



KONGSBERG

# QUARTERLY REPORT

## 1st QUARTER 2021



# KONGSBERG



**GEIR HÅØY**  
President & CEO

"The results from Q1 2021 confirm the positive development we have seen in recent years. Kongsberg Defence & Aerospace (KDA) continues to grow, with good profitability. Kongsberg Maritime (KM) experiences improved operating profits despite reduced sales and a generally challenging new-build market for vessels. Kongsberg Digital (KDI) continues to roll out its digital solutions and has signed new agreements during the quarter.

We are at the start of a significant 'green shift' in large parts of the industry. KONGSBERG has designed and further developed energy-efficient solutions over many decades and boasts considerable experience and knowledge in the field. Our ambition, through our technology expertise, is to continue to be a key contributor to solve the environmental challenges our industries face.

I am satisfied with how our customers, partners, and the organisation are handling the challenging COVID-19 situation. Strict restrictions and uncertainty still prevail; however, all business areas deliver book-to-bill ratios at or above 1.

I expect continued growth in defence. Several maritime markets are still challenging for KM, but we have never been better positioned for an upswing in the market. The past year has in many ways confirmed and accelerated the need for digital and remote-controlled systems, and we experience a significant increase of interest in these. Through KDI, we have already established a number of leading positions within digitisation. The overall picture shows that the group is stable, and its current position provides a solid foundation for the future."

# Highlights

## KONGSBERG

Solid project execution and a large degree of adaptability resulted in an increased EBITDA in Q1 2021 compared with Q1 2020. Completed buyback of shares in the market in accordance with the programme of repurchasing shares for cancellation. Application to cancel the shares will be made to the Annual General Meeting on 6 May 2021.

	<b>Q1</b>
Revenues:	MNOK 6,364
EBITDA:	MNOK 883
EBITDA margin:	13.9 per cent

## KONGSBERG MARITIME

Book-to-bill ratio of 1.06, with the order intake including a significant delivery to a new offshore wind installation vessel. Improved profitability as a result of good operations and a lower cost base.

	<b>Q1</b>
Revenues:	MNOK 3,807
EBITDA:	MNOK 427
EBITDA margin:	11.2 per cent

## KONGSBERG DEFENCE & AEROSPACE

Increase in operating revenues of 21 per cent, and solid project execution during the quarter. Book-to-bill ratio of 1.42 led by a contract of NOK 1.75 billion for the supply of parts to the F-35 programme.

	<b>Q1</b>
Revenues:	MNOK 2,350
EBITDA:	MNOK 469
EBITDA margin:	20.0 per cent

## KONGSBERG DIGITAL

Increased capacity related to development, sales and delivery. High-intensity roll-out of a number of Kognitwin Energy solutions and signed an agreement for the roll-out of Vessel Insight for the fleet of Dorian LPG vessels.

	<b>Q1</b>
Revenues:	MNOK 192
EBITDA:	MNOK -9
Share of "recurring revenue":	20.0 per cent

# Key figures

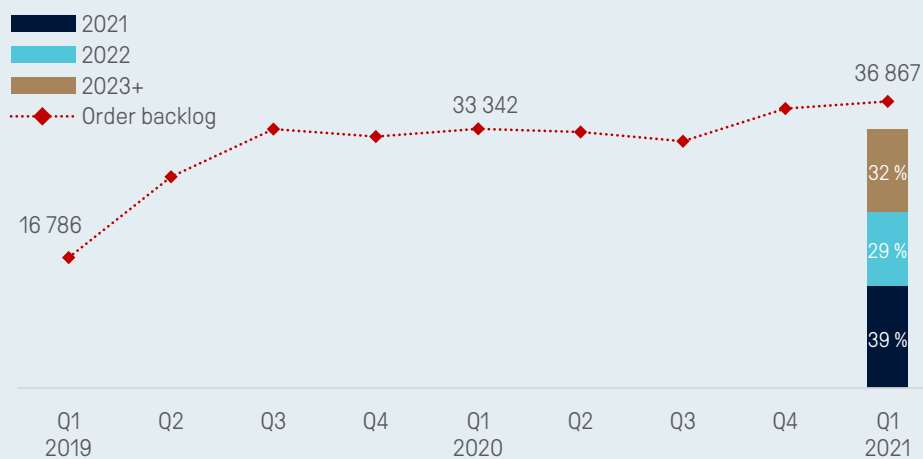
	1.1 - 31.3		
<i>MNOK</i>	2021	2020	2020
Operating revenue	6 364	6 678	25 612
EBITDA	883	643	3 250
EBITDA (%)	13,9	9,6	12,7
EBIT	575	301	1 905
EBIT (%)	9,0	4,5	7,4
Share of net income from associated companies	11	0	186
Earnings before tax from continuing operations	529	257	1 855
Earnings after tax from continuing operations	412	198	1 481
Earnings after tax including discontinued operations	412	1 638	2 932
EPS continued operations (NOK)	2,26	1,04	8,01
EPS included discontinued operations (NOK)	2,26	9,09	16,08
Order Intake	7 643	6 812	28 818

	31.3.	31.12.
<i>MNOK</i>	2021	2020
Equity ratio (%)	35,4	33,9
Net interest-bearing debt <sup>1)</sup>	(4 310)	(3 949)
Working Capital <sup>2)</sup>	(524)	(458)
ROACE (%) <sup>3)</sup>	24,1	20,8
Order backlog	36 867	35 947
Net interest-bearing debt/EBITDA før IFRS 16	(1,4)	(1,4)
No. of employees	10 770	10 689

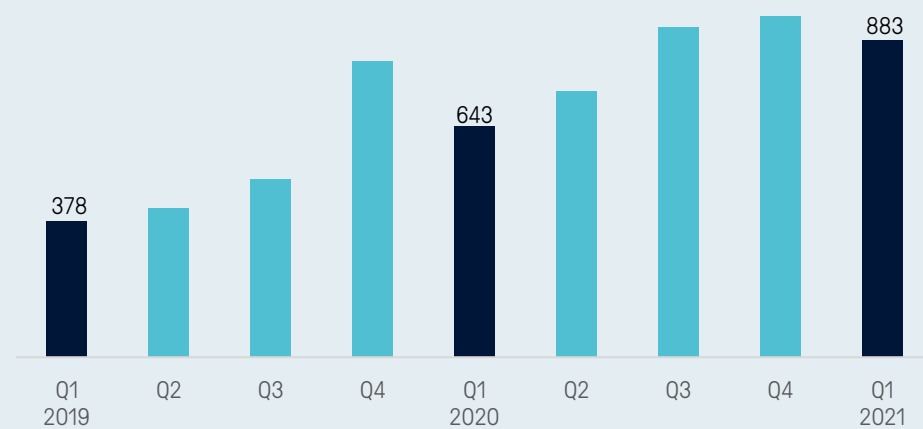
- 1) Net interest-bearing debt is the net amount of the accounting lines "Cash and cash equivalents" and "Short- and long-term interest-bearing liabilities, excluding leasing commitments"
- 2) Current assets (except cash and cash equivalents) minus non-interest-bearing liabilities (except taxes payable). Financial instruments recognised at fair value with contraentry in equity 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

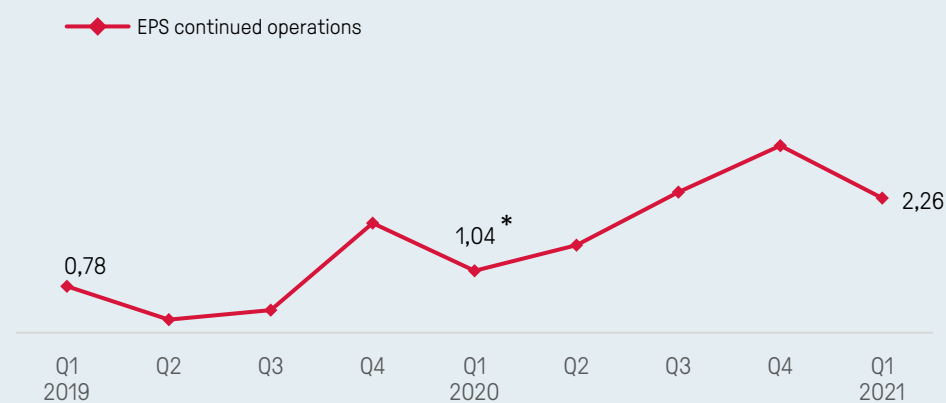


## EBITDA



## EPS

Continued operations



\* EPS Q1 2020 9,09 including discontinued operations

# Performance, market and orders

**Operating revenues in Q1 were MNOK 6,364** against MNOK 6,678 in the same quarter the previous year, representing a reduction of 4.7 per cent. Kongsberg Defence & Aerospace (KDA) increased operating revenues by 21.0 per cent while Kongsberg Maritime (KM) saw a reduction of 16.2 per cent.

**EBITDA during Q1 was MNOK 883, an EBITDA margin of 13.9 per cent**, compared to MNOK 381 (9.6 per cent) in the same quarter the previous year.

**Profit after tax was MNOK 412 in Q1 2021, compared to MNOK 198 from continuing operations in Q1 2020.** Reported profit after tax in Q1 2020 was MNOK 1,638, which included profit from discontinued operations of MNOK 1,440.

**Order intake in Q1 was MNOK 7,643**, compared to MNOK 6,812 for the same quarter the previous year. This gives a book-to-bill ratio for the quarter of 1.20. Both KM and KDA had a book-to-bill ratio of above 1 during the quarter, while Kongsberg Digital (KDI) had a book-to-bill ratio of 1.00.

**The order backlog at the end of Q1 was MNOK 36,867**, corresponding to an increase of MNOK 920 during the quarter from MNOK 35,947 at the end of 2020.

## OPERATING REVENUES

6 364

MNOK

## EBITDA - MARGIN

13,9%

## ORDER INTAKE

7 643

MNOK

# Cash flow

Kongsberg recorded a net increase in cash and cash equivalents of MNOK 357 in Q1. The change in net current assets and other operations-related items were stable. With an EBITDA of MNOK 883, the group had a net cash flow from operating activities of MNOK 857. Cash flow from investment activities was MNOK -139 and cash flow from financing activities was MNOK -286. About half of this is related to two buy-back programmes of own shares. In the first, which ended on 26 February, KONGSBERG repurchased 578,262 shares for cancellation in line with a resolution of the annual general meeting and a board decision of 2020. Of these shares, 390,247 were repurchased in Q1. The remaining repurchased shares are linked to a share programme for employees, where around 4,300 employees have ordered shares. The shares are purchased by the company and then sold to the employees at a discounted rate when the total purchase is completed.

# Balance sheet

At the end of the quarter, the group had net interest-bearing debt totalling MNOK 3,468. The long-term interest-bearing debt consisted of four bond loans totalling MNOK 2,450 and other long-term interest-bearing debt of MNOK 21. KONGSBERG issued a new bond, KOG14, of MNOK 500 with a maturity of 5 years, which was used in its entirety to buy back a portion of KOG08. The bonds KOG08 and KOG12 mature in 2021 and are classified as short-term interest-bearing debt. Total short-term interest-bearing debt at the end of the quarter was MNOK 997, see note 7.

The group had MNOK 7,778 in cash and cash equivalents at the end of Q1, compared to MNOK 7,420 at the end of Q4 2020.

Net interest-bearing debt at the end of Q1 2021 was MNOK -4,310, compared to MNOK -3,949 at the end of 2020. The change in the quarter was mainly due to increased cash holdings as a result of positive cash flow from operations. In addition, the group has 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 Q1 2021.

The overall balance sheet reduced by MNOK 1,036 during the quarter.

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

**-4 310**

MNOK

## EQUITY RATIO

**35,4%**

	31.3. 2021	31.12. 2020
<b>MNOK</b>		
Equity	13 478	13 301
Equity ratio (%)	35,4	33,9
Total assets	38 094	39 230
Working capital <sup>1)</sup>	(524)	(458)
Gross interest-bearing debt	3 468	3 471
Cash and cash equivalents	7 778	7 420
Net interest bearing debt <sup>1)</sup>	(4 310)	(3 949)
Net interest bearing debt/EBITDA before IFRS 16	(1,4)	(1,4)

# 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 604 as of Q1 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 -119 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 7 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.

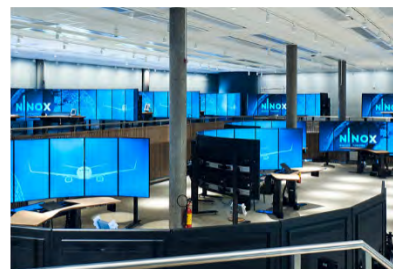
KONGSBERG's finance policy means that accounting income recognition will largely be based on exchange rates secured at historical levels. This limits short-term effects on profits in the event of a sharp rise or fall in the value of the company's functional currency (NOK).

# Product development

KONGSBERG is continually investing in product development, both through in-house-funded and customer-funded programmes. In-house-funded product development and maintenance during the quarter totalled MNOK 402, of which MNOK 33 was capitalised. See the table in Note 8. Capitalised development for the quarter is mainly related to projects in KDI and KDA.

The largest capitalised projects 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.

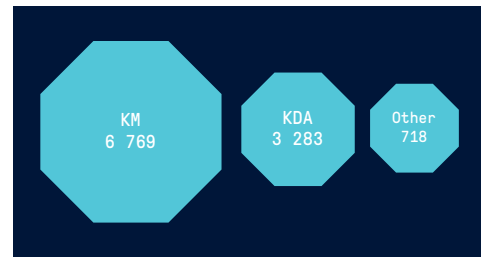
Customer-funded development, either as part of delivery projects or as specific development assignments, comes in addition. Over time, the total costs of product development and maintenance account for about 10 per cent of operating revenues.





# Human resources

The company had 10,770 employees at the end of the quarter. This is an increase of 81 on the end of the year. The increase 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

## Background

During Q1, KM completed the sale of the US subsidiary Hydroid Inc. All Hydroid figures and orders have been removed from the results for KONGSBERG and Kongsberg Maritime in 2020 and previous quarters, and net figures are listed on a separate line in the overall results as “discontinued operations”.

## Performance

Operating revenues were MNOK 3,807 in Q1 against MNOK 4,543 in the same quarter the previous year, representing a reduction of 16 per cent. All divisions saw reduced operating revenues. The ongoing COVID-19 pandemic has had a negative impact on the level of activity in the market and thus KM’s operating revenues. This particularly applies to after-market activity, where there is a short time between ordering and delivery.

**EBITDA was MNOK 427 in Q1, corresponding to an EBITDA margin of 11.2 per cent** against MNOK 390 (8.6 per cent) in the same quarter the previous year. The increase in margin compared to Q1 2020 is mainly a result of the successful integration of Commercial Marine in 2019 and 2020. The programme has delivered a particularly positive impact on profitability for the part of KM supplying deck machinery. When the division was integrated into KM in 2019, EBITDA was significantly negative. The combination of new sales and after-market in this area delivered profitability on a par with the average for the entire business area during the quarter.

In order to reduce the financial and operational effects of COVID-19, mitigating measures were quickly implemented at an early stage. Some of the savings, such as those made through staff furlough and reduced travel, are directly related to COVID-19 and will only be realised in the short term, while other efficiency gains will be more lasting.

## Market and orders

Order intake in Q1 was MNOK 4,074, equivalent to a book-to-bill ratio of 1.06, compared to MNOK 4,813 in Q1 2020.

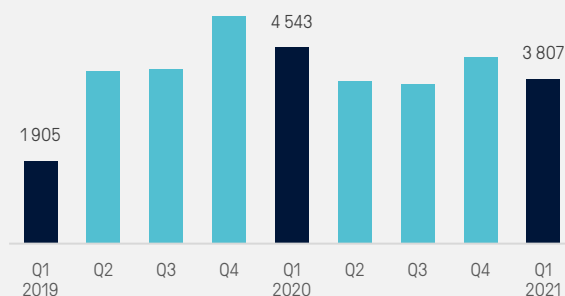
KM has increased its focus on more energy-efficient and environmentally friendly solutions, which are attracting increased interest from both customers and partners in the business area. Stricter emissions regulations, targets to contribute to reduced emissions and more energy-efficient and environmentally friendly operations, from both KM and its customers and partners, are

## KEY FIGURES

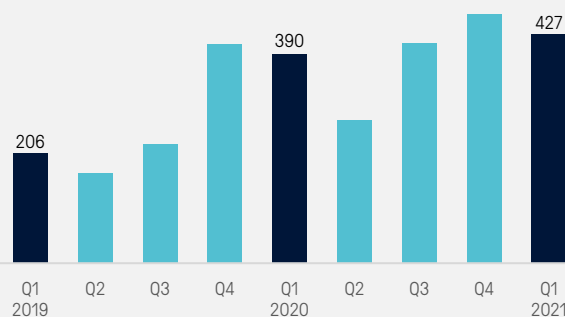
	1.1 - 31.3		
<i>MNOK</i>	2021	2020	2020
Operating revenues	3 807	4 543	16 319
EBITDA	427	390	1 532
EBITDA (%)	11,2	8,6	9,4
Order Intake	4 074	4 813	15 925

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

### Operating revenue



### EBITDA



leading to new business opportunities. More efficient operations, in terms of time spend, safety and energy efficiency, have always been an important driver for further development of the KM product portfolio. This is also leading to opportunities in markets other than the traditional offshore and shipping markets. Offshore Wind is a growing market and activity in this segment is expected to increase in the years ahead. This creates a need for more advanced vessels, both for the installation and operation of the wind farms. KM has a significant technology base for this type of vessels. During the quarter, a contract was signed for deliveries to a new vessel for the installation of wind turbines (WTIV) worth USD 40 million. The deliveries include a comprehensive technology solution consisting of propulsion systems, dynamic positioning, deck machinery and automation. The contract is confirmation of KM's good position in the offshore wind market.

An important focus area for KM is the realisation of sales synergies between the acquired Commercial Marine and KM. 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 Q1, cross-sales of just over MNOK 200 were achieved. Around MNOK 700 in cross-sales were achieved in total in 2020. This only includes additional sales as a result of the integration of CM and KM. The "original" deliveries are in addition to these. Sales synergies has been achieved in most markets: offshore, traditional merchant marine, LNG and fishing.

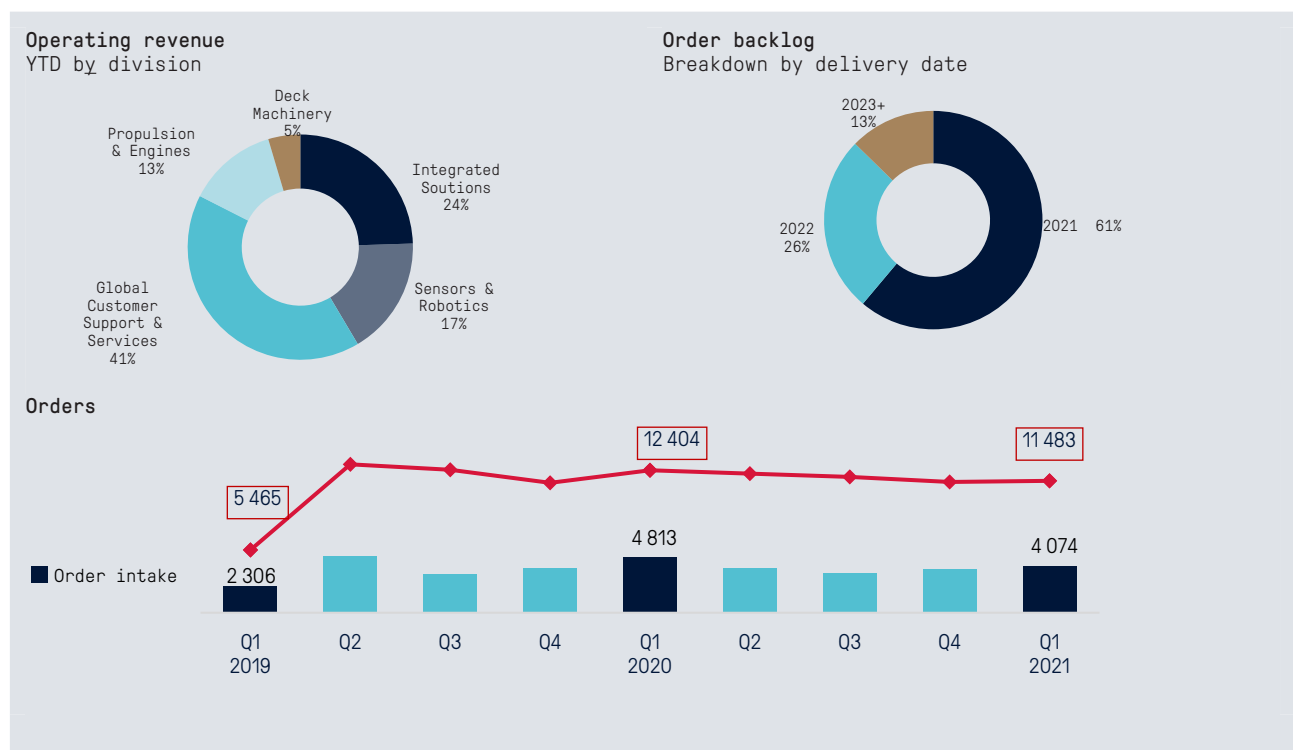
At the end of Q1 2021, KM had an order backlog of MNOK 11,483. The level of cancellations has been low, with cancellations of contracts worth MNOK 24 received during the quarter.

## 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 degree of measures and restrictions has varied through 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 extensive use of home office.

The travel restrictions in effect in various countries have a particular impact on aspects of service and after-market. KM's after-market operations consist mainly of three aspects: parts sales, projects and service. Among these, the effect is greatest on pure service operations. Service represents about half of KM's after-market business. With offices and services in 34 countries, project deliveries and significant aspects of service are performed locally, meaning that KM is somewhat less vulnerable to travel restrictions.

The COVID-19 situation has continued to affect KM in Q1 2021. Despite this, KM delivered solid results. This would not have been possible without the measures that were, and in some cases still are being, implemented. The order intake in certain areas, particularly related to new-build vessels, is uncertain. The after-market has also been affected. Therefore, there will still be great uncertainty about the impact on order intake, operating income and earnings, while the business area has good control over operations and has reduced costs



# KONGSBERG DEFENCE & AEROSPACE

## Performance

**Operating revenues amounted to MNOK 2,350 in Q1**, compared to MNOK 1,942 during the same quarter the previous year, an increase of 21 per cent. There was increased activity in all divisions compared to Q1 2020.

Selected areas contributing to the increase in turnover in Q1 2021:

- Delivery volumes to the American CROWS programme were up more than 50% on Q1 2020.
- A lot of activity in part production for the F-35 programme, where KONGSBERG is the sole supplier of composite and titanium parts.
- A number of air defence contracts (NASAMS), particularly the contracts with Qatar, Lithuania and Australia. The NASAMS Hungary project also started.
- NSM missile production for several programmes, including deliveries to Malaysia and to the US Navy OTH programme.

**EBITDA was MNOK 469 in Q1, an EBITDA margin of 20.0 per cent**, compared to MNOK 231 (11.9 per cent) in the same quarter the previous year. All KDA divisions delivered EBITDA margins equal to or higher than last year.

The share from associated companies has not been reported as part of EBITDA. This totalled MNOK 14 (MNOK 10) in the quarter. See also Note 5.

## Market and orders

Order intake was MNOK 3,346 in Q1, corresponding to a book-to-bill ratio of 1.42, compared to MNOK 1,769 in the same quarter the previous year.

The largest contracts signed in Q1 2021:

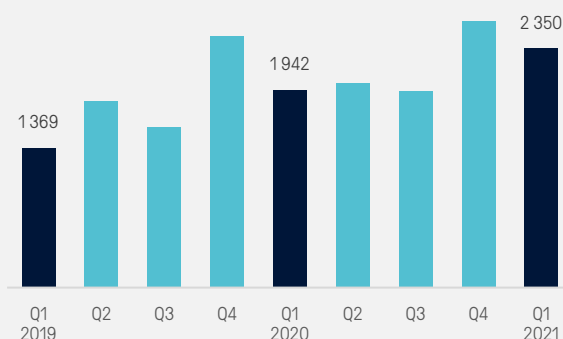
- In March 2021, KDA signed a new agreement with Lockheed Martin Aeronautics (LMA) worth MNOK 1,750 to produce parts for the F-35 Joint Strike Fighter programme Lot 15-17. The agreement includes the production of F-35 tail rudders, the front edge of tail fins and fuselage panels for over 500 aircraft. Production for the programme is now up to full scale and the contract also puts KDA in a good position for further participation in future production batches.
- In February 2021, KONGSBERG won a contract worth MNOK 266 with the Norwegian Defence Materiel Agency to upgrade Norway's NASAMS system. The upgrade ensures operation in accordance with future NATO standards and further improves aircraft identification. NASAMS is the world's most used air defence system in its segment and has been developed and is

## KEY FIGURES

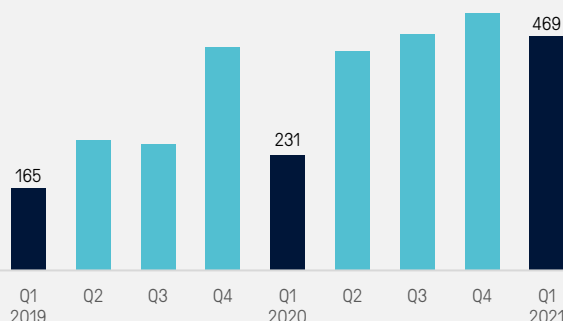
	1.1 - 31.3		
MNOK	2021	2020	2020
Operating revenues	2 350	1 942	8 503
EBITDA	469	231	1 656
EBITDA (%)	20,0	11,9	19,5
Share of netincome associated companies	14	10	206
Order Intake	3 346	1 769	11 891

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

### Operating revenues



### EBITDA





being produced as part of the long-term collaboration between Raytheon Technologies in the US and KONGSBERG.

- During the quarter, a number of missile contracts were signed, including under the framework agreement KONGSBERG has in connection with the US Over-the-Horizon (OTH) programme.

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 years, and especially quarters, are therefore considered normal. At the end of Q1 2021, KDA had an order backlog of MNOK 24,470.

## KDA and COVID-19

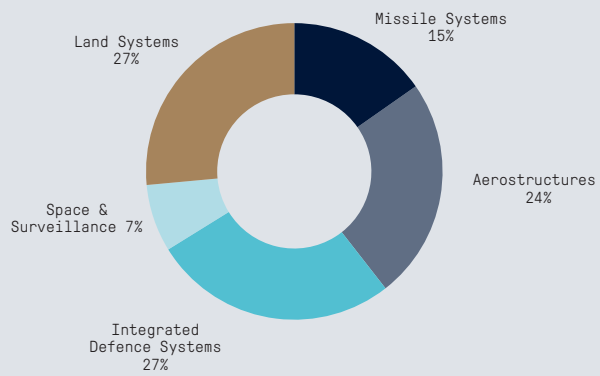
In Q1 2021, there were no major consequences as a result of COVID-19 within the defence business and the situation has had limited impact to project execution. However, some contract negotiations have proved more time-consuming due to travel restrictions. KDA and its associated company Kongsberg Satellite Services are defined as societally critical enterprises. As a result of this, the part of the workforce that cannot work from home has the opportunity to attend the workplace and carry out tasks almost in a normal manner, providing necessary measures are observed.

KDA is dependent on several hundred subcontractors, both in Norway and abroad, being able to deliver. Additional resources have been introduced to ensure the flow of goods, shipments and, where necessary, alternative subcontractors in the event of a stop in production. These elements may have a further effect on KDA in the future.

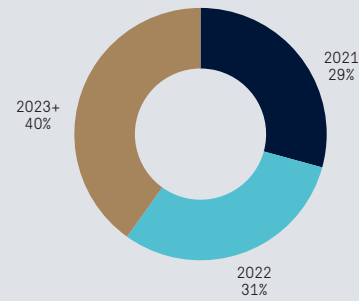
KDA has extensive operations in Johnstown, USA. These operations are defined as societally critical by the US authorities and are not currently affected by the COVID-19 restrictions in the USA, but the risk of interruption increases as the virus continues to impact life in the USA.

The worldwide COVID-19 situation may delay the expected order intake somewhat, and in the worst-case scenario may lead to programmes KDA is prepared for being scaled down or cancelled. However, there are no signs of that yet.

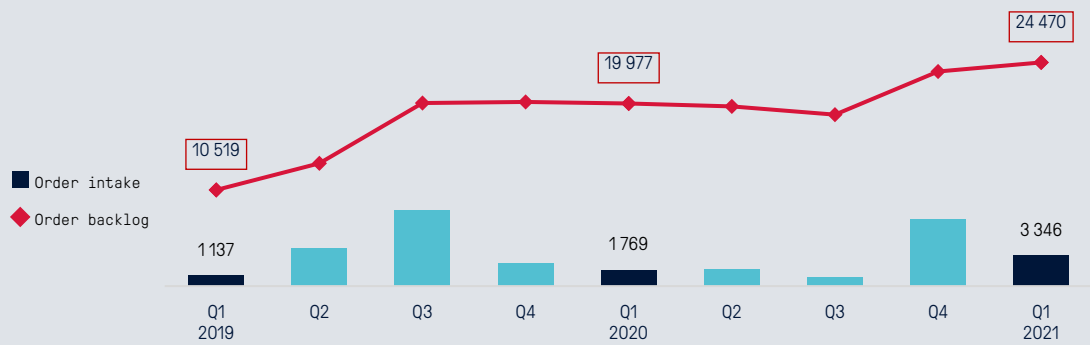
**Operating revenues**  
YTD by division



**Ordre backlog**  
Breakdown by delivery date



**Orders**



# KONGSBERG DIGITAL



## Operating revenues and results

**Operating revenues was MNOK 192 in Q1** compared to MNOK 207 in the same quarter in 2020. Recurring revenues (RR) are an important focus for KDI. In Q1, RRs were MNOK 77, representing 40 per cent of operating revenues.

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, with a number of new contracts signed in the quarter. The demand for traditional maritime simulators has been negatively affected by the COVID-19 situation. This has led to a reduction in operating revenues from the sector, which make up 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 affect the 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 digitisation 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 is experiencing great interest in its products and solutions. The business area has therefore recently increased capacity related to development, sales and delivery.

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

The digitisation of the vessels market is an important driver for Vessel Insight. A prerequisite for digitisation is to connect the vessel to the cloud and make contextualised data available. Vessel Insight makes this possible quickly and efficiently and provides significant benefits, from cost, efficiency, environmental and operational perspectives. We have seen an increased degree of maturity in the market, and in the first quarter KDI has, among other things, signed an agreement with Dorian LPG for a roll-out across its fleet. KDI's ambition is to increase its number of Vessel Insight customers significantly during this year.

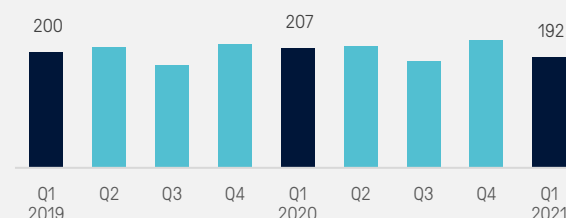
KDI's current state makes it natural to assess both future partner models and other models in order to fully realise the potential KONGSBERG sees in KDI. This could potentially also include a stock exchange listing at some time

## KEY FIGURES

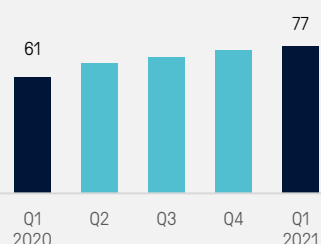
	1.1 - 31.3		
	2021	2020	2020
<b>MNOK</b>			
Operating revenues	192	207	821
Recurring revenues*	77	61	278
EBITDA	(9)	(2)	34
EBITDA (%)	(4,8)	(1,0)	4,1
Order Intake	192	216	997

	31.3.	31.12.
	2021	2020
<b>MNOK</b>		
Order backlog	972	977
No. of employees	598	565

### Operating revenues

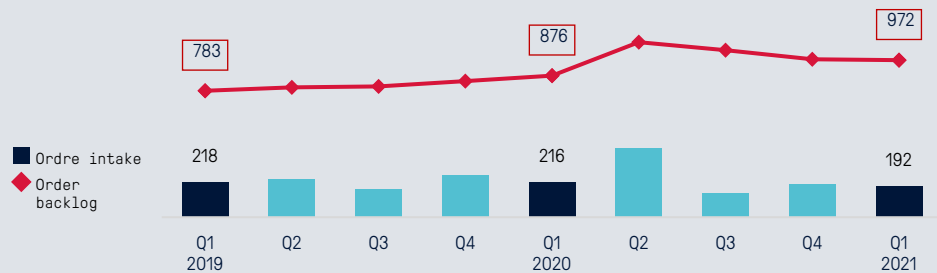


### Recurring Revenues\*



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

## Orders







KONGSBERG has a solid balance sheet and an order backlog of MNOK 36,867. Restrictions and uncertainty are continuing to affect the world and the markets we operate in. At the same time, we are experiencing a good ability to adapt throughout the value chain. The transition to more sustainable solutions and energy sources will affect investment levels in a number of segments. This provides opportunities, both in markets where we already have strong positions, but also in new markets where KONGSBERG technology will be part of the solution.

KONGSBERG performed well financially and operationally in 2020, and this trend has continued in the first quarter of this year. As a consequence of the pandemic, KONGSBERG has established new working methods and solutions over the past year, including more digital day-to-day operations. The experience gained through this, together with continuous efficiency improvements and a focus on costs, means that the company is well equipped to achieve our ambitious goals.

The ongoing pandemic is affecting KONGSBERG's business areas in different ways. Kongsberg Defence & Aerospace is maintaining operations at an almost normal level, and at the same time increase capacity in line with increased activity. For Kongsberg Maritime, large aspects of the market have been challenging for a long time, with a low level of vessel contracting in general. Although we are not expecting significant short-term changes in this trend, we have seen slightly more optimism in the markets during Q1 2021. We are seeing an increased willingness to invest in more sustainable vessel solutions, such as conversion to hybrid propulsion solutions and new segments such as offshore wind. KM also has significant exposure to markets that are not directly affected by the new contracting of vessels. This applies, among other things, to the Sensors & Robotics area and after-market, where KM supports more than 30,000 vessels. The company's global presence and digital solutions for remote services enable us to perform service assignments for our customers to a great extent, despite the situation.

Through Kongsberg Digital, KONGSBERG has invested significantly in recent years in the establishment of new digital products and services. We will continue to invest in future growth opportunities throughout 2021 with the aim of further improving our leading market position within dynamic digital twins and utilising the opportunities for growth presented by the digitisation of the vessel market. The current situation has highlighted the need for and benefits of KONGSBERG digital and remote solutions.

Out of the solid order backlog, approximately MNOK 14,500 is expected to be delivered in 2021. Order intake from the after-market is only to a limited degree included in the order backlog. In addition, there is order backlog relating to associated companies as well as framework agreements. We expect growth within KDA to contribute to growth for the group overall. For KDI, some growth is expected, while KM expects activity approximately on a par with 2020 levels.

Kongsberg, 29 April 2021

The Board of Kongsberg Gruppen ASA



# NUMBERS & NOTES



# Key figures by quarter

<b>KONGSBERG</b>	2021		2020					2019				
<b>MNOK</b>	2021	Q1	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
Operating revenues	6 364	6 364	25 612	7 148	5 802	5 983	6 678	23 245	7 938	5 833	6 012	3 462
EBITDA	883	883	3 250	948	919	740	643	2 113	825	496	414	378
EBITDA (%)	13,9	13,9	12,7	13,3	15,8	12,4	9,6	9,1	10,4	8,5	6,9	10,9
EBIT	575	575	1 905	579	595	429	302	1 029	532	193	98	206
EBIT (%)	9,0	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	11	11	186	118	35	33	0	21	(2)	(9)	29	3
Order intake	7 643	7 643	28 818	11 381	4 558	6 067	6 812	31 413	6 645	11 810	9 297	3 661
Order backlog	36 867	36 867	35 947	35 947	31 748	32 935	33 342	32 347	32 347	33 306	27 177	16 786

<b>KONGSBERG MARITIME</b>	2021		2020					2019				
<b>MNOK</b>	2021	Q1	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
Operating revenues	3 807	3 807	16 319	4 319	3 695	3 762	4 543	15 198	5 263	4 041	3 989	1 905
EBITDA	427	427	1 532	464	411	267	390	1 005	408	223	168	206
EBITDA (%)	11,2	11,2	9,4	10,7	11,1	7,1	8,6	6,6	7,8	5,5	4,2	10,8
EBIT	254	254	718	236	227	86	169	356	234	33	(46)	136
EBIT (%)	6,7	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	0	0	0	0	0	(1)	1	0	0	0	0	0
Order intake	4 074	4 074	15 925	3 822	3 439	3 850	4 813	14 427	3 858	3 345	4 917	2 306
Order backlog	11 483	11 483	11 386	11 386	11 825	12 111	12 404	11 311	11 311	12 446	12 920	5 465

<b>KONGSBERG DEFENCE AEROSPACE</b>	2021		2020					2019				
<b>MNOK</b>	2021	Q1	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
Operating revenues	2 350	2 350	8 503	2 619	1 933	2 007	1 942	7 245	2 468	1 578	1 829	1 369
EBITDA	469	469	1 656	514	473	438	231	1 123	446	252	260	165
EBITDA (%)	20,0	20,0	19,5	19,6	24,5	21,8	11,9	15,5	18,1	16,0	14,2	12,1
EBIT	344	344	1 157	389	338	314	116	725	336	150	164	75
EBIT (%)	14,7	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	14	14	206	120	38	37	10	34	2	(5)	31	6
Order intake	3 346	3 346	11 891	7 348	987	1 788	1 769	16 060	2 509	8 254	4 160	1 137
Order backlog	24 470	24 470	23 477	23 477	18 757	19 658	19 977	20 146	20 146	20 027	13 433	10 519

<b>KONGSBERG DIGITAL</b>	2021		2020					2019				
<b>MNOK</b>	2021	Q1	2020	Q4	Q3	Q2	Q1	2019	Q4	Q3	Q2	Q1
Driftsinntekter	192	192	821	220	185	208	207	799	214	176	209	200
EBITDA	(9)	(9)	34	(23)	26	34	(2)	15	-	7	(2)	9
EBITDA (%)	(4,8)	(4,8)	4,1	(10,4)	14,1	15,6	(1,0)	1,8	(0,1)	4,0	(0,8)	4,7
EBIT	(28)	(28)	(22)	(44)	14	21	(14)	(28)	(10)	(5)	(12)	(1)
EBIT (%)	(14,4)	(14,4)	(2,7)	(19,8)	7,7	10,1	(6,6)	(3,5)	(4,8)	(2,8)	(5,8)	(0,5)
Ordreinnngang	192	192	997	203	151	428	216	884	260	174	233	218
Orderreserve	972	972	977	977	1 034	1 083	876	842	842	809	804	783

## Condensed income statement

		1.1 - 31.3		
<i>MNOK</i>	<i>Note</i>	<i>2021</i>	<i>2020</i>	<i>2020</i>
Operating revenues	4	6 364	6 678	25 612
Operating expenses	8	(5 481)	(6 035)	(22 362)
<b>EBITDA</b>	<b>4, 12</b>	<b>883</b>	<b>643</b>	<b>3 250</b>
Depreciation		(116)	(114)	(481)
Depreciation, leasing assets	6	(98)	(98)	(411)
Impairment of property, plant and equipment		(3)	-	(52)
Amortisation		(92)	(84)	(339)
Impairment of intangible assets		-	(45)	(60)
<b>EBIT</b>	<b>4, 12</b>	<b>575</b>	<b>301</b>	<b>1 905</b>
Share of net income from joint arrangements and associated companies	5	11	-	186
Interest on leasing liabilities	6	(35)	(35)	(142)
Net financial items	7	(22)	(9)	(93)
<b>Earnings before tax from continuing operations (EBT)</b>		<b>529</b>	<b>257</b>	<b>1 855</b>
Income tax expense	11	(117)	(59)	(374)
<b>Earnings after tax from continuing operations</b>		<b>412</b>	<b>198</b>	<b>1 481</b>
Earnings after tax from discontinued operations		-	1 440	1 451
<b>Earnings after tax (EAT)</b>		<b>412</b>	<b>1 638</b>	<b>2 932</b>
<b>Attributable to:</b>				
Equity holders of the parent		405	1 627	2 891
Non-controlling interests		7	12	41
<b>Earnings per share (EPS) / EPS diluted in NOK</b>				
-Earnings per share from continuing operations		2,26	1,04	8,01
-Earnings per share from continuing operations, diluted		2,26	1,04	8,01
-Earnings per share		2,26	9,09	16,08
-Earnings per share, diluted in NOK		2,26	9,09	16,08



# Condensed statement of comprehensive income

MNOK	Note	1.1 - 31.3		2020
		2021	2020	
Earnings after tax		412	1 638	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	7	59	(105)	(118)
Tax effect cash flow hedges		(13)	23	26
Translation differences currency		(143)	779	76
<b>Total items to be reclassified to profit or loss in subsequent periods</b>		<b>(97)</b>	<b>697</b>	<b>(16)</b>
<i>Items not to be reclassified to profit or loss:</i>				
Actuarial gains/losses pensions		-	-	(167)
Tax effect on actuarial gain/loss on pension		-	-	36
<b>Total items not to be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>	<b>(131)</b>
<b>Comprehensive income after tax for the period</b>		<b>315</b>	<b>2 335</b>	<b>2 785</b>

## Condensed statement of financial position

		31.3. 2021	31.12. 2020
<i>MNOK</i>	<i>Note</i>		
Property, plant and equipment		3 611	3 665
Leasing assets	6	1 899	1 965
Intangible assets	8	5 141	5 196
Shares in joint arrangements and associated companies	5	3 476	3 465
Other non-current assets		512	516
<b>Total non-current assets</b>		<b>14 640</b>	<b>14 808</b>
Inventories		4 268	4 132
Trade receivables		4 220	5 542
Customer contracts, asset	7	5 642	5 783
Derivatives	7	961	964
Other short-term receivables		586	580
Cash and cash equivalents		7 778	7 420
<b>Total current assets</b>		<b>23 454</b>	<b>24 422</b>
<b>Total assets</b>		<b>38 094</b>	<b>39 230</b>
Issued capital		5 933	5 933
Retained earnings		7 020	6 754
Other reserves		464	559
Non-controlling interests		62	55
<b>Total equity</b>		<b>13 478</b>	<b>13 301</b>
Long-term interest-bearing loans	7	2 471	1 971
Long-term leasing liabilities	6	1 683	1 753
Other non-current liabilities and provisions	3	2 548	2 509
<b>Total non-current liabilities and provisions</b>		<b>6 701</b>	<b>6 233</b>
Customer contracts, liabilities	7	9 964	11 103
Derivatives	7	550	546
Short-term interest-bearing loans	7	997	1 500
Short-term leasing liabilities	6	354	339
Other current liabilities and provisions	3	6 050	6 208
<b>Total current liabilities and provisions</b>		<b>17 915</b>	<b>19 696</b>
<b>Total equity, liabilities and provisions</b>		<b>38 094</b>	<b>39 230</b>
Equity ratio (%)		35,4	33,9
Net interest-bearing debt		(4 310)	(3 949)

## Condensed statement of changes in equity

		31.3. 2021	31.12 2020
<i>MNOK</i>	<i>Note</i>		
Equity opening balance		13 301	12 810
Other comprehensive income		315	2 785
Dividends paid		-	(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		(59)	(15)
<b>Equity closing balance</b>		<b>13 478</b>	<b>13 301</b>

## Condensed cash flow statement

<i>MNOK</i>	<i>Note</i>	1.1 - 31.3		2020
		2021	2020	
EBITDA		883	643	3 250
EBITDA from discontinued operations		-	40	40
Change in net current assets and other operatings-related items		(26)	257	(482)
<b>Net cash flow from operating activities</b>		<b>857</b>	<b>940</b>	<b>2 808</b>
Share of net income from joint arrangements and associated companies		-	-	130
Purchase/disposal of property, plant and equipment		(108)	(115)	(506)
Proceeds from acquiring subsidiaries and associated companies	25	-	-	(59)
Proceeds from sale of business		-	3 631	3 051
Capitalised internal developed/ purchase of intangible assets (R&D)	8	(31)	(67)	(224)
<b>Net cash flow from investing activities</b>		<b>(139)</b>	<b>3 449</b>	<b>2 392</b>
Net change interest-bearing loans	7	(4)	(535)	(617)
Payment of principal portion of lease liabilities	6	(87)	(88)	(342)
Interest paid		(23)	(32)	(102)
Interest paid on leasing liabilities	6	(34)	(35)	(142)
Net payment related to employee share programme		(59)	(160)	(51)
Share buy-back related to share buy-back programme		(80)	-	(29)
Dividends paid to equity holders of the parent		-	-	(450)
- of which dividends from treasury shares		-	-	2
Additional dividend		-	-	(1 800)
<b>Net cash flow from financing activities</b>		<b>(286)</b>	<b>(850)</b>	<b>(3 531)</b>
Effect of changes in exchange rates on cash and cash equivalents		(75)	344	97
<b>Net change in cash and cash equivalents</b>		<b>357</b>	<b>3 883</b>	<b>1 766</b>
Cash and cash equivalents at the beginning of the period		<b>7 420</b>	<b>7 420</b>	<b>5 654</b>
Cash and cash equivalents at the end of the period		<b>7 778</b>	<b>9 537</b>	<b>7 420</b>



## Note 1 | General information and principles

### *General information*

The consolidated financial statement for Q1 (interim financial statement) covers Kongsberg Gruppen ASA, its subsidiaries and shares in joint arrangements and associated companies that are included according to the equity method.

### *Principles*

Interim financial statements are compiled in accordance with IAS 34 (interim reporting), stock exchange regulations and the additional requirements of the Securities Trading Act. Interim financial statements do not include the same amount of information as the full financial statements and should be read in the context of the consolidated financial statements for 2020. The consolidated financial statements for 2020 were prepared in compliance with the Norwegian Accounting Act and international standards for financial reporting (IFRS) established by the EU.

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

*The interim financial statement has not been audited.*

## Note 2 | New standards as from 1.1.2021

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

## Note 3 | Estimates

Preparing the interim financial statement involves assessments, estimates and assumptions that affect the use of accounting principles and posted amounts for assets and obligations, revenues and expenses. Actual results may deviate from these estimates. The key considerations in connection with the application of the Group's accounting principles and the major sources of uncertainty remain the same as when the 2020 consolidated financial statements was compiled.

## Note 4 | Segment information

	OPERATING REVENUES			EBITDA			EBIT		
	1.1 - 31.3			1.1 - 31.3			1.1 - 31.3		
MNOK	2021	2020	2020	2021	2020	2020	2021	2020	2020
KM	3 807	4 543	16 319	427	390	1 532	254	169	718
KDA	2 350	1 942	8 503	469	231	1 656	344	116	1 157
Other <sup>1)</sup>	208	193	790	(13)	22	62	(24)	16	30
Group	6 364	6 678	25 612	883	643	3 250	575	302	1 905

1) KDI is included in other. For information about KDI see separate section.

### Operating revenues YTD by division:

MNOK	2021	2020
Divisions		
Global customer support & Services	1 744	2 031
Integrated solutions	1 041	1 286
Sensor & Robotics	723	737
Propulsion & Engines	550	693
Deck Machinery	195	212
Other/elimination	(446)	(417)
<b>Kongsberg Martime</b>	<b>3 807</b>	<b>4 543</b>
Land Systems	680	450
Integrated Defence Systems	687	567
Aerostructures	622	521
Missile Systems	393	356
Space & Surveillance	189	149
Other/elimination	(222)	(100)
<b>Kongsberg Defence &amp; Aerospace</b>	<b>2 350</b>	<b>1 942</b>
Other/elimination	208	193
<b>Total revenues</b>	<b>6 364</b>	<b>6 678</b>

The table shows the anticipated date on which remaining performance obligations as of 31 March 2021 are recognised as income:

	2021				2020		
	Date of revenue recognition				Date of revenue recognition		
	Order backlog 31.3.21	2022	2023	2024 and later	Order backlog 31.3.20	2021	2022 and later
MNOK							
Kongsberg Martime	11 483	7 018	3 008	1 458	12 440	7 561	1 254
Kongsberg Defence & Aerospace	24 470	7 091	7 274	10 105	19 977	5 914	7 713
Annet/eliminerer	914	382	328	204	965	495	220
<b>Sum</b>	<b>36 867</b>	<b>14 491</b>	<b>10 610</b>	<b>11 767</b>	<b>33 382</b>	<b>13 969</b>	<b>9 188</b>

## Note 5 | 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 31 March

MNOK	Ownership	Carrying amount 1.1.2021	Additions/ disposals	Dividends received	Share of net income <sup>1)</sup>	Other items and comprehensive income	Carrying amount 31.3..21
Patria Oyj	49,9 %	2 841	-	-	(14)	(1)	2 827
Kongsberg Satellite Services AS	50,0 %	557	-	-	32	-	589
Other shares		68	-	-	(7)	-	61
<b>Total</b>		<b>3 465</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>(1)</b>	<b>3 476</b>

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

Share of net result from Patria:

	1.1 - 31.3 2021	1.1 - 31.3 2021	1.1 - 31.12 2020
Millions	NOK	NOK	NOK
KONGSBERG's share (49,9%) <sup>1)</sup>	(12)	-	132
Amortisation of excess values after tax	(3)	(6)	(25)
<b>Share of net income recognised in KDA for the period</b>	<b>(14)</b>	<b>(6)</b>	<b>108</b>

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

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

	Share of net income			Dividend		
	1.1 - 31.3			1.1 - 31.3		
MNOK	2021	2020	2020	2021	2020	2020
KM	-	1	-	-	-	-
KDA	14	10	206	-	-	130
Other	(3)	(11)	(20)	-	-	-
<b>Group</b>	<b>11</b>	<b>-</b>	<b>186</b>	<b>-</b>	<b>-</b>	<b>130</b>

## Note 6 | 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 01.01.2021	1 965	
Addition	47	
Depreciation Q1	(98)	
Translation differences	(16)	
Closing balance 31.3.2021	1 899	

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

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

	1.1 - 31.3		
	2021	2020	2020
Returned rental cost earlier included in EBITDA	121	123	484
<b>Increased EBITDA in the period</b>	<b>121</b>	<b>123</b>	<b>484</b>
Depreciation on leases	(98)	(98)	(411)
<b>Increased EBIT in the period</b>	<b>23</b>	<b>25</b>	<b>73</b>
Interest cost on leasing liabilities for the period	(35)	(35)	(142)
<b>Reduced EBT in the period</b>	<b>(11)</b>	<b>(10)</b>	<b>(69)</b>

## Note 7 | Financial instruments

### Loans and credit facilities

The group has six bond loans amounting to a total of MNOK 3,445. The loans are classified as long-term loans, except KOG08 (nominal value of MNOK 1,000, hereof MNOK 505 repurchased) and KOG12 (nominal value of MNOK 550), 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:

			31.3.2021	31.12.2020
MNOK	Due date	Nominal interest rate	Value <sup>1</sup>	Value <sup>1</sup>
<b>Long-term loans:</b>				
Bond issue KOG09 - fixed interest rate	02.06.2026	3,20%	1 000	1 000
Bond issue KOG11 - fixed interest rate	05.12.2023	2,90%	450	450
Bond issue KOG13 - floating interest rate	06.06.2024	1,66%	500	500
Bond issue KOG14 - floating interest rate <sup>5</sup>	26.02.2026	1,31%	500	-
Other long-term loans <sup>2</sup>			21	21
<b>Total long-term loans</b>			<b>2 471</b>	<b>1 971</b>
<b>Short-term loans:</b>				
Bond issue KOG08 - floating interest rate <sup>3, 4</sup>	02.06.2021	1,70%	1 000	1 000
- partially owned by KONGSBERG <sup>4</sup>	02.06.2021		(505)	-
Bond issue KOG12 - floating interest rate <sup>3</sup>	06.12.2021	1,34%	500	500
Other short-term loans			2	-
<b>Total short-term loans</b>			<b>997</b>	<b>1 500</b>
Total interest-bearing loans			3 468	3 471
Syndicated credit facility (unutilised borrowing limit)	15.03.2023		2 300	2 300
Overdraft facility (unutilised)			500	500

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

<sup>2)</sup> Other long-term loans consists of minor loans in some of the Group's subsidiaries.

<sup>3)</sup> The bond issue KOG08 was reclassified to short-term loans at 30.06.2020, while the bond issue KOG12 was reclassified to short-term loans at 31.12.20.

<sup>4)</sup> Total outstanding in KOG08 is MNOK 1,000, but the company has repurchased MNOK 505 of the value.

<sup>5)</sup> KONGSBERG on February 22 2021 issued MNOK 500 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.

### 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 59 before tax during the period 1 January – 31 March 2021. Of this amount, the change in fair value of forward exchange contracts accounted for a decrease of MNOK 40. The total change in net fair value of fair value hedges represents a decrease of MNOK 26 from the end of the year. The end-of-quarter spot prices were USD/NOK 8.55, EUR/NOK 10.03 and GBP/NOK 11.78.

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

MNOK	Due in 2021		Due in 2022 or later		Total		
	Value in NOK on agreed rates	Fair value at 31.3.21	Value in NOK on agreed rates	Fair value at 31.3.21	Value in NOK on agreed rates	Change in fair value from 31.12.20	Fair value at 31.3.21
USD	(323)	(48)	278	(38)	(45)	(17)	(86)
EUR	(385)	(25)	(84)	(4)	(469)	(21)	(29)
Other	(47)	(1)	(42)	(2)	(89)	(3)	(3)
Sum	(755)	(74)	152	(44)	(603)	(41)	(118)
Roll-over of currency futures		(31)		(48)		42	(78)
Total	(755)	(105)	152	(92)	(603)	1	(196)
Forward exchange contracts cash flow hedges, assets							6
Forward exchange contracts cash flow hedges, liabilities							125
Net forward exchange contracts cash flow hedges							(119)

Fair value is referring to the net present value of the variance between the revaluated forward rate at 31 December and the forward rate at the time of entering the forward exchange contract.

The difference (MNOK 58) between changes in the fair value of balances classified as cash flow hedges (MNOK 59) and changes in fair value on forward exchange contracts (MNOK 1) is ascribable to a change in fair value of cross-currency swaps (MNOK 62) and changes in fair value of currency options with net MNOK -4.

### 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 31.3.21	Value in NOK on agreed rates	Fair value at 31.3.21	Value in NOK on agreed rates	Change in fair value from 31.12.20	Fair value at 31.3.21
USD	6 002	173	2 933	98	8 935	(134)	271
EUR	2 264	156	2 515	134	4 780	194	289
GBP	330	9	900	(6)	1 230	(13)	3
Other	328	19	184	22	512	(73)	41
Totalt	8 924	357	6 532	248	15 457	(26)	604
Forward exchange contracts fair value hedges, assets							945
Forward exchange contracts fair value hedges, liabilities							341
Net forward exchange contracts fair value hedges							604

The net value of fair value hedges is recognized as derivatives in the statement of financial position, offset against customer contracts, assets by MNOK 483 (decrease) and customer contracts, liabilities by MNOK 121 (increase).



*Specification of derivatives:*

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

## Note 8 | Product development

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

	1.1 - 31.3		
<i>MNOK</i>	<i>2021</i>	<i>2020</i>	<i>2020</i>
Product maintenance	108	105	414
Development cost	261	238	939
<b>Total</b>	<b>369</b>	<b>342</b>	<b>1 353</b>

*Capitalised development recognised during the period:*

	1.1 - 31.3		
<i>MNOK</i>	<i>2021</i>	<i>2020</i>	<i>2020</i>
Capitalised development	33	64	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 9 | Related parties

The Board is not aware of any changes or transactions in Q1 associated with related parties that in any significant way have an impact on the Group's financial position and profit for the period.

## Note 10 | 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 11 | Tax

The income tax expense as of Q1 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 12 | 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 recognised at fair value with contraentry in equity are not included in working capital.

Working capital is calculated as follow:

	31.3. 2021	31.12. 2020
<i>MNOK</i>		
Current assets	23 454	24 422
Cash and cash equivalents	(7 778)	(7 420)
Current liabilities and provisions	(17 915)	(19 696)
Short-term interest bearing loans	997	1 500
Short-term leasing liabilities	354	339
Net tax payable	92	66
Hedging effects to equity	272	332
<b>Working capital</b>	<b>(524)</b>	<b>(458)</b>

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

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

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



