KONGSBERG reports solid Q1 results

KONGSBERG is reporting operating revenues of MNOK 3,836 and an EBITA of MNOK 482 in Q1 2012, which translates into an EBITA margin of 12.6 per cent. The influx of new orders has generally been satisfactory, especially for Kongsberg Maritime. Activities have been at a high level in Q1 in all the business areas.

The profit after tax came to MNOK 318 (MNOK 354), resulting in earnings per share of NOK 2.66 (NOK 2.94).

Key figures

	1.1. - 31.3.		1.1. - 31.12.
MNOK	**2012**	2011	2011
Op. revenues	**3 836**	3 744	15 128
EBITA	**482**	518	2 132
EBITA margin (%)	**12,6**	13,8	14,1
New orders	**3 724**	4 106	15 016
EPS (NOK)	**2,66**	2,94	11,93

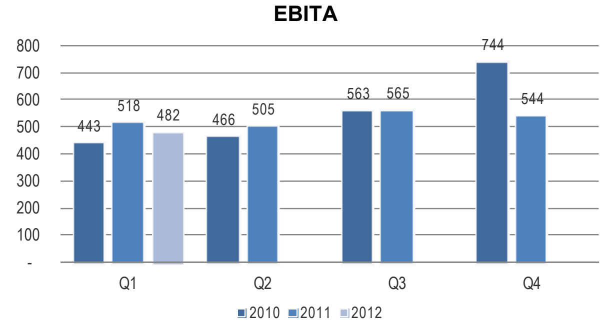
	31.3.	31.12.
MNOK	**2012**	2011
Equity ratio (%)	**39,9**	35,1
Net interest-bearing debt	**(1 334)**	(2 191)
Net interest-bearing debt / EBITDA	**n.a.**	n.a.
Working capital	**2 270**	1 928
Order backlog	**17 667**	17 839
No. of employees	**6 819**	6 681

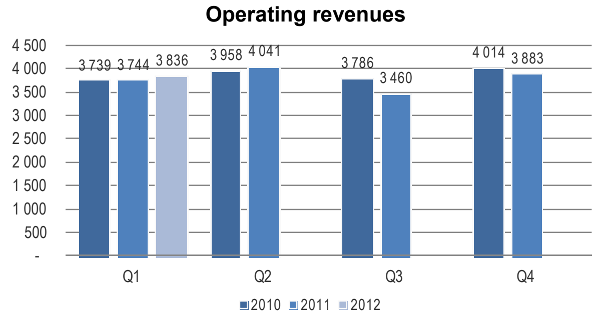
Profit/(loss) and the order situation

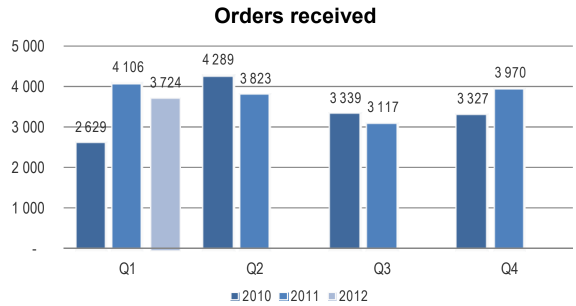
Revenues totalled MNOK 3,836 (MNOK 3,744). Both Kongsberg Maritime and Kongsberg Defence Systems increased their operating revenues compared with Q1 2011. Kongsberg Protech Systems saw lower operating revenues than in Q1 2011. The Q1 EBITA was MNOK 482 (MNOK 518), which was comparable to an EBITA margin for the Group of 12.6 per cent (13.8 per cent). Compared with Q1 2011, the different product and project mix resulted in lower, but nonetheless good margins for the Group. EBT came to MNOK 443 (MNOK 499) and the profit after tax came to MNOK 318 (MNOK 353). Earnings per share (EPS) in Q1 came to NOK 2.66 (NOK 2.94).

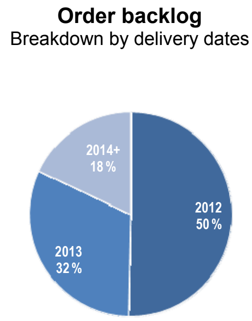
In the light of the market situation, the influx of new orders has been satisfactory, especially for Kongsberg Maritime, which booked new orders valued at MNOK 2,541, compared with MNOK 2,082 in Q1 2011. New orders for Kongsberg Defence Systems were on a par with Q1 2011, while Kongsberg Protech Systems booked significantly fewer new orders than in Q1 2011. New orders for the Group added up to MNOK 3,724 in Q1 (MNOK 4,106).

** The figures in parentheses refer to the same quarter of the previous year.*









Cash flow
Earnings before depreciation and amortisation (EBITDA) came to MNOK 554 in Q1 (MNOK 582). The change in current assets and other operations-related items was MNOK -1,220 in Q1 (MNOK -300). The change is primarily attributable to a decline in advance payments from customers, more capital tied up in projects, and project-related payments to suppliers. This adds up to a cash flow from operating activities of MNOK -666 (MNOK 282). KONGSBERG's cash flow and capital deployment items can fluctuate significantly from quarter to quarter, owing not least to the customers' payment dates, payments to suppliers and other receipts and disbursements.

In March, KONGSBERG redeemed a bond loan for MNOK 300.

Consolidated working capital increased from MNOK 1,928 on 31 December 2011 to MNOK 2,270 at the end of Q1.

Balance sheet
Total assets came to MNOK 14,618 at the end of Q1 2012. At 31 March 2012, equity totalled MNOK 5,830, which is equivalent to an equity ratio of 39.9 per cent, compared with 35.1 per cent at 31 December 2011.

The company's gross interest-bearing liabilities at 31 March 2012, after redeeming a bond loan, came to MNOK 568, compared with MNOK 892 at year end. KONGSBERG has an undrawn credit facility of MNOK 1,000 with maturity in July 2015. At end quarter, the Group had gross bank deposits and cash equivalents of MNOK 1,902, compared with MNOK 3,083 at 31 December 2011. Net interest-bearing debt totalled MNOK -1,334, compared with MNOK -2,191 at year end.

Human resources
KONGSBERG had 6,819 employees at the end of Q1 2012. This marked an increase of 138 employees during the quarter. The increase has generally been at Kongsberg Maritime, which had 3,854 employees, while Kongsberg Defence Systems had 1,746 and Kongsberg Protech Systems had 782. At end quarter, roughly 33 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. **2012**	2011	2011
Op. revenues	**1 843**	1 672	6 693
EBITA	**261**	273	1 078
EBITA margin (%)	**14,2**	16,3	16,1
New orders	**2 541**	2 082	7 331

MNOK	31.3. **2012**	31.12. 2011
Order backlog	**5 769**	5 134

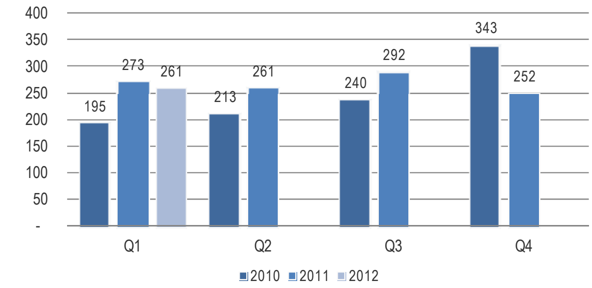
Performance

Q1 revenues aggregated MNOK 1,843 (MNOK 1,672) and EBITA was MNOK 261 (MNOK 273), which translates into an EBITA margin of 14.2 per cent (16.3 per cent). The business area has seen a high level of activity in all divisions.

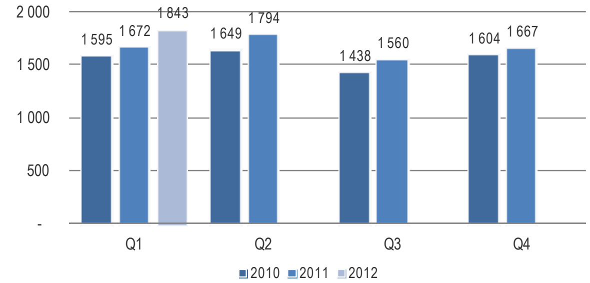
Markets and orders

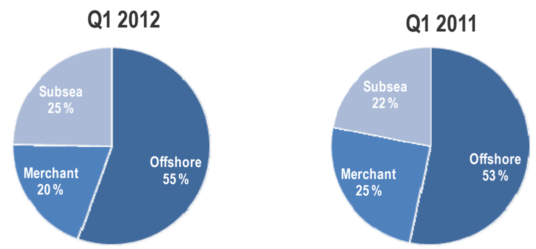
Kongsberg Maritime had a good influx of new orders in Q1, i.e. MNOK 2,541 (MNOK 2,082). This results in a book/bill of 1.38 (1.25). The backlog of orders added up to MNOK 5,769 at the end of Q1, up 12 per cent from 31 December 2011. New orders were good in all divisions, especially in the offshore industry where Kongsberg Maritime has a strong position in the drilling, FPSO and LNG segments. The Offshore Division has also improved its position in respect of deliveries to advanced OSV vessels during the quarter. In addition to improving its already good positions, one important strategy for the business area is to extend the 'scope of supply' and to gain access to even more classes of vessels. This has developed in a positive direction in Q1. In the merchant fleet market, orders for new vessels have been at a relatively low level in recent years. The business area's new orders from this segment were nonetheless relatively good in Q1, confirming the good position KONGSBERG has build up. The business area's subsea segment is busy, contributing through good results and new orders. During the quarter, Hydroid Inc., part of Kongsberg Maritime's Subsea Division, consolidated its market position, signing several contracts for its autonomous underwater vehicle (AUV) Remus. There is still a high level of and growing activity in relation to 'life-cycle support'.

EBITA

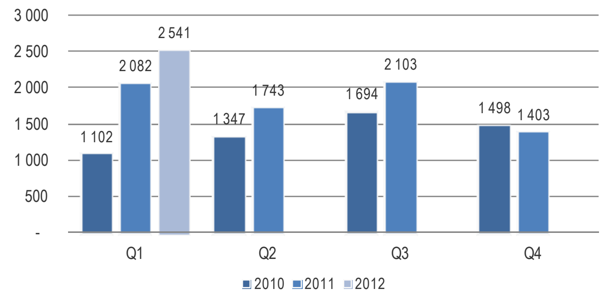


Operating revenues

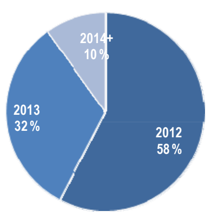




Orders received



Order backlog
Breakdown by delivery dates



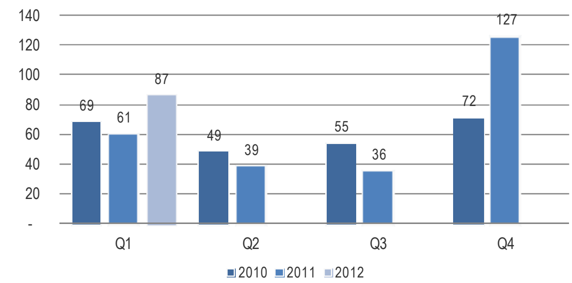
Kongsberg Defence Systems

Key figures

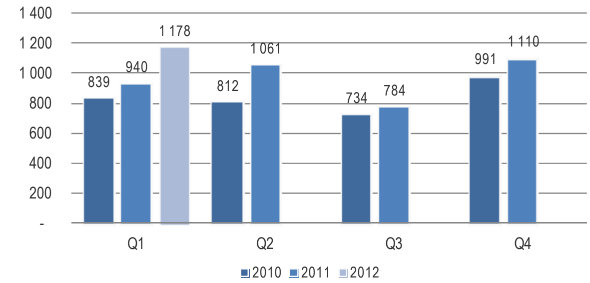
MNOK	1.1. - 31.3. 2012	2011	2011
Op. revenues	**1 178**	940	3 895
EBITA	**87**	61	263
EBITA margin (%)	**7,4**	6,5	6,8
New orders	**741**	766	4 061

MNOK	31.3. 2012	31.12. 2011
Order backlog	**7 504**	7 953

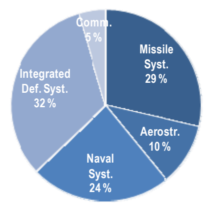
EBITA



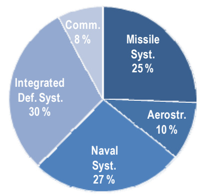
Operating revenues



Q1 2012



Q1 2011



Performance

Revenues in Q1 were MNOK 1,178 (MNOK 940) and EBITA was MNOK 87 (MNOK 61), which is equivalent to a Q1 EBITA margin of 7.4 per cent (6.5 per cent). The business area is continuing its good volume trend compared with previous years. In Q1, operating revenues climbed by 25 per cent compared with Q1 2011. This was to a large extent driven by Missile Systems and Integrated Defence Systems (mainly air defence).

Markets and orders

New orders during the quarter were on a par with Q1 2011. The contracts signed include:

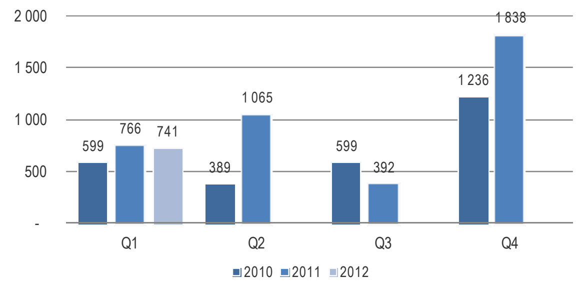
- Contract with the Norwegian Armed Forces' Logistics Organisation (FLO) for delivery of command and control systems for the Navy's Ula Class submarines, valued at about MNOK 200
- Three orders with a collective value of MNOK 200 for the delivery of rudders & vertical leading edges, structural parts for aircraft fuselages, and weapon adapters for air-to-air missiles for the F-35 Joint Strike Fighter

The large-scale delivery projects for Poland's coastal artillery, the NSM for Norway and air defence for Finland are all on schedule.

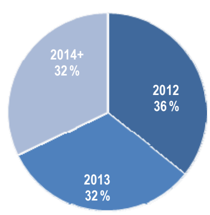
The defence market is now experiencing that many nations are cutting their defence budgets. KONGSBERG nonetheless appears to be relatively well positioned with its state-of-the-art portfolio of niche products.

Contracts up for tender on the defence market are few, but sizable fluctuations in new orders are therefore normal. The backlog of orders was valued at MNOK 7,504 at the end of Q1, ensuring satisfactory predictability for future activity levels.

Orders received



Order backlog
Breakdown by delivery dates



Kongsberg Protech Systems

Key figures

MNOK	1.1. - 31.3. 2012	1.1. - 31.3. 2011	2011
Op. revenues	**646**	1 078	4 185
EBITA	**127**	193	755
EBITA margin (%)	**19,7**	17,9	18,0
New orders	**261**	1 161	2 900

MNOK	31.3. 2012	31.12. 2011
Order backlog	**3 753**	4 136

Performance

Q1 revenues aggregated MNOK 646 (MNOK 1,078) and EBITA was MNOK 127 (MNOK 193), comparable to an EBITA margin in Q1 of 19.7 per cent (17.9 per cent). Revenues were down mainly due to changing levels of deliveries, belated new orders and lower contract volumes. The good margin is primarily attributable a favourable product and project mix, as well as productivity and technical improvements both Intra-Group and in the supplier chain.

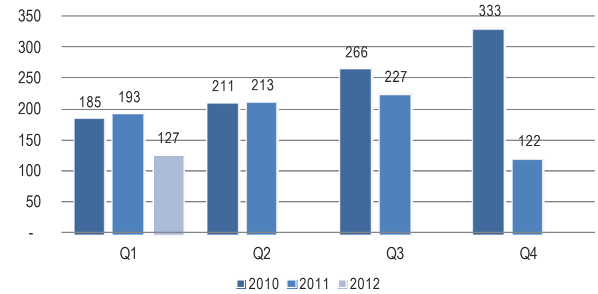
Markets and orders

New orders totalled MNOK 261 (MNOK 1,161) in Q1. Q1 was characterised by a high level of tendering activity and several major bids have been submitted to potential customers, including a bid for the CROWS III programme. The backlog of orders at the end of Q1 2012 came to MNOK 3,753.

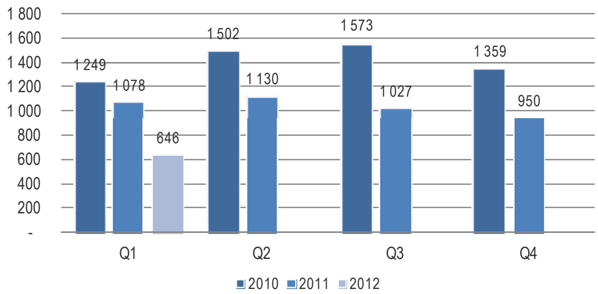
Kongsberg Protech Systems is in a phase in which it is building a foundation for the further development of the Group's weapons control systems. This is being done through substantial product development and positioning aimed at new markets. The level of activity for 2012 is expected to be lower 2011. Meanwhile, interest in the products is high, confirming the position as a world leader in the market for remotely controlled weapons control systems.

Kongsberg Protech Systems' strategy includes further securing its already strong position in the USA, increasing volumes to other countries, and introducing new products. The largest, most important development programme is for the Medium Caliber Remote Weapon Station (MCRWS). The first contracts for this system may be signed as early as in 2012, but the larger volumes may come later on. The market potential for MCRWS is believed to be considerable. The further development of existing systems also serves to consolidate the business area's leading position in the market for remotely controlled weapons control systems.

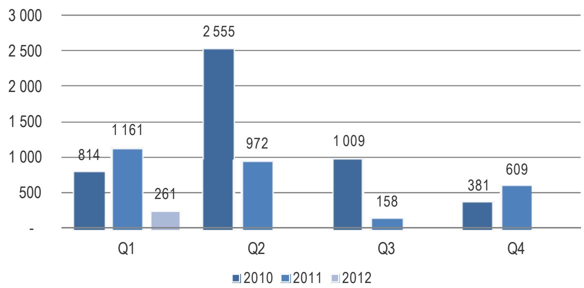
EBITA



Operating revenues

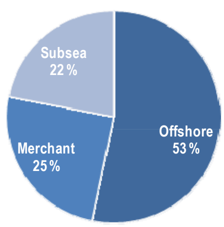


New orders



Order backlog

Breakdown by delivery dates



Prospects for the future

Kongsberg Maritime has built up good market positions, which are expected to be maintained. The business area's markets are strongly impacted by trends in the offshore industry and in world trade in general. Kongsberg Maritime's new orders are largely dependent on the shipyards' order books. New orders for offshore vessels continue to be at a good level. Offshore-related orders have accounted for roughly 60 per cent of Kongsberg Maritime's new orders in the past few years. Orders for new merchant vessels are still relatively slow, which, over time, will have an impact on Kongsberg Maritime's new orders from this segment. The strengthening of the global after-market and customer support are bringing good results and give a sound and stable platform for future earnings. The business area continuously carries out initiatives to adapt its capacity and product portfolio to the needs of the market. In the Board's opinion, the business area's activity will remain good in 2012.

Kongsberg Defence Systems has several major, long-term delivery programmes in the engineering and production phase, laying a good foundation for future earnings. The business area is exploring specific prospects for sales and for the further development of missiles, submarine systems and air defence. The build-up of the production of advanced composite components for the F35 programme continues, but the programme is moving somewhat slower than previously expected. The development of the Joint Strike Missile programme (JSM) is on schedule. The Board of Directors expects the business area to continue to grow in 2012.

Kongsberg Protech Systems has built up a good position on the world market for vehicle-based weapons control systems. KONGSBERG's design has been chosen for the next phase of the CROWS programme in the USA, and the production supplier is expected to be chosen in 2012. Active efforts are being made to interface with new and existing customers in many countries that have large vehicles- or have upgrading programmes in the pipeline or decided. These programmes offer significant potential for several of the business area's products. After a period of intense product development, several new products will be launched in the years ahead. Due to changes in delivery plans and belated new orders, the outlook for Kongsberg Protech Systems has become more uncertain, and the Board expects a lower level of activity in this business area in 2012 than there was in 2011.

All in all, KONGSBERG is well positioned in the maritime, offshore and defence markets. The Group has a satisfactory backlog of orders, and the business prospects are good even though there is still uncertainty in the global economy.

KONGSBERG, 3 May 2012

The Board of Directors of Kongsberg Gruppen ASA

Consolidated income statement

MNOK	Note	1.1. - 31.3. 2012	2011	2011
Operating revenues	1	**3 836**	3 744	15 128
Operating expenses		**(3 282)**	(3 162)	(12 734)
EBITDA [1]		**554**	582	2 394
Depreciation		**(72)**	(64)	(262)
EBITA [2]	1	**482**	518	2 132
Amortisation		**(28)**	(23)	(97)
Impairment		**(10)**	-	-
EBIT [3]		**444**	495	2 035
Net financial items		**(1)**	4	(27)
Earnings before tax (EBT)		**443**	499	2 008
Income tax		**(125)**	(145)	(578)
Earnings after tax		**318**	354	1 430
Attributable to:				
Non-controlling interests		**(1)**	1	(1)
Equity holders of the parent		**319**	353	1 431
		0	-	0
Earnings per share (EPS), NOK		**2,66**	2,94	11,93
Earnings per share, diluted NOK		**2,66**	2,94	11,93

1) Profit/loss before financial items, tax, write-offs and amortisation

2) Profit/loss before financial items, tax and amortisation

3) Profit/loss before financial items and tax

Consolidated statement of comprehensive income

MNOK	Note	1.1. - 31.3. 2012	2011	2011
Earnings after tax		**318**	354	1 430
Change, fair value of financial instr. and hedge instr. for cash flow hedges:	5	**-**	-	-
Change, cash flow hedges and int. rate swap agreements		**110**	28	(261)
Change, available-for-sale inv.		**17**	(15)	(12)
Actuarial gains/losses pensions		**-**	-	(246)
Translation differences, foreign currency		**(40)**	(45)	14
Tax on items recognised against statement of comprehensive income		**(31)**	(8)	142
Comprehensive income		**374**	**314**	1 067

Consolidated statement of financial position

MNOK	Note	31.3. 2012	31.12. 2011
Property, plant and equipment		**2 444**	2 430
Intangible assets	4	**2 737**	2 744
Other non-current assets	5	**274**	258
Total non-current assets		**5 455**	5 432
inventories		**3 327**	3 274
Trade receivables		**1 896**	1 854
Other current assets		**2 038**	1 975
Cash and short-term deposits		**1 902**	3 083
Total current assets		**9 163**	10 186
Total assets		**14 618**	15 618
Paid-in equity		**982**	982
Retained earnings		**4 622**	4 370
Fair value of financial instruments		**208**	112
Non-controlling interests		**18**	20
Total equity		**5 830**	5 484
Long-term interest-bearing debt	5	**568**	570
Other non-current liabilities and provisions		**1 327**	1 306
Total non-current liabilities and provisions		**1 895**	1 876
Construction contracts under construction, liabilities		**2 416**	2 703
Short-term interest bearing debt	5	**-**	322
Other current liabilities and provisions	3	**4 477**	5 233
Total current liabilities and provisions		**6 893**	8 258
Total equity, liabilities and provisions		**14 618**	15 618
Equity ratio(%)		**39,9**	35,1
Net interest-bearing liabilities		**(1 334)**	(2 191)
Net interest-bearing debt/EBITDA(%)		N.A.	N.A.

Consolidated statement of changes in equity

MNOK	31.3. 2012	31.12. 2011
Equity opening balance	**5 484**	4 881
Comprehensive income	**374**	1 067
Dividends	**-**	(450)
Treasury shares	**(27)**	(6)
Acquisition / disposals non-controlling interes	**-**	(5)
Dividends non-controlling interests	**-**	(1)
Change in non-controlling interests	**(1)**	(2)
Equity, closing balance	**5 830**	**5 484**

Consolidated cash flow statement

MNOK	1.1. - 31.3. 2012	1.1. - 31.3. 2011	1.1. - 31.12. 2011
Earnings before interest, tax, depreciation and amortisation	**554**	582	2 394
Change in net current assets and other operating related items	**(1 220)**	(300)	(751)
Net cash flow from operating activities	**(666)**	282	1 643
Acquisition of property, plant and equipment	**(102)**	(104)	(434)
interests	**(13)**	-	(226)
Net payment of loans and acquisition/sale of shares	**-**	-	(12)
Other investing activities	**(43)**	(24)	(127)
Net cash flow from investing activities	**(158)**	(128)	(799)
New loans raised and repayment	**(324)**	9	45
Net interest received (paid)	**4**	6	7
Net payments for the purchase/sale of treasury shares	**(27)**	-	(19)
Transactions with non-controlling interests	**-**	-	(8)
Dividends paid to equity holders of the parent	**-**	-	(450)
Net cash flow used in financing activities	**(347)**	15	(425)
Effect of changes in exchange rates on cash and short-term deposits	**(10)**	(17)	4
Net change in cash and short-term deposits	**(1 181)**	152	423
	-	-	-
Cash and short-term deposits opening balance	**3 083**	2 660	2 660
Cash and short-term deposits, closing balance	**1 902**	2 812	3 083

Notes to the quarterly accounts

Note 1 - Information by segment

MNOK	Operating revenues 1.1. - 31.3. 2012	2011	2011	Op. profit before amortisation (EBITA) 1.1. - 31.3. 2012	2011	2011
Kongsberg Maritime	**1 843**	1 672	6 693	**261**	273	1 078
Kongsberg Defence Systems	**1 178**	940	3 895	**87**	61	263
Kongsberg Protech Systems	**646**	1 078	4 185	**127**	193	755
Øvrig, elim. / Other elimination	**169**	54	355	**7**	(9)	36
THE GROUP	**3 836**	3 744	15 128	**482**	518	2 132

Note 2 - General information and principles
The consolidated Q1 2011 (interim) accounts encompass Kongsberg Gruppen ASA, its subsidiaries and the Group's stakes in associates.

The interim accounts have been drawn up in accordance 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 2011. The consolidated accounts for 2011 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 2011.

The consolidated accounts for 2011 are available upon request from the Group's headquarters in Kongsberg or on 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 2011.

Note 4 – Equity-financed development
In Q1 2012, MNOK 173 (MNOK 127) in equity-financed development was recognised. In addition, MNOK 43 (MNOK 24) in equity-financed development was capitalised in Q1.

Note 5 – Financial instruments
Credit facilities
KONGSBERG has undrawn overdraft facilities of MNOK 1,000.

Other non-current assets
The value on available-for-sale shares has increased by MNOK 17 since year end.

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 110 before tax since year end. The change in fair value associated with currency futures and options accounted for an increase of MNOK 108 during the same period. Currency exchange rates on the spot market at year end were NOK 5.69/USD 1 and NOK 7.61/EUR 1.

	Falling due in 2012		Falling due in 2013 or later		Total		
MNOK (before tax)	Value based on agreed exchange rates	Net excess value at 31 Mar 12	Value based on agreed exchange rates	Net excess value at 31 Mar 12	Value based on agreed exchange rates	Change in excess value from 31 Dec 11	Net excess value at 31 Mar 12
EUR	714	26	254	9	968	12	35
USD	1 363	74	961	22	2 324	96	96
Deferred gain[1)]		67		66		2	133
Total	**2 077**	**167**	**1 215**	**97**	**3 292**	**110**	**264**

1) The gain arises 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 2011 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.