

## A good start to 2011

KONGSBERG embarks on 2011 with high level of activity and backlog of orders. Combined with a favourable product mix, continual productivity improvements ensured that margins remained strong. During the quarter, the Group further consolidated its strong positions in the offshore, merchant marine and defence markets. The Group's maritime business had a strong influx of new orders, i.e. nearly double the figure for Q1 2010. The orders included several contracts for deliveries to drilling vessels and LNG carriers. In the market for remotely operated weapon control systems, KONGSBERG's leading position was further acknowledged in February when the US Army announced that it has selected KONGSBERG's design for the next phase of the CROWS programme. Kongsberg Defence Systems' large-scale delivery programmes are on schedule. Right after the close of the quarter, the Norwegian government announced that it would be presenting the programme for development and financing of phase two of the Joint Strike Missile (JSM) to the Norwegian parliament.

### Key figures

MNOK	1.1. - 31.3.		2010
	2011	2010	
Driftsinntekter / Op. revenues	3 744	3 739	15 497
EBITA	518	443	2 216
EBITA margin (%)	13,8	11,8	14,3
Ordreinngang / New orders	4 106	2 629	13 584
EPS (NOK)	2,94	2,44	12,46

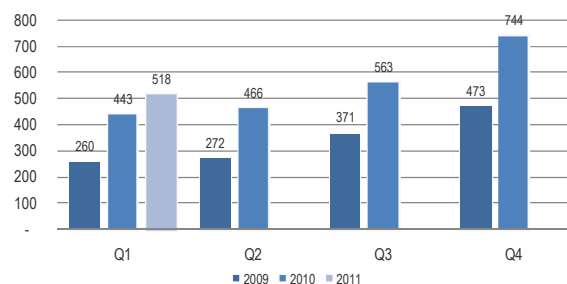
MNOK	31.3.		31.12.
	2011	2010	
Egenkap. andel /			
Equity ratio (%)	36,2	34,9	
Netto rentebærende gjeld (Netto kontantbeh.) /			
Net interest-bearing debt (Net cash reserves)	(1 956)	(1 813)	
Netto rentebærende gjeld/ EBITDA /			
Net interest-bearing debt/ EBITDA	neg.	neg.	
Ordrereserve /			
Order backlog	18 085	17 759	
Ant. ansatte /			
No. of employees	5 822	5 681	

### Profit/(loss) and the order situation

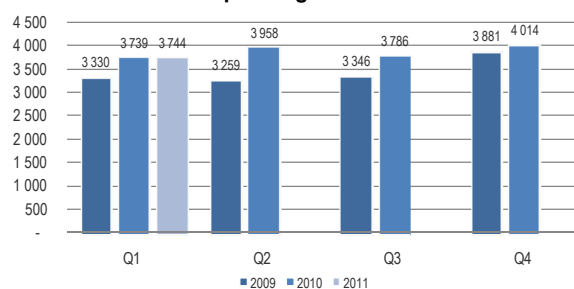
The Q1 EBITA was MNOK 518 (MNOK 443). Operating revenues totalled MNOK 3 744, on level with Q1 2010 (MNOK 3 739). This resulted in an EBITA margin of 13.8 per cent (11.8 per cent). Net financial items added up to MNOK 4 (MNOK 0). Earnings before tax (EBT) were MNOK 499 (MNOK 420). Earnings per share (EPS) came to NOK 2.94 (NOK 2.44) in Q1.

New orders totalled MNOK 4 106 during the quarter (MNOK 2 629). The Group's backlog of orders has increased since year-end 2010 to a total of MNOK 18 085 at end quarter.

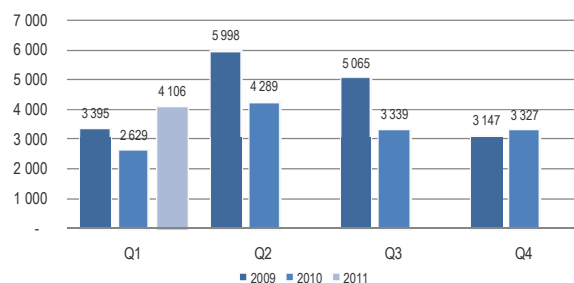
### EBITA



### Operating revenue

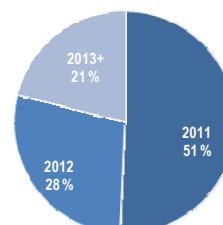


### New orders



### Backlog of orders

Breakdown by delivery dates



\* The figures in parentheses refer to the same period the previous year.

**Balance sheet**

Total assets came to MNOK 14 335 at end quarter. This marked an increase of MNOK 358 since year end. At 31 March 2011, equity aggregated MNOK 5 193, which is equivalent to an equity ratio of 36.2 per cent, as against 34.9 per cent at year-end 2010. Good earnings are the main explanation for the increase in the equity ratio.

The Group had net cash reserves of MNOK 1 813 at outset of 2011. At the end of Q1, this figure had increased to MNOK 1 956.

The average term to maturity for drawn loans was 2.25 years. In addition, KONGSBERG has undrawn credit facilities of NOK 1 billion.

**Cash flow**

Earnings before interest, tax, depreciation and amortisation (EBITDA) added up to MNOK 582 in Q1, while there was an increase of MNOK 300 in net current assets and other operations-related balance sheet items. This led to a cash flow from operating activities of MNOK 282. The net outgoing cash flow from investing activities was MNOK 128, and the net incoming cash flow from financing activities was MNOK 15 during the quarter.

**Human resources**

KONGSBERG had 5 822 employees at the end of Q1. This is an increase of 141 co-workers during the quarter. Kongsberg Maritime had 3 209 employees, Kongsberg Defence Systems had 1 528 employees and Kongsberg Protech Systems had 714 employees. At end quarter, roughly 30 per cent of the Group's employees worked outside Norway.

**Other activities**

Other activities mainly consist of Kongsberg Oil & Gas Technologies and external sales related to property operations.

**Kongsberg Maritime**

**Key figures**

MNOK	1.1. - 31.3.		2010
	2011	2010	
Driftsinnt. / Op. revenues	1 672	1 595	6 286
EBITA	273	195	991
EBITA margin (%)	16,3	12,2	15,8
Ordreinnngang / New orders	2 082	1 102	5 641

MNOK	31.3.	31.12.
	2011	2010
Ordrereserve / Order backlog	4 583	4 218

**Performance**

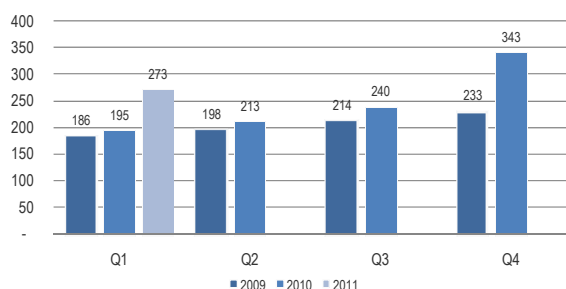
Revenues totalled MNOK 1 672 (MNOK 1 595) in Q1. EBITA was MNOK 273 (MNOK 195). The EBITA margin was 16.3 per cent (12.2 per cent). The business area has seen high activity for all divisions.

**Markets and orders**

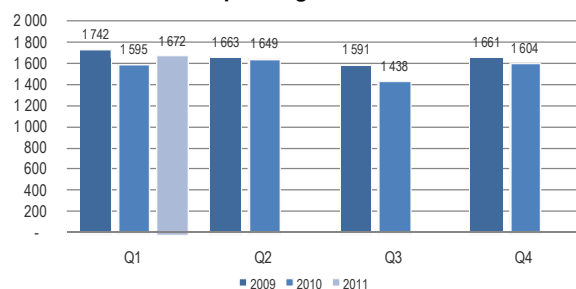
The positive trend continues and new orders during the quarter totalled MNOK 2 082 (MNOK 1 102). The backlog of orders was valued at MNOK 4 583 at the end of Q1. The backlog increased by MNOK 365 in Q1 and has now come back to the same level as a year ago.

Kongsberg Maritime has seen a strong influx of new orders throughout the quarter in multiple areas, and the business area's backlog has gradually started to grow again after a period of reduction. In 1Q, several contracts were signed for LNG carriers, drilling vessels and offshore supply vessels. When the shipyards build these kind of vessels, the business area's equipment is normally ordered immediately after the vessel is ordered. For less complex commercial vessels (merchant marine), it is more common for the business area's equipment to be ordered closer to the vessel's delivery date. The Merchant Marine division has been contracted to provide equipment for nearly 300 vessels, which is considered a high figure, given that the market continues to be characterised by uncertainty. Large parts of the Subsea business are driven by activities in the offshore market (construction, pipe laying, exploration, field development, etc).

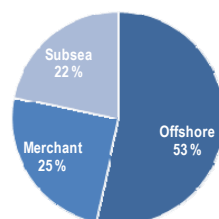
**EBITA**



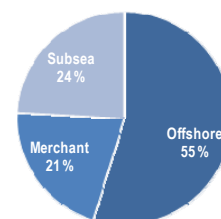
**Operating revenue**



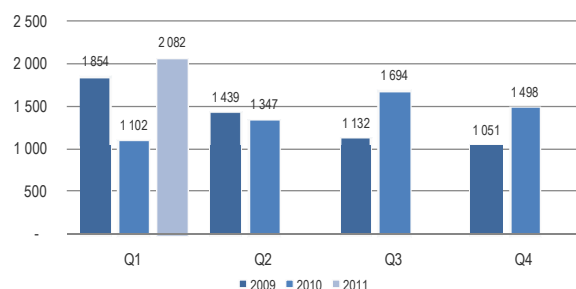
**2011**



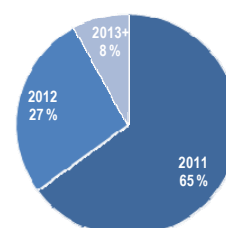
**2010**



**New orders**



**Backlog of orders**  
Breakdown by delivery dates



## Kongsberg Defence Systems

## Key figures

MNOK	1.1. - 31.3.		2010
	2011	2010	
Driftsinnt. / Op. revenues	940	839	3 376
EBITA	61	69	245
EBITA margin (%)	6,5	8,2	7,3
Ordreingang / New orders	766	599	2 823

MNOK	31.3.	31.12.
	2011	2010
Ordrereserve / Order backlog	7 761	7 933

## Performance

Revenues totalled MNOK 940 (MNOK 839) in Q1. EBITA was MNOK 61 (MNOK 69). The EBITA margin was 6.5 per cent (8.2 per cent). The business area had good growth in volume compared with previous years, but a different project mix resulted in somewhat lower margins in Q1.

## Markets and orders

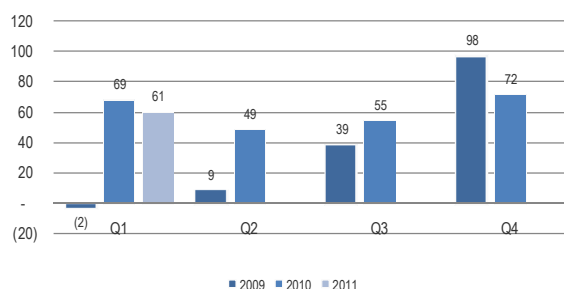
New orders added up to MNOK 766 (MNOK 599) in Q1. The level of activity in the sales organisation is high. There is significant and growing international interest for the modern product portfolio of missiles, air defence, submarine systems, communications solutions and surveillance systems. The company is continuing to build up aircraft component production. One complete set of F-35 components is now produced every second week. During the year, there are plans to double this to one set per week.

Contracts up for tender on the defence market are few, but sizable. Fluctuations in new orders are therefore considered normal. With a backlog valued at 2.3 times annual sales (based on sales in 2010), there is a sound platform for the years ahead.

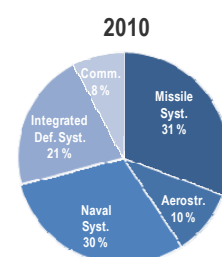
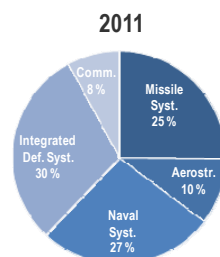
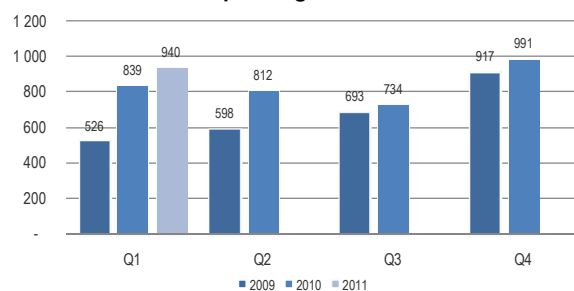
## Updates

In April, the Government decided to present the development and financing of phase two of the Joint Strike Missile (JSM) to the Norwegian parliament. Pending parliamentary approval, this would mean continuous development of the JSM until 2013. There is an agreement with the Norwegian Defence Logistics Organisation (NDLO) on a contract valued at MNOK 535.

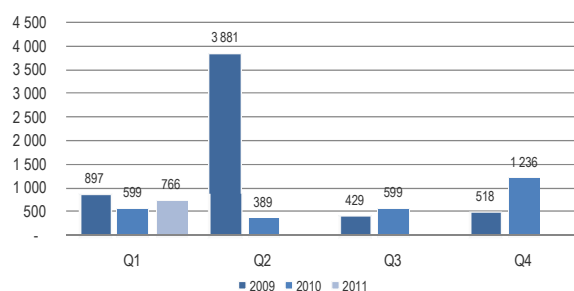
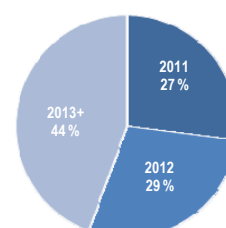
## EBITA



## Operating revenue



## New orders

Backlog of orders  
Breakdown by delivery dates

**Kongsberg Protech Systems**

**Key figures**

MNOK	1.1. - 31.3.		2010
	2011	2010	
Driftsinnt. / Op. revenues	1 078	1 249	5 683
EBITA	193	185	995
EBITA margin (%)	17,9	14,8	17,5
Ordreinngang / New orders	1 161	814	4 759

MNOK	31.3.	31.12.
	2011	2010
Ordrereserve / Order backlog	5 504	5 422

**Performance**

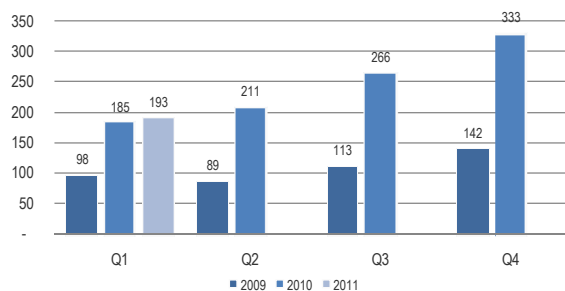
Revenues totalled MNOK 1 078 (MNOK 1 249) in Q1. EBITA was MNOK 193 (MNOK 185). The EBITA margin was 17.9 per cent (14.8 per cent). The volume is somewhat lower than in the preceding quarters. This is primarily attributable to a decrease in volume to the largest customer, in line with the agreed delivery plans. EBITA is up relative to Q1 2010, which is primarily due to productivity improvements both internally and in the supplier chain, as well as a favourable product and project mix.

**Markets and orders**

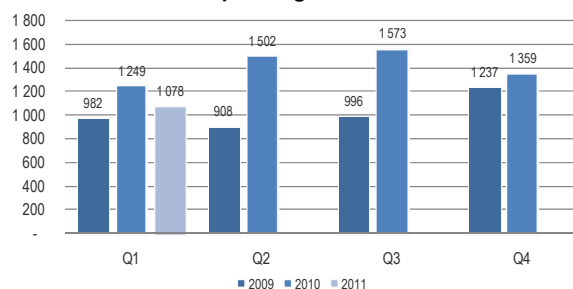
New orders aggregated MNOK 1 161 (MNOK 814) in Q1. The CROWS framework agreement was expanded twice during the quarter. In January, the agreement was expanded by MNOK 451 for the purchase of spare parts and, in February, the total number of systems in the framework agreement was expanded from 10 349 to 11 690. The spare parts expansion was fully converted to delivery contracts in January.

In mid-February, the US Army made an announcement of the utmost importance about the next phase of the CROWS programme; KONGSBERG's design has been chosen. The upcoming competition will therefore be a question of who will manufacture KONGSBERG's weapon control system (XM153). This is confirmation of the leading position enjoyed by KONGSBERG's CROWS system in terms of both quality and performance. Production experience and capacity, as well as detailed knowledge of the CROWS design and the ability to adapt to volume changes, put KONGSBERG in a strong position.

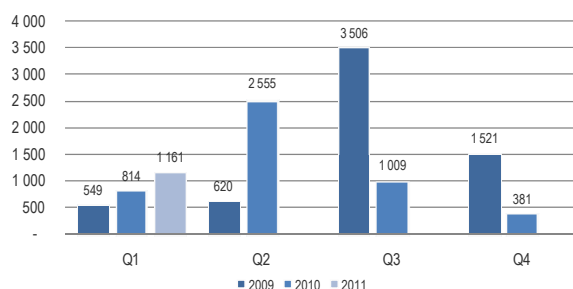
**EBITA**



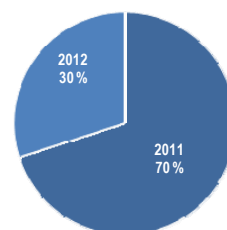
**Operating revenue**



**New orders**



**Backlog of orders**  
Breakdown by delivery dates



## Prospects for the future

Kongsberg Maritime will maintain its good market positions. The strengthening of global after-sales and customer support is generating good results. The business area continuously carries out different initiatives to adapt its capacity and product portfolio to the needs of the market. Kongsberg Maritime's markets are strongly impacted by trends in the offshore industry and in world trade in general. There is more contracting activity for important types of vessels for the offshore industry now than in the past two years. The merchant marine market is still characterised by uncertainty. In the Board's opinion, the business area will have a satisfactory workload in the remaining part of 2011 as well.

Kongsberg Defence Systems' activity levels will rise further in 2011. Several major long-term delivery programmes are in the engineering and production phase, making earnings more predictable. The business area is exploring specific opportunities for sales and for the further development of missiles, submarine systems and air defence. The build-up of production for advanced composite components for the JSF programme continues. The government has decided to present the development and financing of phase two of the Joint Strike Missile (JSM) programme to the Norwegian parliament, implying the continued development of this missile until 2013.

Kongsberg Protech Systems will continue to have a strong position in its market. In 2011, activities are expected to remain at a good level, but the delivery volume to the US fluctuates and may end up somewhat lower in 2011 than in 2010. Active efforts are being made with new and existing customers, e.g. the next phase of the US Army's CROWS programme, where KONGSBERG's design has been chosen, but the choice of manufacturers still remains open. Major vehicle programmes have been adopted or are in the pipeline in the US and Europe. These programmes offer significant potential for several of the business area's products.

All in all, KONGSBERG is well-positioned in the shipping, offshore and defence markets, and has a strong backlog of orders. This provides a strong platform for operations and profitability also in 2011.

Kongsberg, 5 May 2011

The Board of Directors of Kongsberg Gruppen ASA

## Income statement

MNOK	Note	2011	1.1. - 31.3. 2010	2010
Driftsinntekter / Operating revenues	1	3 744	3 739	15 497
Driftskostnader / Operating expenses	7	(3 162)	(3 237)	(13 012)
<b>EBITDA</b> <sup>1</sup>		<b>582</b>	502	2 485
Avskrivninger / Depreciation		(64)	(59)	(269)
<b>EBITA</b> <sup>2</sup>	1	<b>518</b>	443	2 216
Amortisering / Amortisation		(23)	(23)	(103)
<b>EBIT</b> <sup>3</sup>		<b>495</b>	420	2 113
Net other financial items		4		(16)
<b>Resultat før skatt / Earnings before tax (EBT)</b>		<b>499</b>	420	2 097
Skattekostnad / Income tax		(145)	(126)	(597)
<b>Resultat etter skatt / Earnings after tax</b>		<b>354</b>	294	1 500
<i>Henførbart til / Attributable to:</i>				
Ikke-kontrollerende interesser / Non-controlling interests		1	1	5
Aksjonærene i morselskapet / Equity holders of the parent		353	293	1 495
Resultat pr. aksje / Earnings per share (EPS), NOK				
Resultat pr. aksje, utvannet / Earnings per share, diluted NOK		2,94	2,44	12,46

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

2) Resultat før finansposter, skatt og amortiseringer /  
Earnings before interest, tax and amortisation (EBITA)

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

## Balance sheet

MNOK	Note	31.3. 2011	31.12. 2010
Eiendom, anlegg og utstyr / Property, plant and equipment		2 213	2 182
Immaterielle eiendeler / Intangible assets	4, 8	2 406	2 436
Andre langsiktige eiendeler / Other non-current assets	5	227	230
<b>Sum anleggsmidler / Total non-current assets</b>		<b>4 846</b>	4 848
Varelager / inventories		2 615	3 034
Kundefordringer / Trade receivables		1 373	1 350
Andre omløpsmidler / Other current assets		2 689	2 085
Betalingsmidler / Cash and short-term deposits		2 812	2 660
<b>Sum omløpsmidler / Total current assets</b>		<b>9 489</b>	9 129
<b>Sum eiendeler / Total assets</b>		<b>14 335</b>	13 977
Innskutt egenkapital / Paid-in equity		982	982
Opptjent egenkapital / Retained earnings		3 871	3 562
Mer-/mindreværdi verdi finansielle instrumenter / Fair value of financial instruments		317	313
Ikke-kontrollerende interesser / Non-controlling interests		23	24
<b>Sum egenkapital / Total equity</b>		<b>5 193</b>	4 881
Langsiktig rentebærende lån / Long-term interest-bearing debt		856	847
Andre langsiktige forpliktelser og avsetninger / Other non-current liabilities and provisions		1 211	1 077
<b>Sum langsiktige forpliktelser og avsetninger / Total non-current liabilities and provisions</b>		<b>2 067</b>	1 924
Forskudd fra kunder / Prepayments from customers		1 979	1 849
Andre kortsiktige forpliktelser og avsetninger / Other current liabilities and provisions	3	5 096	5 323
<b>Sum kortsiktige forpliktelser og avsetninger / Total current liabilities and provisions</b>		<b>7 075</b>	7 172
<b>Sum egenkapital, forpliktelser og avsetninger / Total equity, liabilities and provisions</b>		<b>14 335</b>	13 977

Egenkapitalandel (%) / Equity ratio (%)	36,2	34,9
Netto rentebærende gjeld / Net interest-bearing liabilities	(1 956)	(1 813)
Netto rentebærende gjeld/EBITDA (%) / Net interest-bearing debt/EBITDA (%)	neg.	neg.

## Statement of comprehensive income

MNOK	Note	2011	1.1. - 31.3. 2010	2010
Resultat etter skatt / Earnings after tax		354	294	1 500
Endring i virkelig verdi fin. instr. og sikring sinstr. ved kontantstrømsikring / Change, fair value of financial instr. and hedge instr. for cash flow hedges:	5			
- Endring, kontantstrømsikringer og rentebytteavtaler / Change, cash flow hedges and int. rate swap agreements		28	(85)	(60)
- Endring, tilgjengelig for salg inv. / Change, available-for-sale inv.		(15)	(28)	(44)
Estimatavvik pensjoner / Actuarial gains/losses pensions		-	-	(54)
Omregningsdifferanser, valuta / Translation differences, foreign currency		(45)	27	27
Skatt på poster innregnet i oppstilling over totalresultatet / Tax on items recognised against statement of comprehensive income		(8)	24	32
<b>Totalresultat for perioden / Comprehensive income</b>		<b>314</b>	<b>232</b>	1 401

## Cash flow statement

MNOK	2011	1.1. - 31.3. 2010	2010
Driftsresultat før renter, skatt, avskrivninger og amortiseringer / Earnings before interest, tax, depreciation and amortisation	582	502	2 485
Endring i netto omløpsmidler og andre driftsrelaterte poster / Change in net current assets and other operating related items	(300)	(60)	(467)
<b>Netto kontantstrøm fra driftsaktiviteter / Net cash flow from operating activities</b>	<b>282</b>	<b>442</b>	<b>2 018</b>
Kjøp av eiendom, anlegg og utstyr / Acquisition of property, plant and equipment	(104)	(109)	(414)
Kjøp av datterselskaper og ikke-kontrollerende interesser / Acquisition of subsidiaries and non-controlling interests	-	-	(93)
Netto betaling ved utlån og kjøp/salg av aksjer / Net payment of loans and acquisition/sale of shares	-	-	56
Andre investeringsaktiviteter / Other investing activities	(24)	(18)	(124)
<b>Netto kontantstrøm fra investeringsaktiviteter / Net cash flow from investing activities</b>	<b>(128)</b>	<b>(127)</b>	<b>(575)</b>
Opptak og nedbetaling av lån / New loans raised and repayment	9	1	18
Netto mottatte (betalte) renter / Net interest received (paid)	6	(6)	(20)
Netto utbetaling av kjøp/salg av egne aksjer / Net payments for the purchase/sale of treasury shares	-	(2)	(9)
Utbytte til ikke-kontrollerende interesser / Dividend to non-controlling interests	-	-	(13)
Utbytte beta lt til aksjonærene i morselskapet / Dividends paid to equity holders of the parent	-	-	(240)
<b>Netto kontantstrøm fra finansieringsaktiviteter / Net cash flow used in financing activities</b>	<b>15</b>	<b>(7)</b>	<b>(264)</b>
Effekt av valutakursendringer på betalingsmidler / Effect of changes in exchange rates on cash and short-term deposits	(17)	8	18
<b>Netto endring betalingsmidler / Net change in cash and short-term deposits</b>	<b>152</b>	<b>316</b>	<b>1 197</b>
Betalingsmidler IB / Cash and short-term deposits opening balance	2 660	1 463	1 463
<b>Betalingsmidler UB / Cash and short-term deposits, closing balance</b>	<b>2 812</b>	<b>1 779</b>	<b>2 660</b>

## Statement of changes in equity

MNOK	2011	1.1. - 31.12. 2010
Egenkapital IB / Equity opening balance	4 881	3 726
Totalresultat for perioden / Comprehensive income	314	1 401
Utbytte / Dividends	-	(240)
Egne aksjer / Treasury shares	-	-
Kjøp ikke-kontrollerende interesser / Acquisition non-controlling interests	-	(3)
Utbytte ikke-kontrollerende interesser / Dividends non-controlling interests	-	(3)
Endring ikke-kontrollerende interesser / Change in non-controlling interests	(2)	-
<b>Egenkapital UB / Equity, closing balance</b>	<b>5 193</b>	<b>4 881</b>



## Notes to the quarterly accounts

## Note 1 - Information by segment

MNOK	Driftsinntekter/ Operating revenues		Driftsresultat før amortisering (EBITA)/ Op. profit before amortisation (EBITA)		
	2011	2010	2010	2011	2010
	1.1. - 31.3.	1.1. - 31.3.	1.1. - 31.3.	1.1. - 31.3.	1.1. - 31.3.
Kongsberg Maritime	1 672	1 595	6 286	273	195
Kongsberg Defence Systems	940	839	3 376	61	69
Kongsberg Protech Systems	1 078	1 249	5 683	193	185
Øvrig, elim. / Other elimination	54	56	152	(9)	(6)
<b>KONSERN / THE GROUP</b>	<b>3 744</b>	<b>3 739</b>	<b>15 497</b>	<b>518</b>	<b>443</b>

## Note 2 - General information and principles

The consolidated Q1 2011 accounts encompass Kongsberg Gruppen ASA, its subsidiaries and the Group's stakes in associates.

The consolidated accounts comply with IAS 34 for interim reporting, the 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 2010. The consolidated accounts for 2010 are in alignment with the rules in the Norwegian Accounting Act and international financial reporting standards, as laid down by the EU. KONGSBERG has applied the same accounting policy as described in the consolidated accounts for 2010.

The consolidated accounts for 2010 are available upon request from the Group's headquarters in Kongsberg or at [www.kongsberg.com](http://www.kongsberg.com).

## 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 2010.

## Note 4 - Equity-financed R&amp;D

Equity-financed development costs came to MNOK 127 (MNOK 125) in Q1 2011. In addition, MNOK 24 (MNOK 18) in equity-financed development was capitalised in Q1 2010.

## Note 5 - Financial instruments

## Credit facilities

KONGSBERG has undrawn overdraft facilities of NOK 1 billion.

## Other non-current assets

Through the quarter, the value of available-for-sale shares has declined by MNOK 15, from an unrealised gain of MNOK 12 at year end to an unrealised loss of MNOK 3 at 31 March 2011.

## 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) has increased by MNOK 28 before tax since year end. The change in fair value associated with currency futures and options accounts for an increase of MNOK 51 during the same period.

	Forfaller i 2011 / Falling due in 2011		Forfaller i 2012 eller senere / Falling due in 2012 or later		Totalt / Total		
	Verdi basert på avtalte kurser / Value based on agreed exchange rates	Merverdi pr. 31.03.11 / Net excess value at 31 Mar 11	Verdi basert på avtalte kurser / Value based on agreed exchange rates	Merverdi pr. 31.03.11 / Net excess value at 31 Mar 11	Verdi basert på avtalte kurser / Value based on agreed exchange rates	Endring merverdi fra 31.12.10 / Change in excess value from 31 Dec 10	Merverdi pr. 31.03.11 / Net excess value at 31 Mar 11
MNOK (før skatt) / MNOK (before tax)							
EUR	1 094	91	238	16	1 332	(7)	107
USD	733	138	607	74	1 340	58	212
Utsatt gevinst <sup>1)</sup> / deferred gain <sup>1)</sup>		63		62		(8)	125
<b>Totalt /</b>							
<b>Total</b>	<b>1 827</b>	<b>292</b>	<b>845</b>	<b>152</b>	<b>2 672</b>	<b>43</b>	<b>444</b>

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 27 in the Annual Report for 2010 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.

