

Strong quarter with increased margins for KONGSBERG

KONGSBERG continues to grow, delivering an EBITA of MNOK 443 (MNOK 260) in Q1, including MNOK 39 in non-recurring income. Operating revenues totalled MNOK 3 739 – an increase of 12 per cent relative to Q1 2009. This resulted in an EBITA margin of 11.8 per cent and 10.8 per cent before non-recurring items (7.8 per cent). Earnings before tax (EBT) came to MNOK 420 (MNOK 238). New orders aggregated MNOK 2 629 (MNOK 3 395) during the quarter and, at the end of Q1, the Group had a backlog of orders valued at MNOK 18 744. Earnings per share came to NOK 2.44 (NOK 1.20) in Q1.

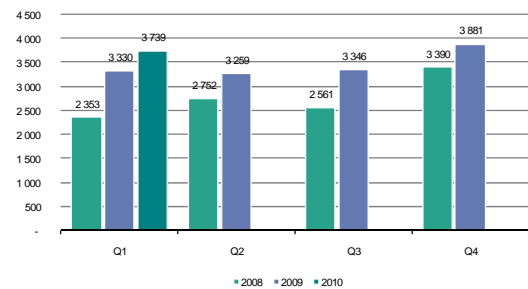
KONGSBERG is reporting a strong quarter with growth in operating revenues and improved profit margins. The Group has seen a good market trend throughout the quarter and the development and delivery programmes are on schedule. The Group's defence segments have made progress, reporting stronger growth and improved margins. The maritime and offshore businesses continue to have a high level of activity, reporting good margins and more new orders than in the preceding quarter.

At the end of Q1 2010, the Group has net cash reserves of MNOK 949, an improvement of MNOK 315 since the turn of the year. At end quarter, KONGSBERG had an equity ratio of 30.6 per cent, compared with 30.1 per cent at year-end.

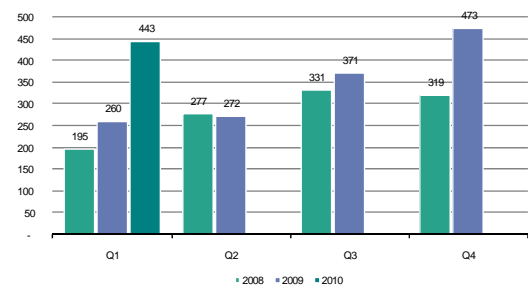
Key figures

MNOK	1.1. - 3.13.		2009
	2010	2009	
Driftsinntekter / Op. revenues	3 739	3 330	13 816
EBITA	443*	260	1 376
EBITA margin (%)	11,8	7,8	10,0
Ordreinnegang / New orders	2 629	3 395	17 605
EPS (NOK)	2,44	1,20	6,83
*) Herav engangsposter (AFP) på 39 mill. kr. / Of which non-recurring item (AFP) of 39 mill.kr.			
	31.3.		31.12.
MNOK	2010		2009
Egenkap. andel / Equity ratio (%)	30,6		30,1
Netto rentebærende gjeld/ Net interest-bearing debt	(949)		(634)
Netto rentebærende gjeld/ EBITDA / Net interest-bearing debt / EBITDA	neg.		neg.
Ordrereserve / Order backlog	18 744		19 892
Ant. ansatte / No. of employees	5 488		5 423

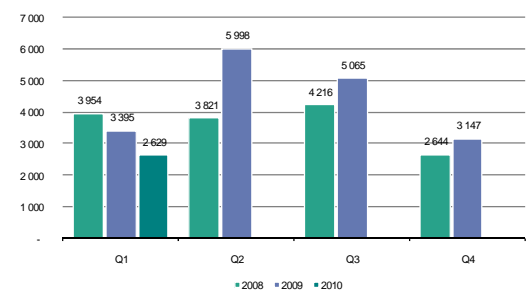
Operating revenues



Operating profit / EBITA



New orders



Performance

Operating revenues in Q1 added up to MNOK 3 739, up 12 per cent from Q1 2009. Earnings before interest, taxes and amortisation (EBITA) were MNOK 443, including MNOK 39 in non-recurring income. (MNOK 260). The EBITA margin for the quarter was 11.8 per cent and 10.8 per cent before non-recurring items (7.8 per cent).

Non-recurring items in Q1 is related to the early retirement pension (AFP), cf. Note 7 to the interim accounts.

Net financial items in Q1 totalled NOK 0 (MNOK -29) and the profit/loss before tax was MNOK 420 (MNOK 209).

Performance and the margin trend are discussed in more detail under the sections on the individual business areas.

Balance sheet

At the end of Q1 2010, the Group had total assets of MNOK 12 909, an increase of MNOK 543 since year-end 2009. At 31 March 2010, equity amounted to MNOK 3 956, which is equivalent to an equity ratio of 30.6 per cent. The equity ratio was 30.1 per cent at the close of 2009.

The Group entered 2010 with net cash reserves of MNOK 634. At the end of Q1, the net cash reserves had increased to MNOK 949. The Group had long-term interest-bearing liabilities of MNOK 830 at 31 March 2010, compared with MNOK 829 at year-end 2009. In addition, KONGSBERG has undrawn credit facilities of NOK 1 billion. The average term to maturity for drawn loans is 3.25 years.

Cash flow

The cash flow from operations was MNOK 442 during the quarter. The Earnings before interest, tax, depreciation and amortisation (EBITDA) aggregated MNOK 502, while net current assets and other operations-related balance sheet items increased by MNOK 60. The net cash flow from investing activities was negative, coming to MNOK 127 during the quarter. The net cash flow from financing activities was negative, amounting to MNOK 7 during the quarter.

New orders and the backlog of orders

New orders added up to MNOK 2 629 (MNOK 3 395) in Q1. The backlog at end quarter was valued at MNOK 18 744, compared with MNOK 19 892 at year end.

During the quarter, Kongsberg Defence Systems' order backlog was reduced by MNOK 236 to MNOK 8 229, and Kongsberg Protech Systems saw a reduction of MNOK 436 to MNOK 5 909, while Kongsberg Maritime's order backlog has been reduced by MNOK 586 to MNOK 4 501.

Human resources

KONGSBERG had 5 488 employees at the end of March 2010. This marks an increase of 65 employees during the quarter. Kongsberg Maritime had 3 094 employees, Kongsberg Defence Systems had 1 440 employees and Kongsberg Protech Systems had 607 employees. At the end of Q1, 30 per cent of the Group's employees worked outside Norway.

Other activities

Other activities mainly consist of the elimination of intra-Group sales, external sales related to property operations and Kongsberg Oil & Gas Technologies.

Kongsberg Maritime

MNOK	2010	1.1 - 31.3. 2009	2009
Driftsinnt. / Op. revenues	1 595	1742	6 657
EBITA	195*	186	831
EBITA margin (%)	12,2	10,7	12,5
Ordreingang / New orders	1 102	1854	5 476
*) Herav engangsposter (AFP) på 22 mill. kr. / Of which non-recurring item (AFP) of 22 mill.kr.			
MNOK	31.3. 2010	31.12. 2009	
Ordrereserve / Order backlog	4 501		5 087

Performance

Q1 operating revenues totalled MNOK 1 595, down 8 per cent compared with Q1 2009. The EBITA came to MNOK 195 (MNOK 186), including MNOK 22 in non-recurring income. The EBITA margin was 12.2 per cent and 10.8 per cent before non-recurring items (10.7 per cent).

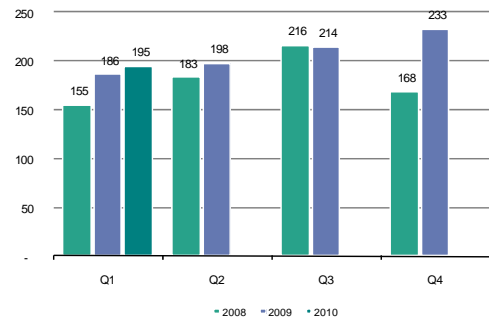
Markets and orders

New orders in Q1 added up to MNOK 1 102 (MNOK 1 854). The backlog of orders was valued at MNOK 4 501 at the end of Q1, a reduction of MNOK 586 since year-end 2009. The backlog of orders has been adjusted for cancellations, which totalled about MNOK 109 in Q1.

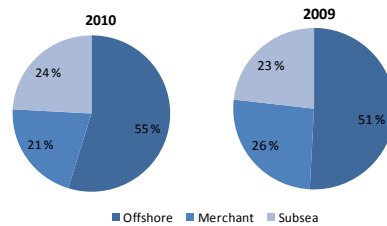
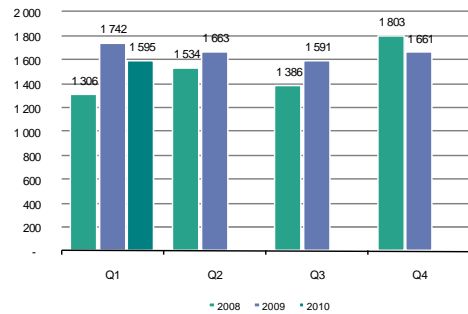
The business area is maintaining a high level of activity. The backlog of orders continues to be reasonably satisfactory. Especially in northeast Asia, shipyards still have huge order backlogs. As a result, there are many vessels scheduled for delivery in 2010 and 2011. Kongsberg Maritime supplies systems that are often installed late in the building process. Shifts in delivery times and further cancellations could have a negative impact on the scope of deliveries for Kongsberg Maritime.

After a period with very low global contracting activities, orders for newbuildings have picked up slightly in the past few months. Seabed surveying, inspection, oceanography and fisheries activities, along with growing after-sales, have only to a limited extent been impacted by the pace of contracting new vessels and will have a positive impact on the total level of activities in the BA throughout 2010 as well.

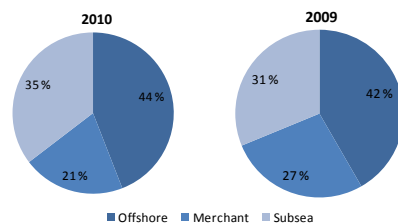
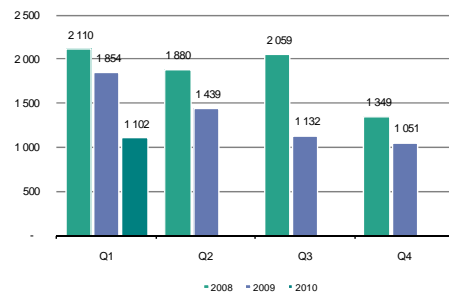
Operating profit / EBITA



Operating revenues



New orders



Kongsberg Defence Systems

MNOK	2010	1.1. - 31.3. 2009	2009
Driftsinnt. / Op. revenues	839	526	2 734
EBITA	69*	(2)	144
EBITA margin (%)	8,2	(0,4)	5,3
Ordreingang / New orders	599	897	5 725
*) Herav engangsposter (AFP) på 10 mill. kr. / Of which non-recurring item (AFP) of 10 mill.kr.			
MNOK	31.3. 2010	31.12. 2009	
Ordrereserve / Order backlog	8 229	8 465	

Performance

Q1 operating revenues totalled MNOK 839, up 60 per cent compared with Q1 2009. The EBITA came to MNOK 69 (MNOK -2), including MNOK 10 in non-recurring income. The EBITA margin was 8.2 per cent and 6.9 per cent before non-recurring items (-0.4 per cent).

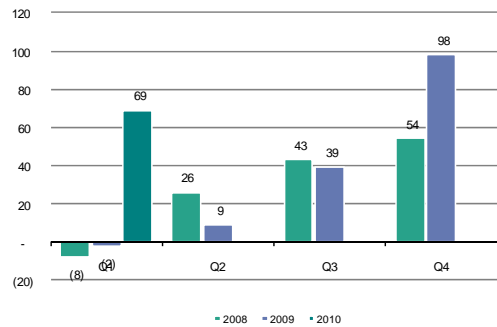
Operating activities in the business area (BA) were good and Q1 profitability was higher than ever before so early in the year. The main reason for this is that the BA now is in the engineering and production phase of several major projects that are evening out earnings more than in previous years.

Markets and orders

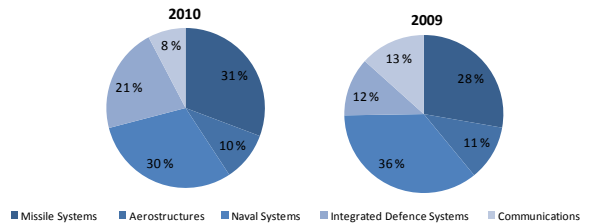
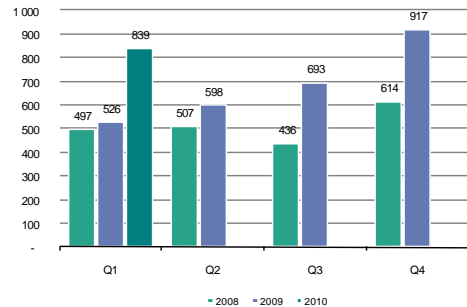
New orders aggregated MNOK 599 (MNOK 897) in Q1. The backlog of orders totalled MNOK 8 229 at the end of Q1, a decline of MNOK 236 during the quarter. New orders during the quarter were lower than during the corresponding quarter of 2009. Fluctuations in new orders from quarter to quarter are normal in this BA.

Kongsberg Defence Systems is in the engineering and production phase of the coastal artillery system for Poland, the NSM to Norway and air defence for Finland. All these projects are well underway and have passed the first milestones. The production of aircraft components is also on schedule, but the volume is relatively low at the moment.

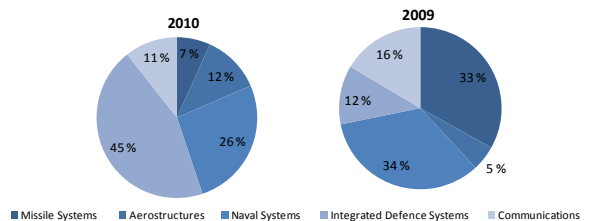
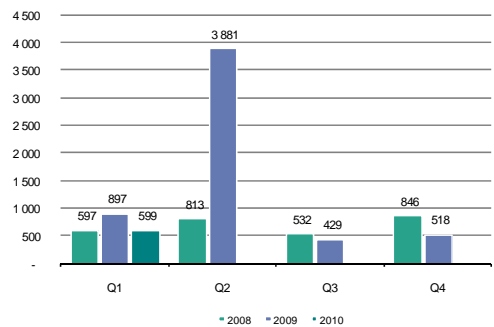
Operating profit / EBITA



Operating revenues



New orders



Kongsberg Protech Systems

MNOK	2010	1.1 - 31.3. 2009	2009
Driftsinnt. / Op. revenues	1 249	982	4 123
EBITA	185*	98	442
EBITA margin (%)	14,8	10,0	10,7
Ordreingang / New orders	814	549	6 196
*) Herav engangsposter (AFP) på 4 mill. kr. / Of which non-recurring item (AFP) of 4 mill.kr.			
MNOK	31.3. 2010	31.12. 2009	
Ordrereserve / Order backlog	5 909		6 345

Performance

Q1 operating revenues were MNOK 1 249, up 27 per cent compared with Q1 2009. The EBITA came to MNOK 185 (MNOK 98), including MNOK 4 in non-recurring income. The EBITA margin was 14.8 per cent and 14.5 per cent before non-recurring items (10.0 per cent).

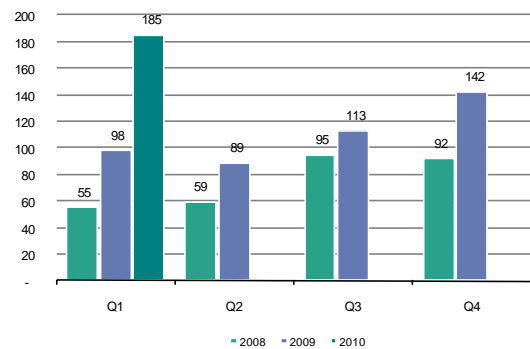
The strong margin was mainly due to effective operational and logistical improvements, along with economies of scale particularly connected to the production in the USA. Kongsberg Protech Systems has also seen a rise in after-sales.

Markets and orders

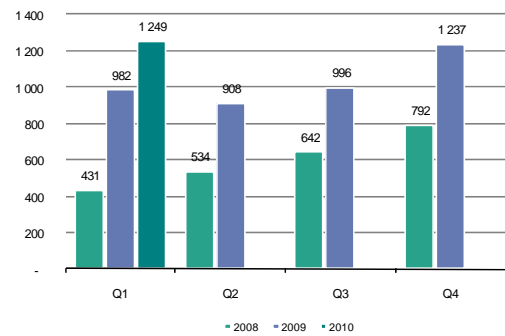
New orders aggregated MNOK 814 (MNOK 549) in Q1. The backlog of orders was valued at MNOK 5 909 at the end of Q1, a reduction of MNOK 436 since year end. The largest single contract during the quarter was a contract worth MNOK 243 for the CROWS programme. Since the close of Q1, the BA has booked three new orders with a collective value of NOK 2.1 billion under the CROWS programme.

Kongsberg Protech Systems has developed a family of PROTECTOR weapons control system products, of which CROWS for the US Army now accounts for the majority of the production volume. The CROWS II framework contract was expanded in December 2009 and now covers a total of 10 349 systems. A new product concept in the RWS family, the Medium Calibre RWS, was launched in the US in autumn 2009.

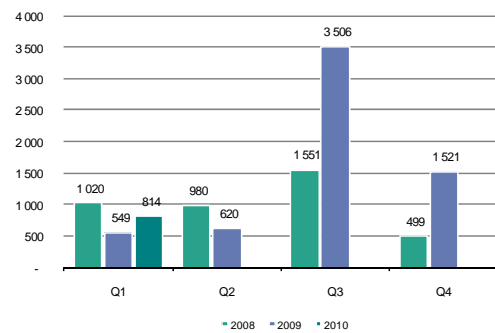
Operating profit / EBITA



Operating revenues



New orders



Prospects for the future

Kongsberg Maritime's markets are strongly affected by trends in world trade and the demand for energy. There may still be cancellations and postponements of existing contracts. The slow contracting activity at the shipyards is expected to continue for some time. Kongsberg Maritime is expected to maintain its good market positions in the offshore industry and the maritime segment in 2010. The pick-up in global after-sales and customer support will have positive results. In the Board's opinion, the workload will be somewhat lower in 2010 than in 2009. Developments are being monitored closely and measures have been initiated to adapt capacity and reduce risk.

Kongsberg Defence Systems expects continued good and growing activity levels. Several major, long-term delivery programmes are in the engineering and production phase. This will even out earnings throughout 2010 compared with previous years. The focus on advanced composite components for the aviation industry continues, and significant marketing efforts are being made to prepare the ground for sales and the further development of missiles.

Kongsberg Protech Systems has had particularly good earnings in Q1. The level of activity is still expected to be high throughout the rest of the year and the margins are expected to be good, but probably somewhat lower than in Q1. The market prospects are good and many new customers are being addressed proactively in countries in which the BA already has contracts as well as in new countries. There are major vehicle programmes in the pipeline in both the US and in Europe. These programmes offer significant potential for several of the BA's products.

The NOK/USD and NOK/EUR exchange rates are of great importance to the Group. Initiatives are being put into place on an ongoing basis to reduce the Group's foreign exchange exposure. Besides hedging all signed contracts, the Group hedges a percentage of anticipated new orders.

All in all, KONGSBERG enjoys good positions in the shipping, offshore and defence markets and has a high order backlog, providing a strong platform for operations and profitability in 2010. However, the general economic situation remains uncertain and a setback could, over time, have an adverse impact on the Group's level of activity.

Kongsberg, 28 April 2010

The Board of Directors of Kongsberg Gruppen ASA

Income statement

MNOK	Note	2010	1.1. - 31.3. 2009	2009
Driftsinntekter / Operating revenues	1	3 739	3 330	13 816
Driftskostnader/ Operating expenses	7	(3 237)	(3 018)	(12 197)
EBITDA ¹		502	312	1619
Avskrivninger/ Depreciation		(59)	(52)	(243)
Driftsresultat (EBITA)/ Operating profit (EBITA)	1	443	260	1376
Amortisering/ Amortisation		(23)	(22)	(113)
EBIT ²		420	238	1263
Netto nedskrivning/tap/gevinst på finansielle eiendeler/ Net impairment/loss/gain on financial assets		-	-	5
Netto andre finansposter/ Net other financial items		-	(29)	(99)
Resultat før skatt/ Earnings before tax (EBT)		420	209	1169
Skattekostnad/ Income tax expense		(126)	(63)	(341)
Resultat etter skatt/ Earnings after tax		294	146	828
Minoritetsinteresser/ Non-controlling interests		1	2	8
Majoritetsinteresser/ Equity holders of the parent		293	144	820
Resultat pr. aksje/ Earnings per share (NOK)		2,44	1,20	6,83
Resultat pr. aksje, utvannet/ Earnings per share, diluted (NOK)		2,44	1,20	6,83

1) Resultat før finansposter, skatt, avskrivninger og amortiseringer/
Earnings before interest, tax, depreciation and amortisation (EBITDA)

2) Resultat før finansposter og skatt/
Earnings before interest and tax (EBIT)

Comprehensive income statement

MNOK	Note	2010	1.1. - 31.3. 2009	2009
Resultat etter skatt / Earnings after tax		294	146	828
Endring i virkelig verdi fin. instr. og sikringsinstr. ved kontantstrømsikring/ Change, fair value of financial instr. and hedge instr. for cash flow hedges:	5			
- Endring, kontantstrømsikringer/ rentebytteavtaler / Change, cash flow hedges/ int. Rate swap agreements		(85)	880	1814
- Endring, tilgjengelig for salg inv. / Change, available-for-sale inv.		(28)	60	32
Estimatavvik pensjoner/ Actuarial gains/losses pensions		-	-	(107)
Omregningsdifferanser, valuta/ Translation differences, foreign currency		27	(59)	(101)
Skatt på poster innregnet i oppstilling over totalresultatet / Tax on items recognised against statement of comprehensive income		24	(247)	(478)
Totalresultat for perioden/ Comprehensive income		232	780	1988

Balance sheet

MNOK	Note	31.3. 2010	31.12. 2009
Eiendom, anlegg og utstyr/ Property, plant and equipment		2 089	2 029
Immaterielle eiendeler/ Intangible assets	4	2 224	2 209
Andre langsiktige eiendeler/ Other non-current assets	5	212	226
Sum anleggsmidler/ Total non-current assets		4 525	4 464
Varelager/ inventories		2 835	2 587
Kundefordringer/ Trade receivables		1 427	1 428
Andre omløpsmidler/ Other current assets		2 343	2 424
Betalingsmidler/ Cash and short-term deposits		1 779	1 463
Sum omløpsmidler/ Total current assets		8 384	7 902
Sum eiendeler/ Total assets		12 909	12 366
Innskutt egenkapital/ Paid-in equity		982	982
Opptjent egenkapital/ Retained earnings		2 641	2 323
Mer-/mindreverdi verdi finansielle instrumenter/ fair value of financial instruments		310	399
Minoritetsinteresser/ Non-controlling interests		23	22
Sum egenkapital/ Total equity		3 956	3 726
Langsiktig rentebærende lån/ Long-term interest-bearing debt		830	829
Andre langsiktige forpliktelser og avsetninger/ Other non-current liabilities and provisions		1 171	1 092
Sum langsiktige forpliktelser og avsetninger/ Total non-current liabilities and provisions		2 001	1 921
Forskudd fra kunder/ Prepayments from customers		2 052	2 116
Andre kortsiktige forpliktelser og avsetninger/ Other current liabilities and provisions	3	4 900	4 603
Sum kortsiktige forpliktelser og avsetninger/ Total current liabilities and provisions		6 952	6 719
Sum egenkapital, forpliktelser og avsetninger/ Total equity, liabilities and provisions		12 909	12 366

Egenkapitalandel (%) / Equity ratio (%)		30,6	30,1
Netto rentebærende gjeld/ Net interest-bearing liabilities		(949)	(634)
Netto rentebærende gjeld / EBITDA (%) / Net interest-bearing debt / EBITDA (%)		neg.	neg.

Cash flow statement

MNOK	1-31.3		2009
	2010	2009	
Driftsresultat før renter, skatt, avskrivninger og amortiseringer / Earnings before interest, tax, depreciation and amortisation	502	312	1 619
Endring i netto omløpsmidler og andre driftsrelaterte poster / Change in net current assets and other operating related items	(60)	(22)	1 050
Netto kontantstrøm fra driftsaktiviteter / Net cash flow from operating activities	442	290	2 669
Kjøp av eiendom, anlegg og utstyr / Acquisition of property, plant and equipment	(109)	(42)	(451)
Kjøp av datterselskaper og minoritet / Acquisition of subsidiaries and minority	-	(15)	(37)
Netto betaling ved utlån og kjøp/salg av aksjer / Net payment of loans and acquisition/sale of shares	-	-	210
Andre investeringsaktiviteter / Other investing activities	(18)	(3)	(54)
Netto kontantstrøm fra investeringsaktiviteter / Net cash flow from investing activities	(127)	(60)	(332)
Opptak og nedbetaling av lån / New loans raised and repayment	1	2	(893)
Netto mottatte (betalte) renter / Net interest received (paid)	(6)	(19)	(44)
Netto utbetaling av kjøp/salg av egne aksjer / Net payments for the purchase/sale of treasury shares	(2)	(21)	11
Utbytte betalt til majoritetsinteressenter / Dividends paid to equity holders of the parent	-	-	(165)
Netto kontantstrøm fra finansieringsaktiviteter / Net cash flow used in financing activities	(7)	(38)	(1 091)
Effekt av valutakursendringer på betalingsmidler / Effect of changes in exchange rates on cash and short-term	8	(32)	(66)
Netto endring betalingsmidler / Net change in cash and short-term deposits	316	160	1 180
Betalingsmidler IB / Cash and short-term deposits opening balance	1 463	283	283
Betalingsmidler UB / Cash and short-term deposits, closing balance	1 779	443	1 463

Net current assets on the balance sheet, exclusive cash and short-term deposits, show a reduction of MNOK 67 from 31 December 2009 to 31 March 2010, while the cash flow statement shows an increase of MNOK 60. The difference is primarily attributable to changes in fair value associated with financial instruments.

Statement of changes in equity

MNOK	1-31.3.		2009
	2010	2009	
Egenkapital IB / Equity opening balance	3 726	1 894	1 894
Totalresultat for perioden / Comprehensive income	232	780	1 988
Utbytte / Dividends	-	-	(165)
Egne aksjer / Treasury shares	(2)	(21)	11
Endring minoritetsinteressenter / Change in non-controlling interests	-	(2)	(2)
Egenkapital UB / Equity, closing balance	3 956	2 651	3 726

Notes to the interim accounts

Note 1 – Information by segment

MNOK	Driftsinntekter/ Operating revenues		Driftsresultat (EBITA)/ Operating profit (EBITA)			
	1.1 - 31.3. 2010	2009	2009	1.1 - 31.3. 2010	2009	2009
Kongsberg Maritime	1 595	1 742	6 657	195	186	831
Kongsberg Defence Systems	839	526	2 734	69	(2)	144
Kongsberg Protech Systems	1 249	982	4 123	185	98	442
Øvrig, elim. / Other elimination	56	80	302	(6)	(22)	(41)
KONSERN / THE GROUP	3 739	3 330	13 816	443	260	1376

Note 2 - General information and principles

The consolidated Q1 2010 accounts encompass Kongsberg Gruppen ASA, its subsidiaries and the Group's stakes in associates. The consolidated accounts are available upon request from the Group's headquarters in Kongsberg or on www.kongsberg.com.

The consolidated accounts have been drawn up in accordance with IAS 34 for interim reporting, the Oslo Stock Exchange regulations and the supplementary requirements in Norway's Securities Trading Act. The interim accounts do not include all the information required for a full financial statement and should therefore be read in the light of the consolidated accounts for 2009. The consolidated accounts for 2009 were drawn up in accordance with the rules in the Norwegian Accounting Act and international standards for financial reporting, as laid down by the EU. KONGSBERG has applied the same accounting principles as were described in the consolidated accounts for 2009.

Note 3 - Estimates

The preparation of the interim accounts entails the use of valuations, estimates and assumptions that affect the application of the accounting policy and the amounts recognised as assets and liabilities, income and expenses. The actual results may deviate from these estimates. The material assessments underlying the application of the Group's accounting policy and the main sources of uncertainty are the same as for the consolidated accounts for 2009.

In 2003, KONGSBERG concluded a contract with the Hungarian armed forces for the delivery of military radios. In the light of the Hungarian armed forces having less need for radios, negotiations have been initiated with a view to reducing the volume of the contract. There is still uncertainty associated with the outcome of these negotiations.

Note 4 – R&D

Research and development costs came to MNOK 125 (MNOK 123) in Q1. In addition, MNOK 18 (MNOK 3) in R&D was capitalised in Q4 2009.

Note 5 – Financial instruments

Credit facilities

KONGSBERG has undrawn overdraft facilities of MNOK 1 000.

Other non-current assets

Shares available for sale are recognised with an excess value of MNOK 28, i.e. a reduction of MNOK 28 YTD.

Currency futures, options and interest swap agreements

The fair value of currency futures, currency options and interest swap agreements, which are classified as prognosis hedges (cash flow hedges), have declined by MNOK 85 before tax since year end. The change in fair value associated with currency futures and options account for a reduction of MNOK 108 during the same period.

	Forfaller i 2010 / Falling due in 2010		Forfaller i 2011 eller senere / Falling due in 2011 or later		Totalt / Total		
	Verdi basert på avtalte kurser / Value based on agreed exchange rates	Mer-/mindreverdi pr. 31.03.10 / Net excess/ negative value at 31 Mar 10	Verdi basert på avtalte kurser / Value based on agreed exchange rates	Mer-/mindreverdi pr. 31.03.10 / Net excess/ negative value at 31 Mar 10	Verdi basert på avtalte kurser / Value based on agreed exchange rates	Endring mer/ mindreverdi fra 31.12.09 / Change in excess/ negative value from 31 Dec 09	Mer-/mindreverdi pr. 31.03.10 / Net excess/ negative value at 31 Mar 10
MNOK (før skatt) / MNOK (before tax)							
EUR	1 048	29	937	72	1 985	48	101
USD	887	76	1 587	72	2 474	(156)	148
Utsatt gevinst ¹⁾ / deferred gain ¹⁾		86		102		27	188
Totalt / Total	1 935	191	2 524	246	4 459	(81)	437

¹⁾ Gevinsten oppstår når terminene til prognosesikringene blir realisert og nye terminer inngås for prosjektene. Eventuell gevinst/tap som oppstår, blir utsatt og realiseres i takt med fremdriften i prosjektene.
The gain arise when the prognosis hedges mature and new hedges are secured for the projects. Any gains/losses that arise are deferred and realised proportional to the progress of the project.

Note 6 – Close associates

Note 28 in the Annual Report for 2009 lists the details of transactions with close associates. There were no changes or transactions in Q1 in conjunction with close associates that had any material impact on the Group's financial position or on the profit or loss for the period.

Note 7 – Early retirement pension (AFP)

Early retirement pension (AFP) – a new Act related to the funding of early retirement was adopted on 19 February 2010. The previous early retirement scheme was recognised as a defined benefit pension plan. The new early retirement scheme will be recognised as a deposit-based scheme. KONGSBERG has complied with the guidelines issued by the Norwegian Accounting Foundation regarding this change. In Q1 2010, KONGSBERG recognised as revenue one component of its pension liabilities for employees born after 1948. This resulted in an increase in the EBITA of MNOK 39. The amount includes a provision for underfunding the old scheme. The pension liabilities on the balance sheet are also intended to cover the co-payment for pensioners who have already taken early retirement, as well as the co-payment for pensioners expected to take early retirement under the old scheme in 2010.