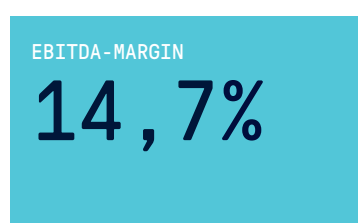


Performance, market and orders

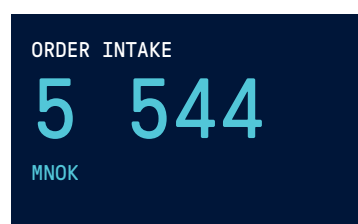
Operating revenues in Q2 were MNOK 6,762 against MNOK 5,983 in the same quarter the previous year, representing an increase of 13 per cent. Both Kongsberg Defence & Aerospace (KDA) and Kongsberg Maritime (KM) increased their operating revenues while Kongsberg Digital (KDI) had operating revenues at the same level as Q2 2020. Operating revenues for the year so far have been MNOK 13,127 (MNOK 12,661).



EBITDA was MNOK 993 in Q2, an EBITDA margin of 14.7 per cent compared to MNOK 740 (12.4 per cent) in the same quarter the previous year. EBITDA in the first half of 2021 was MNOK 1,876, an increase of MNOK 493 compared with the first half of 2020.



During Q2, order intake amounted to MNOK 5,544, compared to MNOK 6,067 in the same quarter last year. This gives a book-to-bill ratio for the quarter of 0.82. KM had a book-to-bill ratio of 1.03, KDA had a book-to-bill ratio of 0.46 and KDI had a book-to-bill ratio of 0.98 during the quarter. Variations in order intake are normal and must be seen in the context of when large contracts are signed, particularly at KDA. As a result the order intake can vary significantly between individual quarters. The Group's order intake was MNOK 13,187 (MNOK 12,879) in the first half of the year, equivalent to a book-to-bill ratio of 1.00.



The order backlog at the end of Q2 was MNOK 35,781, a reduction of MNOK 1,086 during the quarter.

Cash flow

KONGSBERG recorded a net reduction in cash and cash equivalents of MNOK 1,987 in Q2 2021. Net cash flow from operating activities amounted to MNOK 348. Out of this, EBITDA amounted to MNOK 993, while the change in net current assets and other operating items amounted to MNOK -645. This is mainly related to normal variations in working capital at KDA and the payment of holiday pay. Group cash flow from investment activities amounted to MNOK -51. This is a combination of investments in property, plant and equipment, as well as capitalised research and development, offset by dividends received from KSAT and Patria of MNOK 147. Cash flow from financing activities was MNOK -2,300. This includes payment of dividends to shareholders of MNOK 1,440, the repurchase of shares related to the repurchase programme and redemption of the remaining part of KOG08.

In the first half of 2021, net cash and cash equivalents decreased by MNOK 1,630. The largest negative cash flows are 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 2,955. The long-term interest-bearing debt consisted of four bond loans totalling MNOK 2,450 and other long-term interest-bearing debt of MNOK 3. The KOG12 bond is classified as short-term interest-bearing debt. At the end of the quarter, short-term interest-bearing debt was MNOK 502, see Note 8. The group had MNOK 5,790 in cash and cash equivalents at the end of Q2, against MNOK 7,778 at the end of Q1 and MNOK 7,420 at the end of Q4 2020.

At the KONGSBERG Annual General Meeting on 6 May 2021, it was resolved that the company's share capital should be reduced by NOK 1,445,773.75 through the cancellation and redemption of a total of 1,156,619 shares. This capital reduction has been implemented in accordance with the resolution of the Annual General Meeting. After this, the share capital of KONGSBERG is NOK 223,541,807.50 divided into 178,833,446 shares, each with a nominal value of NOK 1.25. The Annual General Meeting also authorised the board to acquire shares for cancellation up to a total value of MNOK 400. This authorisation is valid until the next Annual General Meeting.

At the end of Q2, net interest-bearing debt was MNOK -2,835, compared to MNOK -4,310 at the end of Q1 and MNOK -3,949 at the end of 2020. The change in the quarter was mainly due to reduced cash holdings through the payment of dividends. 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 Q2 2021.

The overall balance sheet reduced by MNOK 1,127 during the quarter and by MNOK 2,263 since the end of 2020.

On 7 April 2021, the credit rating agency Nordic Credit Rating awarded Kongsberg Gruppen ASA a long-term issuer rating of A- with "stable prospects". The standalone credit assessment was set to BBB+.

NET INTEREST-BEARING DEBT

-2 835

MNOK

EQUITY RATIO

33,6%

	30.6. 2021	31.3. 2021	31.12. 2020
MNOK			
Equity	12 415	13 478	13 301
Equity ratio (%)	33,6	35,4	33,9
Total assets	36 967	38 094	39 230
Working capital ¹⁾	(28)	(524)	(458)
Gross interest-bearing debt	2 955	3 468	3 471
Cash and cash equivalents	5 790	7 778	7 420
Net interest bearing debt ¹⁾	(2 835)	(4 310)	(3 949)
Net interest bearing debt/EBITDA before IFRS 16	(0,9)	(1,4)	(1,4)

1) See definition note 13

Currency

KONGSBERG's financial policy stipulates that contracts over a certain amount must be hedged upon establishment, and these are largely hedged using currency forward exchange contracts (fair value hedges). The net fair value of this type of hedge was MNOK 378 as of Q2 2021. In special cases, forward contracts are used as cash flow hedges, for example in the case of large tenders where the probability of winning the contract is considered high. The company's portfolio of cash flow hedges had a net fair value of MNOK -78 at the end of the quarter, which is recognised in equity. The fair value (market value) here represents unrealised profits/losses in relation to agreed rates. In addition, other financial instruments are used, such as interest rate and currency swaps and currency options, where fair value is also recognised against equity. See Note 8 for a numerical representation and further information.

Changes to the maturity structure in underlying contracts may result in cash 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.

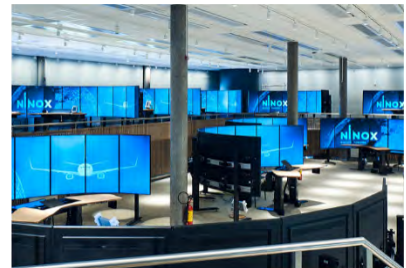
KONGSBERG's finance policy means that accounting income recognition will largely be based on exchange rates secured at historical levels. This limits short-term effects on profits in the event of a sharp rise or fall in the value of the company's functional currency (NOK).

Product development

KONGSBERG is continually investing in product development, both through own- and customer-funded programmes. Total own-funded product development and maintenance amounted to MNOK 434 in the quarter and MNOK 835 for the first six months of the year, of which MNOK 58 and MNOK 90 are capitalised, respectively. Capitalised development for the quarter is mainly related to projects in KDI and KDA. See the table in Note 9.

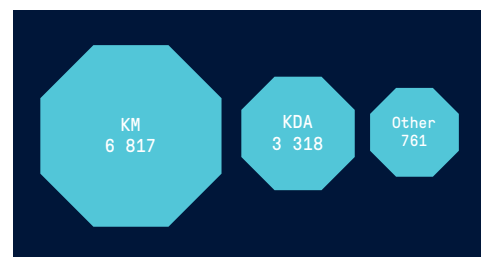
The largest capitalised projects are related to the development of a digital platform (Kognifai), Joint Strike Missile (JSM) and other missile technology, weapon stations (MCT and RWS), communications solutions and remote towers for airports.

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

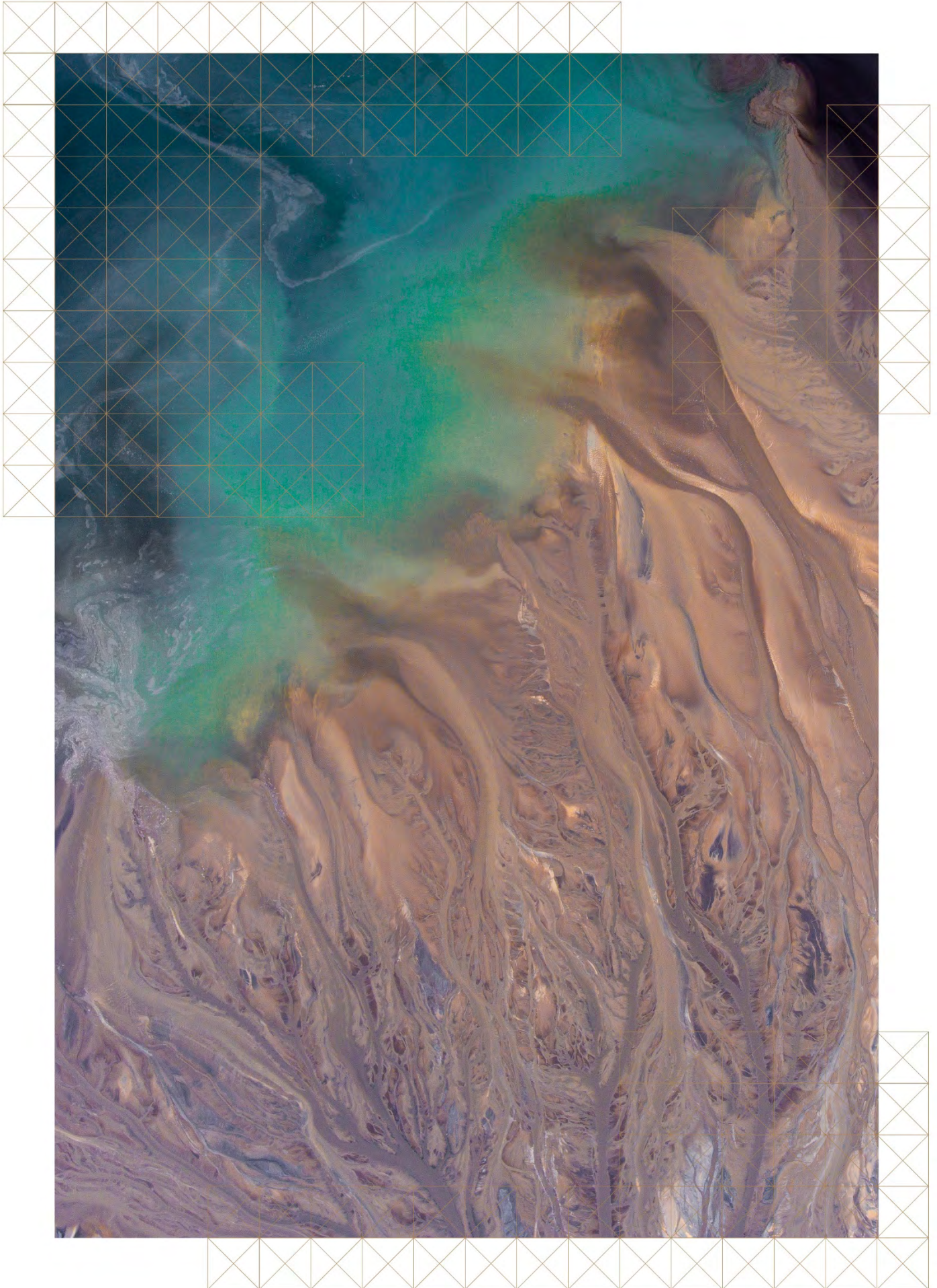


Human resources

The company had 10,896 employees at the end of the quarter. This is an increase of 126 during the quarter and 207 from the end of last year. The increase in the first half of the year comes from both KDA and KDI, both of which are currently 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

Performance

Operating revenues amounted to MNOK 4,092 in Q2, compared to MNOK 3,762 during the same quarter last year, an increase of 9 per cent. This increase was driven by positive after-market trends as well as the Deck Machinery and Propulsion & Engines divisions. Operating revenues for the first half of the year totalled MNOK 7,898 (MNOK 8,305).

EBITDA was MNOK 452 in Q2, an EBITDA margin of 11.1 per cent, compared to MNOK 267 (7.1 per cent) in the same quarter the previous year. Accumulated EBITDA at the end of the first half of the year was MNOK 879, an increase of MNOK 222 compared to the same period last year. The increase in margin is 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. We saw a good increase in profitability, particularly in the divisions primarily supplying the vessel market. Compared to Q2 2020, there has also been a clear improvement in the after-market. This market generally sees relatively short times between orders and deliveries. This meant that the market was quickly hit by a reduction in demand caused by the pandemic in 2020. Over the last few quarters, we have seen a gradual increase in demand, and both sales and results in Q2 confirm this trend.

Market and orders

Order intake in Q2 was MNOK 4,220, equivalent to a book-to-bill ratio of 1.03, compared to MNOK 3,850 in Q2 2020. The after-market is an important driver for the order intake, turnover and profitability of the business area. Here, KM has seen a positive trend in terms of volume in recent quarters.

KM experience increased interest in energy-efficient and environmentally friendly solutions from both customers and partners. In Q2, a contract was signed with Hurtigruten to upgrade three Hurtigruten vessels with hybrid solutions. With this upgrade, Hurtigruten aim to reduce CO2 emissions by a minimum of 25 per cent.

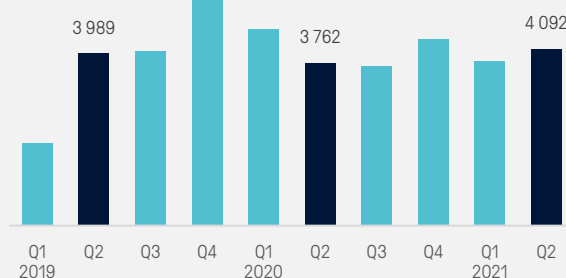
Efficient operations, in terms of time, safety and energy efficiency, have always been an important driver for the further development of the KM product portfolio. This lead to opportunities in markets beyond than the traditional offshore and shipping markets. Offshore wind is a growth market, and KM has secured a number of significant contracts within this market. In Q2, the business area signed a contract worth MNOK 250 with the Chinese shipyard China Merchant Heavy Industries for the delivery of a comprehensive technology package for two new construction and service vessels to be built for the Norwegian company Awind. Further, so far in 2021 there have

KEY FIGURES

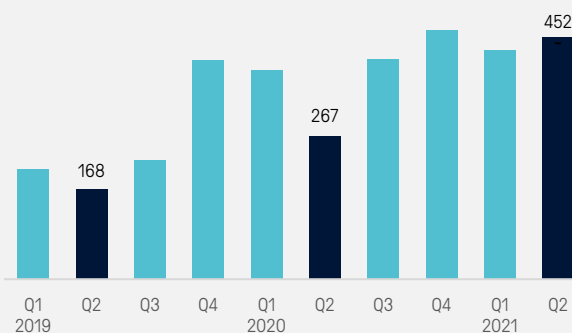
	1.4 - 30.6		1.1 - 30.6		
<i>MNOK</i>	2021	2020	2021	2020	2020
Operating revenues	4 092	3 762	7 898	8 305	16 319
EBITDA	452	267	879	657	1 532
EBITDA (%)	11,1	7,1	11,1	7,9	9,4
Order Intake	4 220	3 850	8 294	8 663	15 925

	30.6.	31.3.	31.12.
<i>MNOK</i>	2021	2021	2020
Order backlog	11 731	11 483	11 386
No. of employees	6 817	6 769	6 815

Operating revenue



EBITDA



been contracts signed for deliveries of three new wind turbine installation vessels. The total value of these contracts, which were signed in March and July 2021, is MNOK 900.

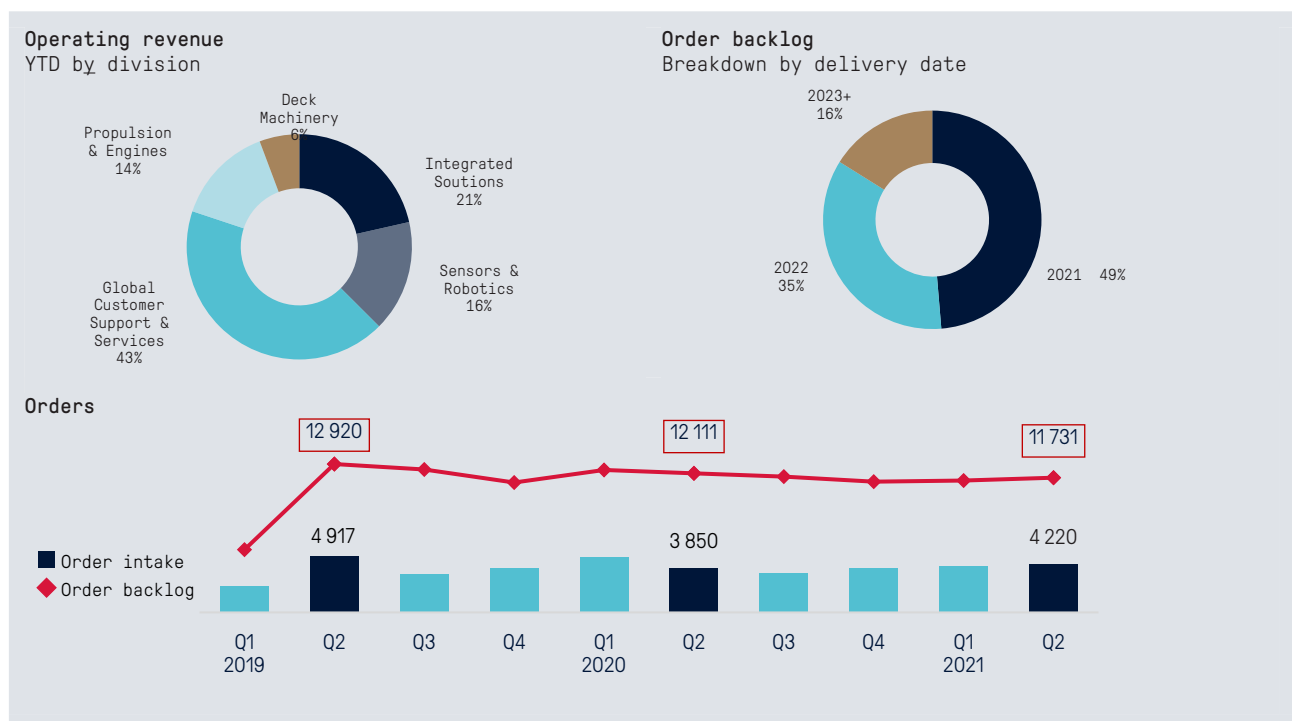
An important driver of growth at KM is sales synergies between KM and the acquired business CM. A large part of the rationale behind the acquisition of CM in 2019 was the complementary product and market portfolio between the two companies. In the first half of the year, cross-sales of MNOK 750 were achieved, MNOK 550 of which were in Q2. Around MNOK 700 in cross-sales were achieved in total during 2020. This only includes 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 Q2 2021, KM had an order backlog of MNOK 11,731. There were cancellations of contracts totalling MNOK 28 in the quarter. This figure can be considered low.

KM and COVID-19

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 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 and, in some cases, still are being implemented. The degree of measures and restrictions has varied throughout the pandemic, but there is still extensive use of digital solutions for customer support as well as significant infection-control measures in place, including the use of home office. 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 important for delivery of both projects and 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 regions around the world have now started the transition to a more normal day-to-day life.



KONGSBERG DEFENCE & AEROSPACE

Performance

Operating revenues amounted to MNOK 2,456 in Q2, compared to MNOK 2,008 during the same quarter last year, an increase of 22 per cent. The increase in operating revenues is particularly driven by an increase in deliveries of weapon stations to the US CROWS programme as well as major international air defence projects. In the first half of the year, operating revenues were MNOK 4,806, up from MNOK 3,950 in the first half of 2020.

EBITDA was MNOK 513 in Q2, an EBITDA margin of 20.9 per cent, compared to MNOK 437 (21.8 per cent) in the same quarter the previous year. This solid margin is a result of good project execution, a favourable project mix and high efficiency throughout the organisation. In the first half of 2021, EBITDA was MNOK 982 (MNOK 668), equivalent to an EBITDA margin of 20.4 per cent (16.9 per cent).

The share of net income from associated companies totalled MNOK 59 (NOK 37) in the quarter. See also Note 6.

Market and orders

Order intake reached MNOK 1,120 in Q2, compared to MNOK 1,788 for the same quarter last year. Total order intake for the first half of the year was MNOK 4,466 (MNOK 3,556). 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.

The order intake in the quarter is evenly distributed between the business area's divisions and is not a result of large individual orders. During the quarter, an important framework agreement was signed with the US military, an extension of the existing CROWS framework agreement to the tune of MUSD 498. KONGSBERG has been a supplier of CROWS remote weapon stations to the US military continuously since 2007. Over the course of these 14 years, over 13,000 systems have been delivered to the US military. In addition, KONGSBERG has sold weapon stations to 25 other countries and a total of more than 20,000 systems have been sold worldwide. The extended framework agreement is dependent on the customer's future needs and allocations, but secures that KONGSBERG will continue to develop and deliver for the US military in the future.

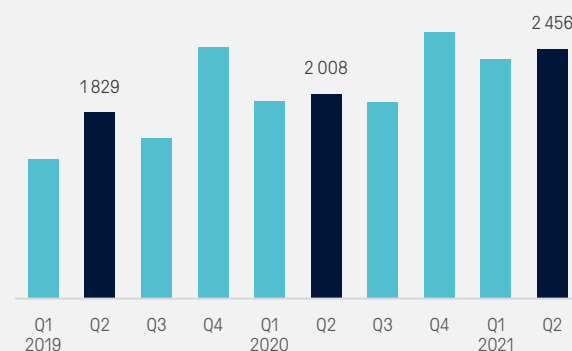
At the end of Q2 2021, KDA had an order backlog of MNOK 23,145.

KEY FIGURES

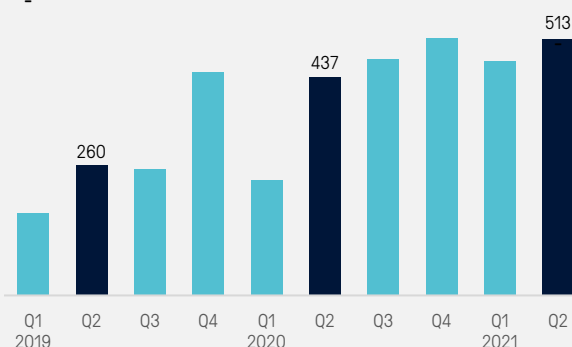
	1.4 - 30.6		1.1 - 30.6		2020
	2021	2020	2021	2020	
MNOK					
Operating revenues	2 456	2 008	4 806	3 950	8 503
EBITDA	513	437	982	668	1 656
EBITDA (%)	20,9	21,8	20,4	16,9	19,5
Share of net income associated companies	59	37	73	47	206
Order Intake	1 120	1 788	4 466	3 556	11 891

	30.6.	31.3.	31.12.
	2021	2021	2020
MNOK			
Order backlog	23 145	24 470	23 477
No. of employees	3 318	3 283	3 189

Operating revenues



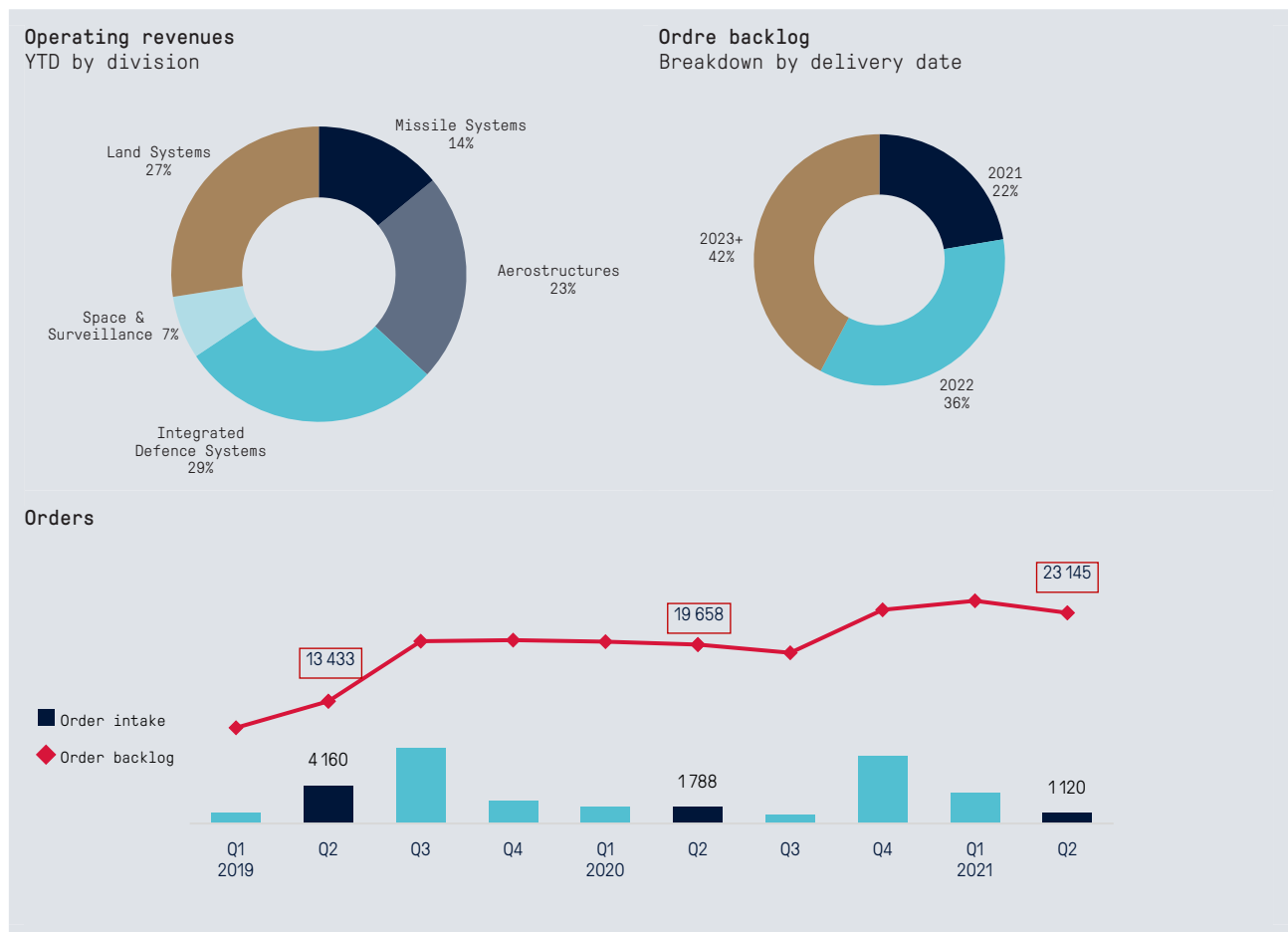
EBITDA



KDA and COVID-19

The defence business has not experienced major consequences as a result of COVID-19. Progress of projects has to little degree been affected by the situation. However, some contract negotiations have proved more time-consuming due to travel restrictions. 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 production delays.

The COVID-19 situation may still lead to delays in order intake in the future. As a result, this may lead to programmes that KDA is prepared for to be scaled down or cancelled. However, there are no such signs yet.



KONGSBERG DIGITAL



Operating revenues and performance

Operating revenues were MNOK 204 in Q2, compared to MNOK 209 in the same quarter in 2020. Recurring revenues (RR) are an important focus for KDI. In Q2, RR stood at MNOK 83, corresponding to 41 per cent of operating revenues, up from MNOK 77 (40 per cent) in Q1. Accumulated over the first half of the year, KDI had operating revenues of MNOK 396 with an RR share of 40 per cent.

Demand for digital twins and the “ship to cloud” solution Vessel Insight, which collects and aggregates data in a cost-effective and secure way, is growing.

During Q2, KDI delivered several new Kognitwin (dynamic digital twin) systems. After the end of the quarter, KDI signed an agreement on 1 July with ExxonMobil under which the company will evaluate and test Kognitwin on one of its installations.

The roll-out of Vessel Insight continues, and several new agreements were entered into with both vessel owners and application partners during the quarter. For instance, an agreement has been entered into with the Norwegian Coastal Administration for the installation of Vessel Insight. On the application side, agreements have been entered into with a view to expanding functionality using the MarineInsight and Bunkerplanner applications. This will increase the value of the system for users.

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 amounts to about 40 per cent of KDI operating revenues.

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

KDI in the future

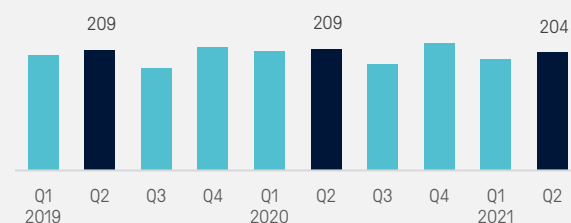
Since KONGSBERG established KDI in 2016, the business area has established itself as a leading supplier of digitalisation solutions to the energy sector and maritime industry, including the products Kognitwin® Energy and Vessel Insight. These are Software as a Service (SaaS) solutions. In 2020 and 2021, there was a focus on market positioning, and KDI experience great interest in its products and solutions. In response, the business area has recently increased capacity related to development, sales and delivery.

KEY FIGURES

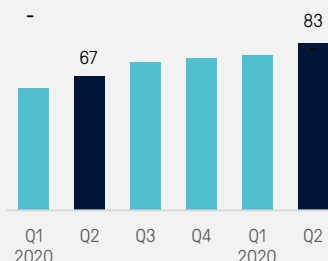
	1.4 - 30.6		1.1 - 30.6		
MNOK	2021	2020	2021	2020	2020
Operating revenues	204	209	396	417	821
of this Recurring revenues*	83	67	160	128	278
EBITDA	10	33	1	31	34
EBITDA (%)	4,9	15,6	0,2	7,3	4,1
Order Intake	199	428	391	643	997

	30.6.	31.3.	31.12.
MNOK	2021	2021	2020
Order backlog	964	972	977
No. of employees	641	598	565

Operating revenues



Recurring Revenues*

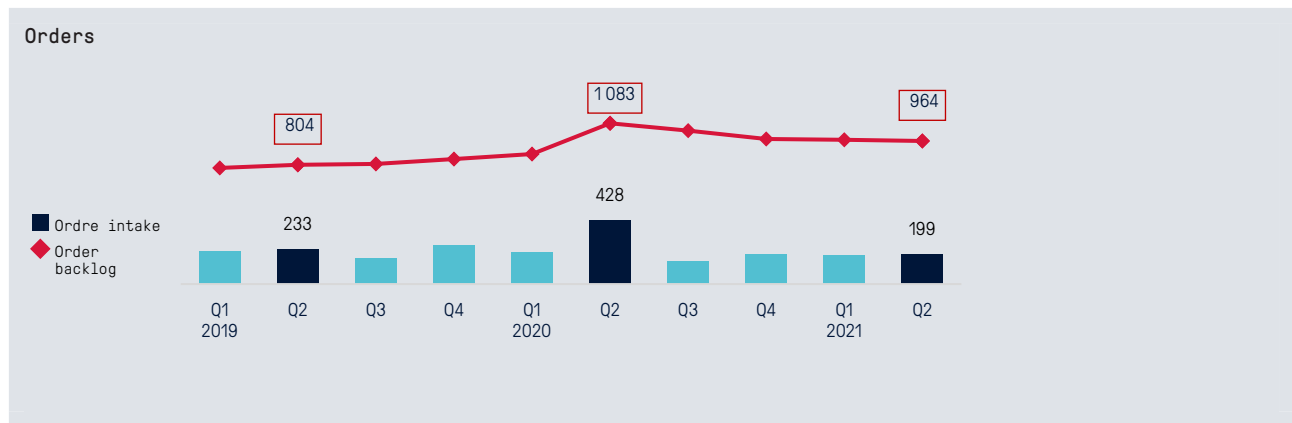


*Recurring revenues (RR) consist of revenues from Software as a Service revenues, Software Leases and Software Maintenance & User Support.

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

The digitalisation of the vessels market is an important driver for Vessel Insight. A prerequisite for digitalisation 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. There is an increasing degree of maturity in the market and in the second quarter Høegh Autoliners announced that they would install Vessel Insight on new vessels after testing the system on two of their vessels over a period of time. KDI's ambition is to increase its number of Vessel Insight customers significantly, starting this year.

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 longer term.





KONGSBERG has a solid balance sheet and an order backlog of BNOK 35.8 at the end of the first half of 2021. Out of the order backlog, BNOK 11 is expected to be delivered in the second half of 2021. Order intake from the after-market is to little degree included in the order backlog. The order backlog of associated companies, in addition to framework agreements, are in addition to the reported order backlog.

During Q2, several countries started post-pandemic reopening, but restrictions and uncertainty will 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, several markets have been challenging, but there are signs of improvement and the group has a more optimistic view of market developments in the future. KONGSBERG has established new working methods and solutions as a consequence of the pandemic. The experience gained through this, together with continuous efficiency improvements and cost discipline, 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 in a number of segments. The company believes that this 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 revenue" is expected to continue increasing, while KM expects activity approximately on a par with 2020 levels.

Kongsberg, 13 July 2021

The Board of Kongsberg Gruppen ASA

NUMBERS & NOTES



Key figures by quarter

KONGSBERG	2021			2020					2019				
	2021	Q2	Q1	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
<i>MNOK</i>													
Operating revenues	13 127	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	1 876	993	883	3 250	948	919	740	643	2 113	825	496	414	378
EBITDA (%)	14,3	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	1 271	697	575	1 905	579	595	429	302	1 029	532	193	98	206
EBIT (%)	9,7	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	69	58	11	186	118	35	33	-	21	(2)	(9)	29	3
Order intake	13 187	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	35 781	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	2021			2020					2019				
	2021	Q2	Q1	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
<i>MNOK</i>													
Operating revenues	7 898	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	879	452	427	1 532	464	411	267	390	1 005	408	223	168	206
EBITDA (%)	11,1	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	549	295	254	718	236	227	86	169	356	234	33	(46)	136
EBIT (%)	6,9	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	8 294	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	11 731	11 731	11 483	11 386	11 386	11 825	12 111	12 404	11 311	11 311	12 446	12 920	5 465

KONGSBERG DEFENCE AEROSPACE	2021			2020					2019				
	2021	Q2	Q1	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
<i>MNOK</i>													
Operating revenues	4 806	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	982	513	469	1 656	514	473	437	231	1 123	446	252	260	165
EBITDA (%)	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	731	386	344	1 157	389	338	314	116	725	336	150	164	75
EBIT (%)	15,2	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	73	59	14	206	120	38	37	10	34	2	(5)	31	6
Order intake	4 466	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	23 145	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	2021			2020					2019				
	2021	Q2	Q1	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
<i>MNOK</i>													
Operating revenues	396	204	192	821	220	185	209	207	799	214	176	209	200
EBITDA	1	10	(9)	34	(23)	26	33	(2)	15	-	7	(2)	9
EBITDA (%)	0,2	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	(36)	(8)	(28)	(22)	(44)	14	21	(14)	(28)	(10)	(5)	(12)	(1)
EBIT (%)	(9,0)	(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	391	199	192	997	203	151	428	216	884	260	174	233	218
Order backlog	964	964	972	977	977	1 034	1 083	876	842	842	809	804	783

Due to eliminations, the sum of Business Areas does not add up to Group.

Condensed income statement

MNOK	Note	1.4 - 30.6		1.1 - 30.6		2020
		2021	2020	2021	2020	
Operating revenues	5	6 762	5 983	13 127	12 661	25 612
Operating expenses	9	(5 769)	(5 243)	(11 250)	(11 279)	(22 362)
EBITDA	5, 13	993	740	1 876	1 383	3 250
Depreciation		(114)	(122)	(230)	(236)	(481)
Depreciation, leasing assets	7	(99)	(105)	(197)	(203)	(411)
Impairment of property, plant and equipment		-	-	(3)	-	(52)
Amortisation		(83)	(84)	(175)	(167)	(339)
Impairment of intangible assets		-	-	-	(45)	(60)
EBIT	5, 13	697	429	1 271	731	1 905
Share of net income from joint arrangements and associated companies	6	58	33	69	33	186
Interest on leasing liabilities	7	(34)	(37)	(68)	(73)	(142)
Net financial items	8	(15)	(44)	(37)	(54)	(93)
Earnings before tax from continuing operations (EBT)		706	380	1 235	637	1 855
Income tax expense	12	(164)	(107)	(282)	(165)	(374)
Earnings after tax from continuing operations		542	274	953	472	1 481
Earnings after tax from discontinued operations		-	-	-	1 440	1 451
Earnings after tax (EAT)		542	274	953	1 912	2 932
Attributable to:						
Equity holders of the parent		522	264	927	1 891	2 891
Non-controlling interests		19	9	26	21	41
Earnings per share (EPS) / EPS diluted in NOK						
-Earnings per share from continuing operations		2,95	1,47	5,18	2,51	8,01
-Earnings per share from continuing operations, diluted		2,95	1,47	5,18	2,51	8,01
-Earnings per share		2,95	1,47	5,18	10,51	16,08
-Earnings per share, diluted		2,95	1,47	5,18	10,51	16,08

Condensed statement of comprehensive income

MNOK	Note	1.4 - 30.6		1.1 - 30.6		2020
		2021	2020	2021	2020	
Earnings after tax		542	274	953	1 912	2 932
Specification of other comprehensive income for the period:						
<i>Items to be reclassified to profit or loss in subsequent periods:</i>						
Change in fair value, financial instruments						
- Cash flow hedges	8	(10)	(38)	49	(143)	(118)
Tax effect cash flow hedges		2	8	(11)	31	26
Translation differences currency		(45)	(461)	(188)	318	76
Total items to be reclassified to profit or loss in subsequent periods		(53)	(491)	(150)	206	(16)
<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
Total items not to be reclassified to profit or loss		-	-	-	-	(131)
Comprehensive income		489	(217)	804	2 118	2 785

Condensed statement of financial position

		30.6. 2021	31.3. 2021	31.12. 2020
MNOK	Note			
Property, plant and equipment		3 641	3 611	3 665
Leasing assets	7	1 805	1 899	1 965
Intangible assets	9	5 116	5 141	5 196
Shares in joint arrangements and associated companies	6	3 320	3 476	3 465
Other non-current assets		541	512	516
Total non-current assets		14 423	14 640	14 808
Inventories		4 097	4 268	4 132
Trade receivables		5 318	4 220	5 542
Customer contracts, asset	8	5 918	5 642	5 783
Derivatives	8	641	961	964
Other short-term receivables		781	586	580
Cash and cash equivalents		5 790	7 778	7 420
Total current assets		22 544	23 454	24 422
Total assets		36 967	38 094	39 230
Issued capital	4	5 932	5 933	5 933
Retained earnings		5 999	7 020	6 754
Other reserves		410	464	559
Non-controlling interests		74	62	55
Total equity		12 415	13 478	13 301
Long-term interest-bearing loans	8	2 453	2 471	1 971
Long-term leasing liabilities	7	1 599	1 683	1 753
Other non-current liabilities and provisions	3	2 619	2 548	2 509
Total non-current liabilities and provisions		6 671	6 701	6 233
Customer contracts, liabilities	8	10 387	9 964	11 103
Derivatives	8	345	550	546
Short-term interest-bearing loans	8	502	997	1 500
Short-term leasing liabilities	7	353	354	339
Other current liabilities and provisions	3	6 294	6 050	6 208
Total current liabilities and provisions		17 882	17 915	19 696
Total equity, liabilities and provisions		36 967	38 094	39 230
Equity ratio (%)		33,6	35,4	33,9
Net interest-bearing debt		(2 835)	(4 310)	(3 949)

Condensed statement of changes in equity

<i>MNOK</i>	<i>Note</i>	30.6. 2021	31.3. 2021	31.12 2020
Equity opening balance		13 301	13 301	12 810
Other comprehensive income		804	315	2 785
Dividends paid		(1 425)	-	(450)
Additional dividend paid		-	-	(1 800)
Share buy-back related to share buy-back programme		-	(80)	(29)
Transactions with treasury shares related to employee share programme		(62)	(59)	(15)
Capital reduction		(196)	-	-
Dividends, non-controlling interests		(5)	-	-
Purchase/sale, in non-controlling interests		(1)	-	-
Equity closing balance		12 415	13 478	13 301

Condensed cash flow statement

MNOK	Note	1.4 - 30.6		1.1 - 30.6		2020
		2021	2020	2021	2020	
EBITDA		993	740	1 876	1 383	3 250
EBITDA from discontinued operations		-	-	-	40	40
Change in net current assets and other operatings-related items		(645)	(920)	(689)	(682)	(539)
Net cash flow from operating activities		348	(180)	1 187	741	2 751
Dividend from joint arrangements and associated companies		147	130	147	130	130
Purchase/disposal of property, plant and equipment		(130)	(128)	(239)	(243)	(506)
Proceeds from acquiring subsidiaries and associated companies		(8)	(39)	(8)	(39)	(59)
Proceeds from sale of business		-	-	-	3 631	3 051
Capitalised internal developed/ purchase of intangible assets (R&D)	9	(60)	(80)	(91)	(147)	(224)
Net cash flow from investing activities		(51)	(117)	(190)	3 332	2 392
Net change interest-bearing loans		(512)	(5)	(516)	(540)	(617)
Payment of principal portion of lease liabilities	7	(89)	(83)	(176)	(171)	(342)
Interest paid		(17)	(27)	(40)	(59)	(102)
Interest paid on leasing liabilities	7	(34)	(38)	(68)	(73)	(142)
Interest income	7	9	17	24	36	57
Net payment related to employee share programme		(25)	109	(91)	(51)	(51)
Share buy-back related to share buy-back programme		(96)	-	(164)	-	(29)
Dividends paid to equity holders of the parent		(1 440)	(450)	(1 440)	(450)	(450)
- of which dividends from treasury shares		15	2	15	2	2
Additional dividend		-	-	-	-	(1 800)
Settlement of cross-currency swaps	8	(112)	-	(112)	-	-
Net cash flow from financing activities		(2 300)	(475)	(2 567)	(1 306)	(3 474)
Effect of changes in exchange rates on cash and cash equivalents		15	(154)	(60)	190	97
Net change in cash and cash equivalents		(1 987)	(926)	(1 630)	2 957	1 766
Cash and cash equivalents at the beginning of the period		7 778	9 537	7 420	5 654	5 654
Cash and cash equivalents at the end of the period		5 790	8 610	5 790	8 610	7 420

Note 1 | General information and principles

General information

The consolidated financial statement for Q2 (interim financial statement) covers Kongsberg Gruppen ASA, its subsidiaries and shares in joint arrangements and associated companies that are included according to the equity method.

Principles

Interim financial statements are compiled in accordance with IAS 34 (interim reporting), stock exchange regulations and the additional requirements of the Securities Trading Act. Interim financial statements do not include the same amount of information as the full financial statements and should be read in the context of the consolidated financial statements for 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.

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

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.

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	2021	2020	2021	2020	2020	2021	2020	2021	2020	2020	2021	2020	2021	2020	2020
KM	4 092	3 762	7 898	8 305	16 319	452	267	879	657	1 532	295	86	549	255	718
KDA	2 456	2 008	4 806	3 950	8 503	513	437	982	668	1 656	386	314	731	430	1 157
Other ¹⁾	215	213	423	406	790	28	35	15	58	62	15	29	(8)	46	30
Group	6 762	5 983	13 127	12 661	25 612	993	740	1 876	1 383	3 250	697	429	1 271	731	1 905

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

Operating revenues YTD by division:

MNOK	2021	2020
Divisions		
Global customer support & Services	3 690	3 776
Integrated Solutions	1 857	2 317
Sensor & Robotics	1 386	1 427
Propulsion & Engines	1 227	1 071
Deck Machinery	495	365
Other/elimination	(757)	(651)
Kongsberg Maritime	7 898	8 305
Land Systems	1 437	958
Integrated Defence Systems	1 504	1 165
Aerostructures	1 195	1 088
Missile Systems	735	674
Space & Surveillance	362	289
Other/elimination	(427)	(224)
Kongsberg Defence & Aerospace	4 806	3 950
Other/elimination	423	406
Total revenues	13 127	12 661

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

	2021				2020			
	Date of revenue recognition				Date of revenue recognition			
	Order backlog 30.6.21	2021	2022	2023 and later	Order backlog 30.6.20	2020	2021	2022 and later
MNOK								
Kongsberg Maritime	11 731	5 705	4 127	1 899	12 155	5 672	5 062	1 421
Kongsberg Defence & Aerospace	23 145	5 022	7 706	10 418	19 659	4 557	7 442	7 660
Other/elimination	905	301	394	210	1 122	417	373	331
Total	35 781	11 028	12 226	12 527	32 935	10 645	12 877	9 412

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 1.1.2021	Additions/ disposals	Dividends received	Share of net income ¹⁾	Other items and comprehensive income	Carrying amount 30.6.21
Patria Oyj	49,9 %	2 841	-	(84)	20	(69)	2 707
Kongsberg Satellite Services AS	50,0 %	557	-	(63)	62	-	556
Other shares		68	2	-	(12)	-	57
Total		3 465	2	(147)	69	(69)	3 320

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

Share of net result from Patria:

Millions	1.4 - 30.6 2021	1.1 - 30.6 2020	1.1 - 30.6 2021	1.1 - 30.6 2020	1.1. - 31.12 2020
KONGSBERG's share (49,9%) ¹⁾	39	12	27	12	132
Amortisation of excess values after tax	(4)	(6)	(7)	(12)	(25)
Share of net income recognised in KDA for the period	35	6	20	-	108

¹⁾ 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:

MNOK	Share of net income					Dividend			
	1.4 - 30.6		1.1 - 30.6		2020	1.4 - 30.6		1.1 - 30.6	
	2021	2020	2021	2020	2020	2021	2020	2021	2020
KM	-	(1)	-	-	-	-	-	-	-
KDA	59	37	73	47	206	147	130	147	130
Other	(1)	(3)	(4)	(14)	(20)	-	-	-	-
Group	58	33	69	33	186	147	130	147	130

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)
Opening balance 1 April 2021	1 899
Addition	5
Disposal	(4)
Depreciation Q2	(99)
Translation differences	4
Closing balance 30 June 2021	1 805

	30.6.2021	31.3.2021	31.12.2020
Leasing assets	1 805	1 899	1 965
Long-term leasing liabilities	1 599	1 683	1 753
Short-term leasing liabilities	353	354	339

IFRS 16 effects on condensed income statement in the period:

	1.4 - 30.6		1.1 - 30.6		2020
	2021	2020	2021	2020	
Returned rental cost earlier included in EBITDA	122	121	243	244	484
Profit/Loss on disposed leases	-	-	1	-	-
Increased EBITDA in the period	122	121	244	244	484
Depreciation on leases	(99)	(105)	(197)	(203)	(411)
Increased EBIT in the period	24	16	47	41	73
Interest cost on leasing liabilities for the period	(34)	(37)	(68)	(73)	(142)
Reduced EBT in the period	(10)	(21)	(21)	(32)	(69)

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 are utilised.

Interest-bearing loans:

			30.6.2021	31.12.2020
MNOK	Due date	Nominal interest rate	Value ¹	Value ¹
Long-term loans:				
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	1,43%	500	500
Bond issue KOG14 - floating interest rate ²	26.02.2026	1,12%	500	-
Other long-term loans ³			3	21
Total long-term loans			2 453	1 971
Short-term loans:				
Bond issue KOG12 - floating interest rate ⁴	06.12.2021	1,11%	500	500
Other short-term loans			2	-
Total short-term loans			502	500
Total interest-bearing loans			2 955	2 471
Syndicated credit facility (unutilised borrowing limit)	15.03.2023		2 300	2 300
Overdraft facility (unutilised)			500	500

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

² 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 issue is subject to a prospectus, which will be issued in due course. The bonds will be applied for listing at Oslo Stock Exchange.

³ Other long-term loans consist of minor loans in some of the Group's subsidiaries.

⁴ 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, has been increased by MNOK 49 before tax during the period 1 January – 30 June 2021. The total change in net fair value of fair value hedges represents a decrease of MNOK 251 from the end of last year. The end-of-quarter spot prices were USD/NOK 8.48, EUR/NOK 10.12 and GBP/NOK 11.77.

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 30.6.21	Value in NOK on agreed rates	Fair value at 30.6.21	Value in NOK on agreed rates	Change in fair value from 31.12.20	Fair value at 30.6.21	
USD	(100)	(39)	247	(38)	147	(8)	(77)	
EUR	120	3	(84)	(3)	36	9	(0)	
Other	(31)	0	(42)	(2)	(73)	(1)	(1)	
Sum	(11)	(36)	122	(43)	110	0	(78)	
Roll-over of currency futures		(27)		(60)		33	(87)	
Total	(11)	(62)	122	(102)	110	34	(165)	
Forward exchange contracts cash flow hedges, assets								12
Forward exchange contracts cash flow hedges, liabilities								90
Net forward exchange contracts cash flow hedges								(78)

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

The difference (MNOK 15) between changes in the fair value of balances classified as cash flow hedges (MNOK 49) and changes in fair value on forward exchange contracts (MNOK 34) is ascribable to a change in fair value of cross-currency swaps (MNOK 27) 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 30.6.21	Value in NOK on agreed rates	Fair value at 30.6.21	Value in NOK on agreed rates	Change in fair value from 31.12.20	Fair value at 30.6.21	
USD	4 920	112	3 467	95	8 387	(198)	207	
EUR	1 804	38	3 235	102	5 039	45	140	
GBP	273	9	898	(8)	1 171	(14)	1	
Other	381	7	74	24	455	(84)	30	
Total	7 377	165	7 674	213	15 051	(251)	378	
Forward exchange contracts fair value hedges, assets								629
Forward exchange contracts fair value hedges, liabilities								251
Net forward exchange contracts fair value hedges								378

The net value of fair value hedges is recognized as derivatives in the statement of financial position, offset against customer contracts, assets by MNOK 314 (decrease) and customer contracts, liabilities by MNOK 64 (increase).

Specification of derivatives:

	30.6.	31.3.	31.12.
<i>MNOK</i>	<i>2021</i>	<i>2021</i>	<i>2020</i>
Forward exchange contracts, cash flow hedges	12	6	23
Forward exchange contracts, fair value hedges	629	945	924
Currency options	-	9	17
Total derivatives, current assets	641	961	964
Forward exchange contracts, cash flow hedges	90	125	101
Forward exchange contracts, fair value hedges	251	341	295
Cross-currency swaps	5	82	144
Currency options	-	2	6
Total derivatives, current liabilities	346	550	546

Cross-currency swaps

Subsequent to the acquisition of shares in Patria Oyj in 2016 cross-currency swaps totalling MEUR 130 were entered in order to partially hedge a net investment in a foreign entity. These cross-currency swaps totalling MEUR 140 are rolled forward in Q2 and effect the cash flow negatively MNOK 112 in the quarter.

Note 9 | Product development

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

	1.4 - 30.6		1.1 - 30.6		
<i>MNOK</i>	2021	2020	2021	2020	2020
Product maintenance	105	95	213	200	414
Development cost	271	234	532	472	939
Total	376	329	745	671	1353

Capitalised development recognised during the period:

	1.4 - 30.6		1.1 - 30.6		
<i>MNOK</i>	2021	2020	2021	2020	2020
Capitalised development	58	83	90	147	223

The largest capitalised projects are related to the development of a 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 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 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 as of Q2 is calculated to be 22.2 per cent of earnings before tax. The income tax expense is affected by non-deductible costs and the fact that shares of net income from associated companies are 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.

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:

	30.6. 2021	31.3. 2021	31.12. 2020
<i>MNOK</i>			
Current assets	22 544	23 454	24 422
Current liabilities and provisions	(17 882)	(17 915)	(19 696)
<i>Adjusted for:</i>			
Cash and cash equivalents	(5 790)	(7 778)	(7 420)
Short-term interest-bearing loans	502	997	1 500
Short-term leasing liabilities	353	354	339
Net tax payable	75	92	66
Financial instruments classified as cash flow hedges	170	271	332
Working capital	(28)	(524)	(458)

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.

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 2021 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, 13 July 2021

Eivind Reiten
Chairman

Anne-Grete Strøm-Erichsen
Deputy Chairman

Merete Hverven
Director

Morten Henriksen
Director

Per A. Sørli
Director

Rune Fanøy
Director

Oda Linn A. Ellingsen
Director

Jo Even Bjerknes
Director

Geir Håøy
President and CEO

This translation from Norwegian of KONGSBERG’s first half report of 2021 has been made for information purposes only.

