



KONGSBERG

QUARTERLY REPORT

3rd QUARTER 2022

KONGSBERG



GEIR HÅØY
President & CEO

"The security and sovereignty of nations has had increased attention during the recent years. With the Ukraine situation as a driving force, many nations now aim to renew and upgrade their defence capabilities and capacities. The recent change of the security situation in Europe stress that peace cannot be taken for granted. Important challenges in energy access and transformation needs to be addressed, while at the same time new security demands must be met. KONGSBERG considers it as our obligation to actively contribute to solve these changes, while at the same time this give rise to significant business opportunities.

KONGSBERG delivered strong growth in both operating revenues and in EBITDA in the 3rd quarter compared to the corresponding quarter last year. Strong order intake in Kongsberg Maritime (KM) resulted in a total order reserve of NOK 54 billion. KM increased operating revenues by more than 25 per cent and had a strong EBITDA margin. In Kongsberg Defense & Aerospace (KDA), operating revenues increased by 24 per cent and the business area delivered another quarter with an EBITDA margin of above 20 per cent. Kongsberg Digital (KDI) also had strong growth in both operating income and recurring operating revenues, and during the quarter further new digital twins were put into operation.

Inflation and shortage of components are factors that have received considerable attention in 2022. The situation requires extra vigilance, and we are taking measures to limit any negative consequences if necessary.

We have solid growth in the quarter, which increases outstanding trade receivables, while at the same time there is high progress in projects where advanced payments have previously been received. The expected order intake for missiles combined with delayed deliveries of weapon stations because of component challenges has resulted in increase in working capital this year.

The world today is more unpredictable compared to the recent years. At the same time, we have a solid foundation with a record high order backlog. We have strong market positions, and our activity is record high in all business areas. This makes me confident that KONGSBERG will both seize new opportunities and at the same time handle the external challenges. "

Highlights

KONGSBERG

25 per cent growth in operating revenues and EBITDA margin of 17.6 per cent in the 3rd quarter. The solid margin is a result of superior project implementation and a beneficial project mix. The 3rd quarter is normally KONGSBERG's strongest quarter in terms of margin.

<i>MNOK</i>	<i>Q3</i>	<i>YTD 2022</i>
Operating revenues:	7 745	22 358
EBITDA:	1 360	3 201
EBITDA-margin:	17,6 %	14,3 %

KONGSBERG MARITIME

26 per cent growth in operating revenues and book/bill of 1.20 in the 3rd quarter. Solid underlying operations, good order intake and growth in both the new build and aftermarket.

<i>MNOK</i>	<i>Q3</i>	<i>YTD 2022</i>
Operating revenues:	4 690	13 685
EBITDA:	796	1 728
EBITDA-margin:	17,0 %	12,6 %

KONGSBERG DEFENCE & AEROSPACE

24 percent growth in operating revenues and 21.5 percent EBITDA margin. The growth was mainly from air defense projects. High market activity and positioned for significant order intake going forward.

<i>MNOK</i>	<i>Q3</i>	<i>YTD 2022</i>
Operating Revenues:	2 802	7 966
EBITDA:	603	1 630
EBITDA-margin:	21,5 %	20,5 %

KONGSBERG DIGITAL

High market activity and continued upscaling of the business. Two new dynamic digital twins (Kognitwin) were put into operation and the number of Kognitwin users increased to above 4,500 users in the quarter.

<i>MNOK</i>	<i>Q3</i>	<i>YTD 2022</i>
Operating Revenues:	262	703
EBITDA:	(52)	(150)
Percentage of recurring revenues:	47 %	48 %

Key figures

	1.7 - 30.9		1.1 - 30.9		1.1-31.12	1.1-31.12
<i>MNOK</i>	2022	2021	2022	2021	2021	2021
Operating revenue	7 745	6 216	22 358	19 342	27 449	27 449
EBITDA	1 360	1 054	3 201	2 930	4 086	4 086
EBITDA (%)	17,6	17,0	14,3	15,1	14,9	14,9
EBIT	1 035	748	2 240	2 019	2 863	2 863
EBIT (%)	13,4	12,0	10,0	10,4	10,4	10,4
Share of net income from associated companies	144	79	213	148	244	244
Earnings before tax	1 114	786	2 302	2 021	2 922	2 922
Earnings after tax	893	619	1 828	1 572	2 290	2 290
EPS (NOK)	4,97	3,04	10,10	8,23	12,06	12,06
Order Intake	7 535	15 315	25 984	28 503	40 979	40 979

	30.9	30.6	31.12
<i>MNOK</i>	2022	2022	2021
Equity ratio (%)	31,1	31,3	34,6
Net interest-bearing debt ¹⁾	225	(1 086)	(5 668)
Working Capital ²⁾	1 945	883	(2 003)
ROACE (%) ³⁾	32,8	31,2	32,7
Order backlog	54 127	53 788	49 535
Net interest-bearing debt incl. leasing liabilities/EBITDA ⁴⁾	0,5	0,2	(0,9)
No. of employees	11 766	11 364	11 122

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

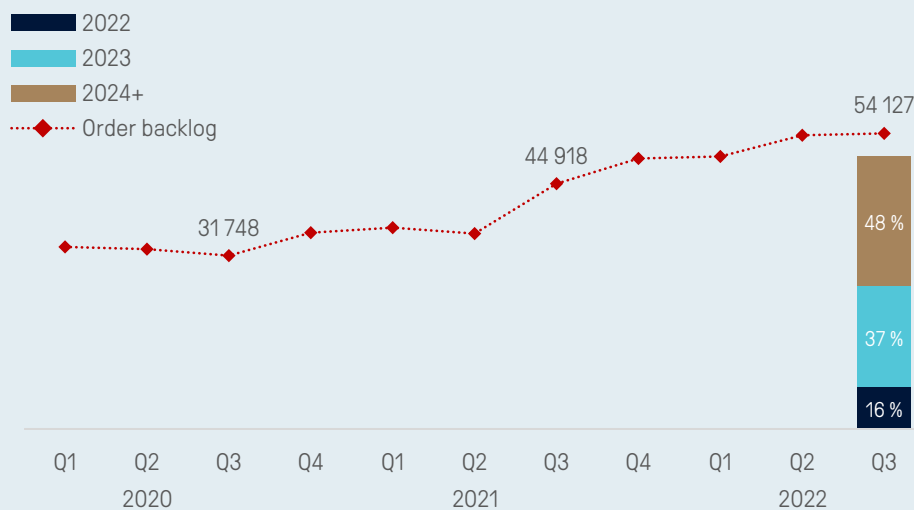
2) Current assets (except cash and cash equivalents) minus non-interest-bearing liabilities (except taxes payable). Financial instruments classified as cashflow hedges are not included in working capital.

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

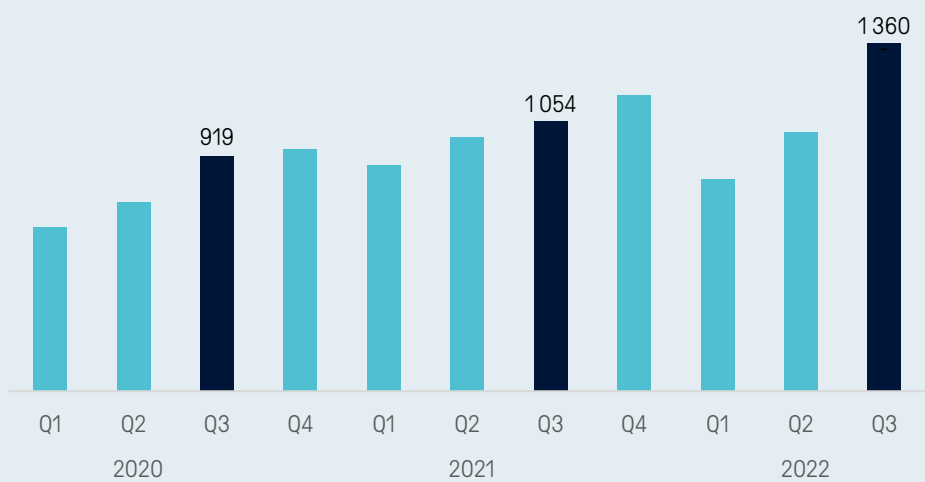
4) 12-month rolling EBITA.



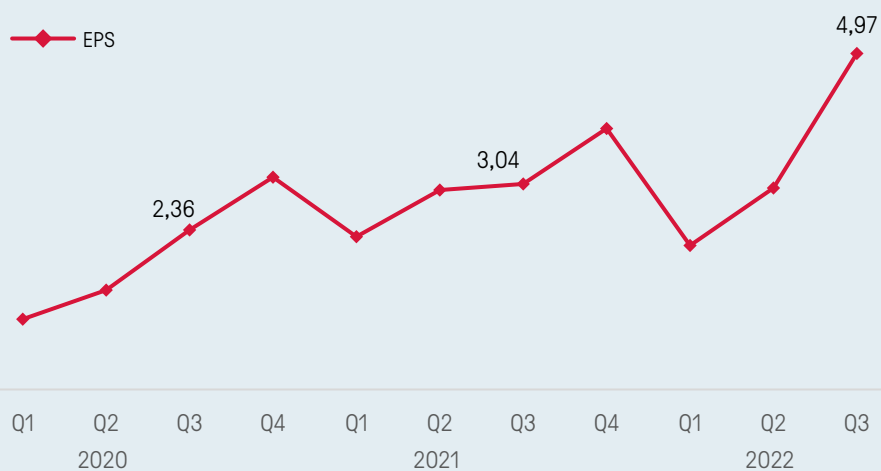
ORDER BACKLOG



EBITDA



EPS



Performance, market and orders

	1.7 - 30.9		1.1 - 30.9		1.1-31.12
<i>MNOK</i>	2022	2021	2022	2021	2021
Operating revenue	7 745	6 216	22 358	19 342	27 449
EBITDA	1 360	1 054	3 201	2 930	4 086
EBITDA (%)	17,6	17,0	14,3	15,1	14,9
EBIT	1 035	748	2 240	2 019	2 863
EBIT (%)	13,4	12,0	10,0	10,4	10,4
Order Intake	7 535	15 315	25 984	28 503	40 979
Order backlog	54 127	44 918	54 127	44 918	49 535

Operating revenues in the 3rd quarter were MNOK 7,745 compared to MNOK 6,216 in the same quarter last year, an increase of 25 per cent. All business areas had growth in operating revenues compared with the corresponding quarter last year. So far this year, operating revenues were MNOK 22,358 (MNOK 19,342).

Despite the fact that there were still delays due to shortage of components related to deliveries of weapon stations (RWS) from KDA in the quarter, there was growth in all business areas. The group has a good overview of the component situation, but it is unpredictable and could also cause delays in future quarters. The growth in KDA was mainly driven by high activity on the large air defense projects. KM had growth in all divisions.

EBITDA in the 3rd quarter was MNOK 1,360, corresponding to an EBITDA margin of 17.6 per cent compared to MNOK 1,054 (17.0 per cent) in the same quarter last year. EBITDA per 3rd quarter 2022 was MNOK 3,201 compared with MNOK 2,930 in the same period in 2021.

Order intake in the 3rd quarter was MNOK 7,535, compared to MNOK 15,315 in the same quarter last year. This is a book/bill in the quarter of 0.97. KM had a book/bill of 1.20, KDA had a book/bill of 0.58 and KDI had a book/bill of 1.09 in the quarter. Variations in order intake are normal, and order intake can vary significantly between quarters. The group's order intake per the 3rd quarter of 2022 was MNOK 25,984 (MNOK 28,503) corresponding to a book/bill of 1.16.

The order backlog at the end of the 3rd quarter 2022 was MNOK 54,127, an increase of MNOK 339 in the quarter and MNOK 4,592 from the start of the year. The increase in the quarter is due to currency translation differences.

Cash flow

KONGSBERG had a net reduction in cash and cash equivalents of MNOK 1,311 in the third quarter. The cash flow

in the quarter was mainly affected by increased working capital, the acquisition of the company NanoAvionics and the buy-back of own shares, which was partly offset by a positive EBITDA.

The change in working capital was mainly activity-driven through increased trade receivables as a result of growth, as well as an increase in inventory to meet future growth. At the same time continues delays in weapon station deliveries negatively affected working capital, and short-term debt was reduced as a result of holiday payments during the period.

Net cash flow from operating activities was MNOK -156. The change in current assets and other operating-related items of MNOK -1,516 was partially reduced by EBITDA of MNOK 1,360. The group's cash flow from investment activities was MNOK -810. This was a combination of the acquisition of the company NanoAvionics, investments in property, plant and equipment, and activated investment in in-house development. Cash flow from financing activities was MNOK -445, which is mainly linked to the buy-back of own shares related to the ongoing share buy-back program, in addition to installments and interest on leasing obligations.

So far in 2022, KONGSBERG had a net reduction in cash and cash equivalents of NOK 5,892 million. The largest negative cash flows were linked to increased working capital, payment of dividends, purchase of subsidiaries, buyback of own shares and repayment of accounts payable, which was abnormally high at the turn of the year.

Balance sheet

	30.9.	30.6	31.12
<i>MNOK</i>	2022	2022	2021
Equity	12 404	11 836	13 618
Equity ratio (%)	31,1	31,3	34,6
Total assets	39 846	37 785	39 310
Working capital ¹⁾	1 945	883	(2 003)
Gross interest-bearing debt	2 450	2 450	2 450
Cash and cash equivalents	2 225	3 536	8 118
Net interest bearing debt ¹⁾	225	(1 086)	(5 668)
Net interest bearing debt incl. leasing liabilities/EBITDA ¹⁾	0,5	0,2	(0,9)

1) See definition note 14

At the end of the quarter, the group had interest-bearing debt of total MNOK 2,450, all of which was classified as long-term obligations. The debt consisted of four bond loans of total MNOK 2,450 and has been unchanged since the end of 2021, see note 8 for further information. The group had MNOK 2,225 in cash and cash equivalents at the end of the 3rd quarter, compared to MNOK 3,536 at the end of the 2nd quarter and MNOK 8,118 at the end of 2021. The reduction in cash and cash equivalents in the quarter is mainly related to the acquisition of NanoAvionics and an increase in working capital as described in the section "Cash flow".

Net interest-bearing debt at the end of the 3rd quarter was MNOK 225 compared to MNOK -1,086 at the end of the 2nd quarter and MNOK -5,668 at the end of 2021. The change in the quarter is due to the reduction in cash and cash equivalents as described above.

The group also has a syndicated and committed loan facility of MNOK 2,500, and an overdraft facility of MNOK 1,000. These were both unused at the end of the 3rd quarter. The syndicated and committed loan facility was refinanced in Q1 2022.

Kongsberg Gruppen ASA has a long-term issuer rating of A- with "stable prospects" awarded by the credit rating agency Nordic Credit Rating. The credit rating ("standalone credit assessment") is BBB +. The rating was last updated on April 5, 2022 and is available at www.nordiccreditrating.com.

Foreign currency

KONGSBERG's financial policy is to hedge all significant contractual cash flows in foreign currency upon award, and these are mainly hedged using Foreign Exchange Forward Contracts (fair value hedges). The net fair value of Foreign Exchange Forward Contracts was MNOK -1 380 at the end of the quarter. In certain cases where the likelihood of winning a major contract is more than highly probable, hedging the contract cash flows prior to award are considered (cash flow hedges). The company's portfolio of cash flow hedges had a net fair value of MNOK -414 at the end of the quarter, which has been booked to equity through comprehensive income. The fair value (market value) represents unrealised profits/losses related to agreed rates. In addition, other financial instruments are used to a certain extent, such as interest rate and currency swaps and currency options, where fair value is also booked to equity through comprehensive income. Refer to Note 8 for a representation and further information.

If the timing of the cash conversion of the hedge object changes, changing the maturity date of the hedges, through e.g. swap contracts, may cause a liquidity impact. 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 implies that accounting revenue recognition will be based on exchange rates hedged at historical levels. This prevents short-term effects on profits in the event of a rise or fall in the value of the company's functional currency.

Product development

KONGSBERG continuously invest in product development, through self-financed and customer-financed programmes. Total self-financed product development and maintenance amounted MNOK 404 in the quarter and MNOK 1 424 for the

first nine months of the year, of which MNOK 60 and MNOK 202 was capitalised. Capitalised development during the quarter was mainly related to projects in KDI, but product development in KDA was also capitalised this quarter. See the table in Note 9.

In the balance per Q3, the largest activated projects were related to the development of the digital platform Kognifai, Joint Strike Missile and other missile technology, weapons stations, communications solutions and remote-control towers for airports.

In addition, there is customer-financed development, either as part of delivery projects or as specific development assignments. The total scope of product development and maintenance amounts to about 10 per cent of operating revenues over time.

Employees

The company had 11 766 employees at the end of the 3rd quarter 2022. All business areas in KONGSBERG are growing and capacity will continue increase in the future to meet this growth.



Number of employees by business area

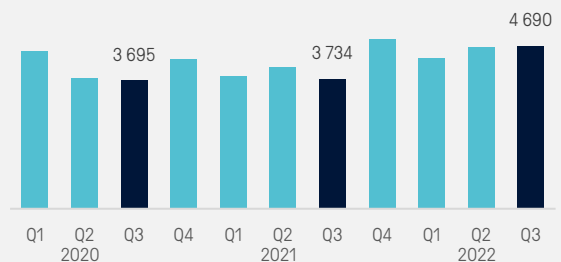
KONGSBERG MARITIME

Key figures

	1.7 - 30.9		1.1 - 30.9		1.1-31.12
MNOK	2022	2021	2022	2021	2021
Operating revenues	4 690	3 734	13 685	11 632	16 507
EBITDA	796	560	1 728	1 439	1 977
EBITDA (%)	17,0	15,0	12,6	12,4	12,0
Order Intake	5 632	4 864	18 220	13 158	17 936

	30.9.	30.6	31.12
MNOK	2022	2022	2021
Order backlog	18 129	16 935	13 023
No. of employees	7 013	6 900	6 857

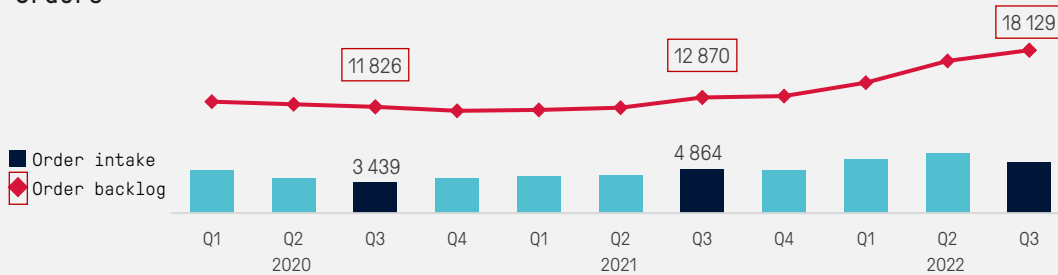
Operating revenue



EBITDA

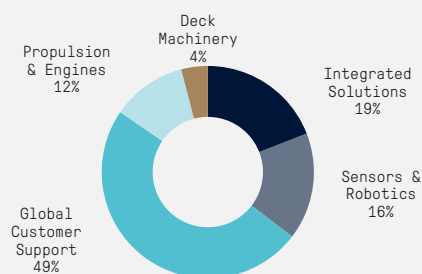


Orders



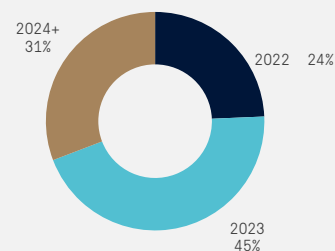
Operating revenue

YTD by division



Order backlog

Breakdown by delivery date



Results

Operating revenue was MNOK 4,690 in the 3rd quarter compared to MNOK 3,734 in the same quarter last year, corresponding to an increase of 26 per cent. There was increased activity in all divisions and more than half of the operating revenues in the quarter came from the aftermarket. **Accumulated at the end of the 3rd quarter, operating revenue was MNOK 13,685**, which was 18 per cent higher than at the end of the 3rd quarter 2021.

EBITDA was MNOK 796 in the 3rd quarter, corresponding to an EBITDA margin of 17.0 per cent towards MNOK 560 (15.0 per cent) in the same quarter last year. The increase in EBITDA in KM was mainly driven by increased volume in the aftermarket and good profitability in Sensors & Robotics. KM has significant order intake in foreign currency. The Norwegian krone has weakened against US dollar compared to the 3rd quarter of 2021. Larger projects are currency hedged, while some smaller projects are exposed to spot rates. In connection with the latter, KM therefore has some positive operating revenue and profit effects in the quarter.

EBITDA for the 3rd quarter was MNOK 1,728, corresponding to an **EBITDA margin of 12.6 per cent** compared to MNOK 1,439 (12.4%) in the same period in 2021. Operations and project execution in the business area are good, and efficiency improvements are making a positive contribution.

Market and orders

Order intake in the 3rd quarter was MNOK 5,632, corresponding to a book/bill of 1.20, compared to MNOK 4,864 in the 3rd quarter of 2021. Accumulated for the 3rd quarter, KM had an order intake of MNOK 18,220, corresponding to a book/bill of 1.33 compared to NOK 13,158 in the same period in 2021.

In the 3rd quarter, orders have come from a wide range of vessel classes. The Sensors & Robotics division continued the positive trend from the 2nd quarter and signed, among others, a new order for Hugin Superior. The positive development KM has experienced in the aftermarket over the past year also continued in the third quarter and orders were signed for approximately MNOK 3,000, a growth of more than MNOK 1,000 compared to the 3rd quarter of 2021.

Despite high rates and good earnings within several vessel segments, fewer vessels have been contracted at the shipyards

so far in 2022 compared to last year. Increased material costs, long lead times, uncertainty about future fuel, as well as increased geopolitical tensions have resulted in lower contracting of traditional merchant fleet vessels and vessels for the typical volume markets. However, contracting within more advanced segments, such as LNG and offshore wind, has been good. So far in 2022, for example, more than 130 LNG carrier vessels have been ordered, which is a vessel class KM has significant sales to. This is close to double of what has been ordered on average over the past four years

KM invests significantly in new and more sustainable solutions for the vessel markets. An important driver for KM's aftermarket activity both in the quarter and so far in 2022 has been the conversion of traditional diesel-electric propulsion systems to hybrid variants, typically with batteries as the alternative energy source. In such a solution, the batteries will store energy when consumption is low and relieve the load when consumption is high. This reduces fuel consumption while also providing significant environmental and financial benefits.

At the end of the 3rd quarter 2022, KM had an order backlog of MNOK 18,129, which was an increase of MNOK 1,194 in the quarter and MNOK 5,106 since the turn of the year.

Other factors

On 1st of November 2022, Lisa Edvardsen Haugan will take over as the president of Kongsberg Maritime. Haugan has broad experience from both the civil and defense business units of the Kongsberg Group and for the past two years she has been the manager of the Deck Machinery & Motion Control division in KM. Egil Haugsdal, who has been the president of KM since 2016, will step into a new role as head of Kongsberg Renewables Technologies.

Worldwide, there is both increased inflation and component shortages. When it comes to the component situation, the business area experiences longer lead times and difficult access to certain components. The situation is closely monitored, and continuous measures are taken both to find alternative suppliers, and in the form of redesign of components, to ensure the progress of the projects. KM believes that they have relatively good control of the situation this year and into 2023. The high inflation affects the entire value chain, from raw materials to finished products. This also affects the cost of the total project/vessel for the end customer, which over time affects the demand for new vessels. KM works with the entire value chain and continuously introduces both local and global measures to ensure profitability.

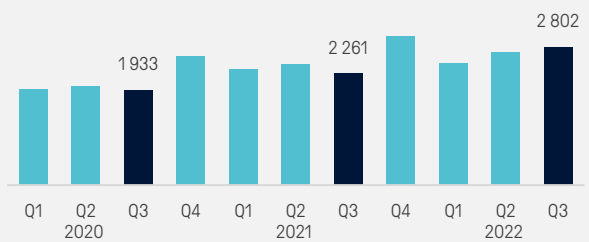
KONGSBERG DEFENCE & AEROSPACE

Key figures

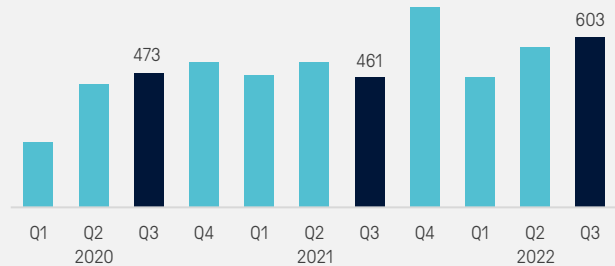
	1.7 - 30.9		1.1 - 30.9		1.1-31.12
MNOK	2022	2021	2022	2021	2021
Operating revenues	2 802	2 261	7 966	7 067	10 078
EBITDA	603	461	1 630	1 443	2 150
EBITDA (%)	21,5	20,4	20,5	20,4	21,3
Share of netincome associated companies	74	82	159	155	263
Order Intake	1 619	10 303	7 030	14 769	22 221

	30.9.	30.6	31.12
MNOK	2022	2022	2021
Order backlog	35 027	35 950	35 632
No. of employees	3 612	3 521	3 428

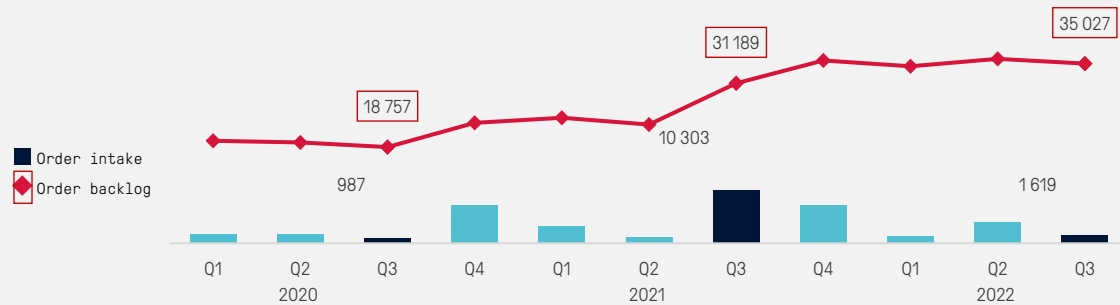
Operating revenue



EBITDA

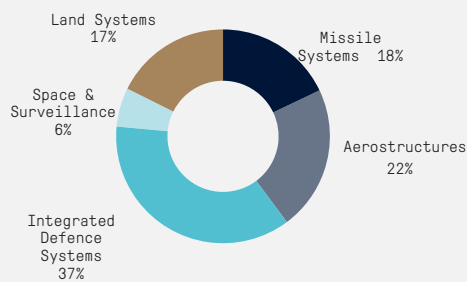


Orders



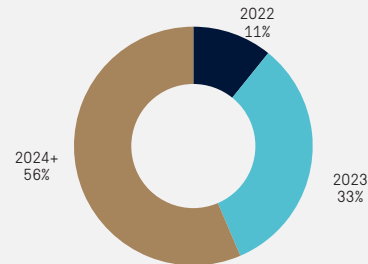
Operating revenue

YTD by division



Order backlog

Breakdown by delivery date



Results

Operating revenue was MNOK 2,802 in the 3rd quarter, compared to MNOK 2,261 in the same quarter last year, an increase of 24 per cent. The growth was mainly driven by high activity on several air defense projects. The operating income in the quarter is positive affected by around MNOK 300 with the associated gross margin as a result of extraordinarily high progress in the large projects.

The operating revenue per 3rd quarter of 2022 was MNOK 7,966, up 13 percent from MNOK 7,067 in the same period in 2021.

EBITDA was MNOK 603 in the 3rd quarter, corresponding to an EBITDA margin of 21.5 per cent compared to MNOK 461 (20.4 per cent) in the same quarter last year. The solid margin was a result of advantageous project mix, several major delivery milestones and high efficiency, especially in the large air defense projects.

EBITDA for the 3rd quarter was MNOK 1,630, corresponding to an EBITDA margin of 20.5 per cent compared to MNOK 1,443 (20.4%) in the same period in 2021.

Share of net income from associated companies amounted to MNOK 74 (MNOK 82) in the quarter. See also note 6.

Market and Orders

Order intake was MNOK 1,619 in the 3rd quarter, corresponding to a book/bill of 0.58. Order intake in the first three quarters of the year was MNOK 7,030 compared with MNOK 14,769 in the same period in 2021. At the end of the 3rd quarter of 2022, KDA has an order backlog of MNOK 35,027.

The largest contract signed in the quarter was for the Naval Strike Missile (NSM) worth MNOK 328 to the US Navy through the framework agreement Over-The-Horizon Weapon System (OTH). The defense market is characterized by relatively few but large contracts where deliveries normally take place over several years. In the 3rd quarter of 2021, contracts were signed with Norway and Germany for the delivery of combat systems for submarines and NSM to a value of NOK 8.2 billion. This affects the comparison figures and shows that significant fluctuations in order intake between quarters and years must be considered normal.

Approximately 25 years ago, KONGSBERG signed a contract with the Norwegian Navy for the development of the NSM,

Norway's next naval target missile. The first delivery contract for the missile was with the Norwegian Navy in 2007 and since then eight other countries, including Spain, Poland, the USA, Germany and Australia have chosen NSM. The rest of the world's naval missile inventory is largely based on technology delivered 30-40 years ago and is getting old. Many countries have started or are in the process of starting replacement of their existing inventory and NSM has, through several contract awards in recent years, proven its position as the leading capacity in naval target missiles. KONGSBERG is currently in far-advanced negotiations with several customers regarding the NSM and significant orders for the missile are expected in the next few years.

Other Factors

Lack of certain critical components affects many companies, and KDA is depending on several hundred subcontractors, both in Norway and abroad. In 2022, a shortage of a few critical components for the RWS weapon station has led to delayed deliveries to end customers. The systems are being completed as far as possible, but the situation has led to increased working capital in the form of increased project inventory and associated delayed customer payments. In addition, it affects turnover negatively. As a result of the challenges, fluctuations in delivery volumes must be expected. The component situation is closely monitored in KDA and extra resources were deployed early in the pandemic to ensure both the flow of goods, shipments and any alternative subcontractors to avoid production delays as much as possible. We work together with the supply chain to find alternative solutions.

Increased inflation affects the entire value chain, from raw materials to finished products. For KDA, almost half of the order backlog is secured against inflation through escalation clauses in the contracts. For the part of the order backlog that is not secured, long-term agreements with the supply chain are used to create a predictable cost picture throughout the delivery process.

Kongsberg Defense & Aerospace entered into an agreement and finalized the purchase of 77 % of the Lithuanian small satellite company NanoAvionics in the 3rd quarter. NanoAvionics is a leading company in the development and production of small satellites and has been involved in 120 satellite projects. The acquisition strengthens KONGSBERG's aerospace investment, and the product portfolio is expanded to include world-leading small satellite products and technology. See note 13 for more information.

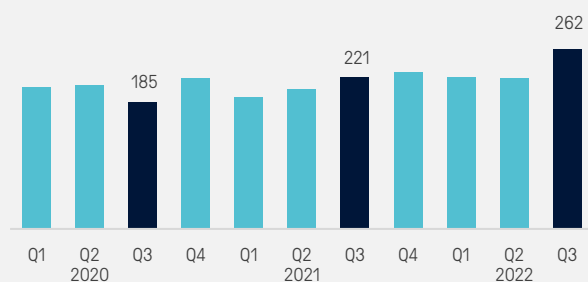
KONGSBERG DIGITAL

Key figures

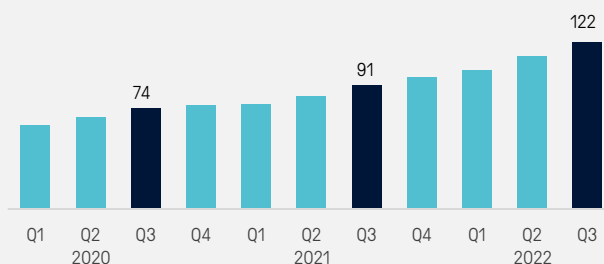
	1.7 - 30.9		1.1 - 30.9		1.1-31.12
MNOK	2022	2021	2022	2021	2021
Operating revenues	262	221	703	616	845
of this Recurring revenues*	122	91	336	160	347
EBITDA	(52)	22	(150)	23	(45)
EBITDA (%)	(19,6)	10,1	(21,3)	3,8	(5,4)
Order Intake	286	165	752	556	789

	30.9.	30.6	31.12
MNOK	2022	2022	2021
Order backlog	1 050	986	932
No. of employees	1 013	819	718

Operating revenue

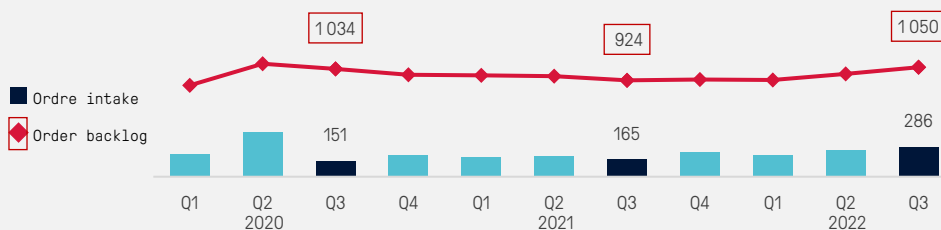


Recurring revenues*



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

Orders



Results

Operating revenue was MNOK 262 in the 3rd quarter, compared to MNOK 221 in the 3rd quarter of 2021. Recurring revenue increased to MNOK 122 in the quarter, up from MNOK 112 in the 2nd quarter.

The positive trend in the rollout and the demand for the Kognitwin digital twin continues, and in the second quarter two more twins were put into operation. The number of users increased by over 1,300 during the quarter, and there are now more than 4,500 active users of Kognitwin.

Kongsberg Digital (KDI) also has several ongoing "proof of concept" (POC) deliveries, and in the quarter a contract was signed with a large international chemical company for the delivery of a POC. In addition, KDI launched a digital twin for ships, with Høegh Autoliners as a pilot customer. This shows that Kognitwin is suitable for use in various industries.

In recent quarters, KDI has signed several large contracts for the digital solution for "ship to cloud" infrastructure, Vessel Insight. During the quarter, several smaller contracts were signed, while at the same time the pace of delivery related to previously signed contracts picked up significantly during the quarter.

At the end of the 3rd quarter, KDI had signed approximately 1,900 vessels on the Vessel Insight platform. More than 60 shipowners have signed contracts on Vessel Insight for all or part of their fleet. In total, these shipowners control more than 3,000 vessels. This represents significant potential for KDI going forward.

The market for traditional maritime simulators is still demanding, but order intake so far this year was somewhat better compared to the same period in 2021. In the 3rd quarter, operating revenues from the area accounted for just under 30 percent of operating income in KDI.

On 5 September, Shane McArdle was announced as the new president of KDI. McArdle came from the role of head of Digital Energy at KDI and has extensive experience from the energy sector and various roles at KONGSBERG. He has a PhD in chemical engineering.

KONGSBERG has high growth ambitions for KDI and significant investment is being made in scaling and rolling out

new solutions and applications. This has affected KDI's operating result, and it is expected that this development will continue in the future as KONGSBERG invests significantly to ensure growth and deliveries in KDI.

KDI in the future

Since KDI was established in 2016, the business area has been established as a leading supplier of digitization solutions for the energy sector and maritime industry. Digitization is an important contributor to increased efficiency and a reduction in climate emissions.

The Software as a Service (SaaS) solutions Kognitwin Energy and Vessel Insight are the most important drivers of growth in KDI. In the past two years, positioning in the market has been in focus. KDI has therefore increased capacity related to development, sales and delivery, a development that will also continue in the second half of 2022.

Kognitwin Energy is delivered to several world-leading energy companies and is in operation in both upstream, midstream and downstream facilities. Work is underway in parallel with the delivery of several digital twins. Going forward, both the number of installed twins and users of the twins will continue to increase significantly.

Digitization of the vessel market is an important driver for Vessel Insight. A prerequisite for being able to digitize is to connect the vessel to the cloud and make contextualized data available. Vessel Insight enables this quickly and efficiently and provides significant benefits, both from a cost, efficiency, environmental and operational perspective. Many vessel markets have had challenges as a result of the covid pandemic. Lower willingness to invest has led to delays in relation to original market and rollout plans for Vessel Insight. KDI feels that the situation has improved noticeably, and contracts have been signed with several new customers in recent quarters. The ambition is for the number of customers and connected vessels to increase significantly in the coming years.

The phase KDI is now in makes it natural to consider both future partner and other models in order to fully realize the potential KONGSBERG sees in the area, including considering a stock exchange listing in the long term.



OUTLOOK

In recent years, KONGSBERG has had a positive development and shown good adaptability to significant and rapid changes. Through the pandemic, the company has implemented a number of restructuring and several changes that have both strengthened the market positions and made the company even better equipped to manage challenges. Despite shortage of components, logistics challenges and high inflation, we have good control over our own operations.

KONGSBERG has an order backlog of NOK 54.1 billion at the end of the 3rd quarter 2022. Of the total order backlog, NOK 8.4 billion will be delivered during the 4th quarter of 2022. Order intake from the aftermarket is to a lesser extent included in the order backlog. The solid order backlog means that the company will reach its ambition of over NOK 30 billion turnover in 2022. The order backlog in affiliated companies and framework agreements are in addition to the reported order backlog.

The contracting of new vessels and the order intake from the aftermarket in KM has developed positively in the recent quarters. The order backlog in KM at the end of the 3rd quarter is NOK 18.1 billion, of which NOK 4.4 billion is for delivery in the current year. This provides a basis for growth also in the 4th quarter of 2022. KM's markets have been challenging throughout the pandemic, and there are still challenges in terms of access, logistics and delivery time for certain components. Measures to ensure deliveries and results are initiated continuously. KM has implemented significant steps to adjust the cost level in recent years. The business area is therefore well equipped to meet rising inflation. Together with general efficiency measures, this ensures that the business area is on track for both growth and increased EBITDA in 2022 compared to 2021.

KDA has grown continuously in recent years and has an order reserve of NOK 35 billion. Of this, NOK 3.8 billion is for delivery for the remaining year 2022. The growth rate from the previous year is therefore within reach in 2022 as well. The challenging situation around availability and logistics for certain components, especially related to weapons stations, means that we may experience time shifts in revenue recognition. The mix of projects on which it is delivered is an important driver of profitability in the business area. This contributes to the business area's profitability in 2022 ending up well above the long-term margin target of 17%. Market activity in KDA is at a historically high level. The business area is in the final phase of negotiations related to several significant contracts, including in the field of missiles, where order intake of at least NOK 15 billion is expected over the next 3-18 months.

Kongsberg Digital has increased both the number of installed Kognitwin and Vessel Insight systems over the past year and there is high market activity and increased demand for the business area's solutions. It is expected that the proportion of recurring revenue will be around 50 per cent for 2022. As a result of the fact that significant investment will continue to be made in increased capacity, development and rollout of digital solutions, negative EBITDA and cash flow from the business area are expected. KONGSBERG has high ambitions for KDI and the area's business plan aims for a turnover for the area of NOK 2.8 billion in 2025.

KONGSBERG expects continued growth in operating income and the company is on track to achieve its ambitions for 2022.

Kongsberg, 27. October 2022

The Board of Kongsberg Gruppen ASA

NUMBERS & NOTES



Key figures by quarter

KONGSBERG	2022				2021					2020				
MNOK	2022	Q3	Q2	Q1	2021	Q4	Q3	Q2	Q1	2020	Q4	Q3	Q2	Q1
Operating revenues	22 358	7 745	7 567	7 046	27 449	8 107	6 216	6 762	6 364	25 612	7 148	5 802	5 983	6 678
EBITDA	3 201	1 360	1 012	829	4 086	1 156	1 054	993	883	3 250	948	919	740	643
EBITDA (%)	14,3	17,6	13,4	11,8	14,9	14,3	17,0	14,7	13,9	12,7	13,3	15,8	12,4	9,6
EBIT	2 240	1 035	683	522	2 863	844	748	697	575	1 905	579	595	429	302
EBIT (%)	10,0	13,4	9,0	7,4	10,4	10,4	12,0	10,3	9,0	7,4	8,1	10,3	7,2	4,5
Share of net income associated companies	213	144	47	23	244	96	79	58	11	186	118	35	33	-
Order intake	25 984	7 535	10 945	7 503	40 979	12 477	15 315	5 544	7 643	28 818	11 381	4 558	6 067	6 812
Order backlog	54 127	54 127	53 788	49 903	49 535	49 535	44 918	35 781	36 867	35 947	35 947	31 748	32 935	33 342

KONGSBERG MARITIME	2022				2021					2020				
MNOK	2022	Q3	Q2	Q1	2021	Q4	Q3	Q2	Q1	2020	Q4	Q3	Q2	Q1
Operating revenues	13 685	4 690	4 654	4 342	16 507	4 875	3 734	4 092	3 807	16 319	4 319	3 695	3 762	4 543
EBITDA	1 728	796	507	425	1 977	537	560	452	427	1 532	464	411	267	390
EBITDA (%)	12,6	17,0	10,9	9,8	12,0	11,0	15,0	11,1	11,2	9,4	10,7	11,1	7,1	8,6
EBIT	1 244	637	334	273	1 323	372	403	295	254	718	236	227	85	169
EBIT (%)	9,1	13,6	7,2	6,3	8,0	7,6	10,8	7,2	6,7	4,4	5,5	6,2	2,3	3,7
Share of net income associated companies	(4)	-	(4)	-	(3)	(3)	-	-	-	-	-	-	(1)	1
Order intake	18 220	5 632	6 646	5 941	17 936	4 778	4 864	4 220	4 074	15 925	3 822	3 439	3 850	4 813
Order backlog	18 129	18 129	16 935	14 516	13 023	13 023	12 870	11 731	11 483	11 386	11 386	11 826	12 111	12 404

KONGSBERG DEFENCE AEROSPACE	2022				2021					2020				
MNOK	2022	Q3	Q2	Q1	2021	Q4	Q3	Q2	Q1	2020	Q4	Q3	Q2	Q1
Operating revenues	7 966	2 802	2 692	2 472	10 078	3 011	2 261	2 456	2 350	8 503	2 619	1 933	2 008	1 942
EBITDA	1 630	603	567	460	2 150	707	461	513	469	1 656	514	473	437	231
EBITDA (%)	20,5	21,5	21,1	18,6	21,3	23,5	20,4	20,9	20,0	19,5	19,6	24,5	21,8	11,9
EBIT	1 193	452	424	316	1 620	560	330	386	344	1 157	389	338	314	116
EBIT (%)	15,0	16,1	15,7	12,8	16,1	18,6	14,6	15,7	14,7	13,6	14,8	17,5	15,6	6,0
Share of net income associated companies	159	74	61	24	263	108	82	59	14	206	120	38	37	10
Order intake	7 030	1 619	4 080	1 331	22 221	7 452	10 303	1 120	3 346	11 891	7 348	987	1 788	1 769
Order backlog	35 027	35 027	35 950	34 504	35 632	35 632	31 189	23 145	24 470	23 477	23 477	18 757	19 658	19 977

KONGSBERG DIGITAL	2022				2021					2020				
MNOK	2022	Q3	Q2	Q1	2021	Q4	Q3	Q2	Q1	2020	Q4	Q3	Q2	Q1
Operating revenues	703	262	220	221	845	229	221	204	192	821	220	185	209	207
EBITDA	(150)	(52)	(50)	(48)	(45)	(69)	22	10	(9)	34	(23)	26	33	(2)
EBITDA (%)	(21,3)	(19,6)	(22,9)	(21,7)	(5,4)	(30,0)	10,1	4,9	(4,8)	4,1	(10,4)	14,1	15,6	(1,0)
EBIT	(234)	(83)	(79)	(73)	(122)	(90)	3	(8)	(28)	(22)	(44)	14	21	(14)
EBIT (%)	(33,3)	(31,5)	(36,0)	(32,8)	(14,5)	(39,3)	1,5	(4,0)	(14,4)	(2,7)	(19,8)	7,7	10,1	(6,6)
Order intake	752	286	257	209	789	234	165	199	192	997	203	151	428	216
Order backlog	1 050	1 050	986	928	932	932	924	964	972	977	977	1 034	1 083	876

Due to eliminations and that Property and Corporate functions are not included, the sum of Business Areas does not add up to Group.

Condensed income statement

MNOK	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2022	2021	2022	2021	2021
Operating revenues	5	7 745	6 216	22 358	19 342	27 449
Operating expenses	9	(6 386)	(5 161)	(19 158)	(16 412)	(23 363)
EBITDA	5, 14	1 360	1 054	3 201	2 930	4 086
Depreciation		(119)	(124)	(352)	(354)	(476)
Depreciation, leasing assets	7	(115)	(99)	(337)	(296)	(396)
Impairment of property, plant and equipment		-	-	(15)	(3)	(9)
Amortisation		(91)	(82)	(257)	(257)	(341)
Impairment of intangible assets		-	-	-	-	(2)
EBIT	5, 14	1 035	748	2 240	2 019	2 863
Share of net income from joint arrangements and associated companies	6	144	79	213	148	244
Interest on leasing liabilities	7	(33)	(33)	(95)	(101)	(132)
Net financial items	8	(32)	(8)	(58)	(45)	(53)
Earnings before tax (EBT)		1 114	786	2 302	2 021	2 922
Income tax expense	12	(220)	(167)	(474)	(449)	(632)
Earnings after tax (EAT)		893	619	1 828	1 572	2 290
Attributable to:						
Equity holders of the parent		882	543	1 793	1 470	2 159
Non-controlling interests		11	76	35	102	131
Earnings per share (EPS) / EPS diluted in NOK						
-Earnings per share		4,97	3,04	10,10	8,23	12,06
-Earnings per share, diluted		4,97	3,04	10,10	8,23	12,06

Condensed statement of comprehensive income

MNOK	Note	1.7 - 30.9		1.1 - 30.9		1.1-31.12
		2022	2021	2022	2021	2021
Earnings after tax		893	619	1 828	1 572	2 290
Specification of other comprehensive income for the period:						
<i>Items to be reclassified to profit or loss in subsequent periods:</i>						
Change in fair value, financial instruments						
-Cash flow hedges	8	(191)	45	(343)	94	120
Tax effect cash flow hedges		42	(10)	76	(21)	(26)
Translation differences currency		124	34	329	(154)	(194)
Total items to be reclassified to profit or loss in subsequent periods		(25)	69	61	(81)	(100)
<i>Items not to be reclassified to profit or loss:</i>						
Actuarial gains/losses pensions		-	-	-	-	(145)
Tax effect on actuarial gain/loss on pension		-	-	-	-	32
Total items not to be reclassified to profit or loss		-	-	-	-	(113)
Comprehensive income		869	688	1 889	1 491	2 077

Condensed statement of financial position

<i>MNOK</i>	<i>Note</i>	30.9. 2022	30.6 2022	31.12 2021
Property, plant and equipment		4 178	4 012	3 901
Leasing assets	7	1 766	1 837	1 715
Intangible assets	9	5 594	5 112	5 039
Shares in joint arrangements and associated companies	6	3 568	3 568	3 609
Other non-current assets		912	471	421
Total non-current assets		16 018	14 999	14 686
Inventories		4 922	4 663	4 306
Trade receivables		6 180	5 697	4 518
Customer contracts, asset	8	8 488	7 514	6 518
Derivatives	8	1 263	628	545
Other short-term receivables		750	747	620
Cash and cash equivalents		2 225	3 536	8 118
Total current assets		23 828	22 786	24 624
Total assets		39 846	37 785	39 310
Issued capital	4	5 930	5 932	5 932
Retained earnings		5 760	5 186	7 084
Other reserves		518	544	453
Non-controlling interests		196	174	149
Total equity		12 404	11 836	13 618
Long-term interest-bearing loans	8	2 450	2 450	2 450
Long-term leasing liabilities	7	1 558	1 609	1 500
Other non-current liabilities and provisions	3	2 408	2 752	2 577
Total non-current liabilities and provisions		6 417	6 811	6 528
Customer contracts, liabilities	8	11 080	10 885	11 787
Derivatives	8	3 164	1 503	378
Short-term leasing liabilities	7	405	409	380
Other current liabilities and provisions	3	6 375	6 342	6 620
Total current liabilities and provisions		21 025	19 138	19 164
Total equity, liabilities and provisions		39 846	37 785	39 310
Equity ratio (%)		31,1	31,3	34,6
Net interest-bearing debt		225	(1 086)	(5 668)

Condensed statement of changes in equity

		30.9.	30.6	31.12
<i>MNOK</i>	<i>Note</i>	2022	2022	2021
Equity opening balance		13 618	13 618	13 301
Total comprehensive income		1 889	1 021	2 077
Dividends paid		(2 716)	(2 716)	(1 425)
Share buy-back related to share buy-back programme	4	(372)	(74)	(268)
Transactions with treasury shares related to employee share programme		(14)	(14)	(62)
Dividends, non-controlling interests		-	-	(5)
Purchase/sale, in non-controlling interests		(1)	-	(1)
Equity closing balance		12 404	11 836	13 618

Condensed cash flow statement

MNOK	Note	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
		2022	2021	2022	2021	2021
Earnings after tax		893	619	1 828	1 572	2 290
Depreciation/impairment of property, plant and equipment		118	124	366	358	485
Depreciation, leasing assets		115	99	337	296	396
Amortisation/impairment of intangible assets		91	82	257	257	342
Share of net income from joint ventures and associated companies		(144)	(79)	(213)	(148)	(244)
Net finance items		65	41	152	146	185
Income taxes		220	167	474	449	632
Change in net current assets and other operations-related items		(1 516)	40	(4 535)	(649)	884
Net cash flow from operating activities		(156)	1 094	(1 334)	2 281	4 970
Dividend from joint arrangements and associated companies	6	9	-	201	147	147
Purchase/disposal of property, plant and equipment		(214)	(89)	(495)	(328)	(554)
Investment in subsidiaries and associated companies	13	(526)	-	(597)	(8)	(85)
Investment in financial assets		(26)	-	(44)	-	(39)
Proceeds from sale of business		-	-	6	-	47
Capitalised internal developed/ purchase of intangible assets	9	(60)	(59)	(202)	(150)	(215)
Settlement of cross-currency swaps		7	(2)	16	(114)	(116)
Net cash flow from investing activities		(810)	(150)	(1 116)	(452)	(814)
Net change interest-bearing loans		-	(2)	-	(518)	(1 021)
Payment of principal portion of lease liabilities	7	(101)	(90)	(310)	(266)	(357)
Interest paid		(50)	(18)	(89)	(58)	(76)
Interest paid on leasing liabilities	7	(33)	(33)	(95)	(101)	(132)
Interest received	7	38	9	57	33	45
Net payment related to employee share programme		-	-	(100)	(91)	(91)
Share buy-back related to share buy-back programme	4	(298)	(53)	(360)	(217)	(317)
Dividends paid to equity holders of the parent		-	-	(2 736)	(1 440)	(1 440)
- of which dividends from treasury shares		-	-	21	15	15
Net cash flow from financing activities		(445)	(187)	(3 611)	(2 642)	(3 374)
Effect of changes in exchange rates on cash and cash equivalents		100	(2)	169	(62)	(84)
Net change in cash and cash equivalents		(1 311)	755	(5 892)	(875)	697
Cash and cash equivalents at the beginning of the period		3 536	5 790	8 118	7 420	7 420
Cash and cash equivalents at the end of the period		2 225	6 545	2 225	6 545	8 118

1 General information and principles

General information

The consolidated financial statement for Q3 (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 2021. The consolidated financial statements for 2021 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 2021 are available on www.kongsberg.com.

The interim financial statement has not been audited.

2 New standards as from 1.1.2022

The accounting principles used in the quarterly report are the same principles as those applied to the consolidated financial statements for 2021, with the exception of changes to IFRS3, IFRS 9, IAS 16 and IAS 37 which was implemented 1 January 2022. The amendments to IFRS 3 are intended to replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued. This implies that the Group shall apply the criteria in IAS 37 or IFRIC 21, instead of the Conceptual framework, to determine whether a present obligation exists at the acquisition date. The amendment to IAS 16 applies when property, plant and equipment generate income at the same time as it

is under construction, this income cannot be deducted from the acquisition cost of the property, plant or equipment. The amendments to IAS 37 specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments to IFRS 9 clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The implementation of the changes has not had any significant effect on the consolidated financial statements.

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 2021 consolidated financial statements were compiled.

Capital reduction and repurchase of shares 3. quarter 2022

Kongsberg Gruppen ASA's Annual General meeting on 11 May 2022 resolved to reduce the company's share by NOK 1 900 467,50, through cancellation and redemption of 1 520 374 shares. The capital reduction was executed on 1 July 2022. After the capital reduction KONGSBERG's share capital is NOK 221 641 340 divided into 177 313 072 shares, each at nominal value NOK 1,25.

KONGSBERG had the following ongoing share buy-back program at third quarter 2022:

- KONGSBERG has repurchased 325 429 shares equivalent to a value of NOK 110,6 million in the third quarter related to the share buy-back program announced on 13 May 2022. The share buy-back related to this program was initiated 20 June 2022.

In total, KONGSBERG holds at the end of third quarter 411 115 treasury shares. 370 386 of the treasury shares are related to the share buy-back program for cancellation where cancellation shall be approved by the Annual General Meeting in 2023.

5 Segment information

	OPERATING REVENUES					EBITDA					EBIT				
	1.7 - 30.9		1.1 - 30.9		1.1-31.12	1.7 - 30.9		1.1 - 30.9		1.1-31.12	1.7 - 30.9		1.1 - 30.9		1.1-31.12
<i>MNOK</i>	2022	2021	2022	2021	2021	2022	2021	2022	2021	2021	2022	2021	2022	2021	2021
KM	4 690	3 734	13 685	11 632	16 507	796	560	1 728	1 439	1 977	637	403	1 244	951	1 323
KDA	2 802	2 261	7 966	7 067	10 078	603	461	1 630	1 443	2 150	452	330	1 193	1 061	1 620
Other ¹⁾	253	220	707	643	864	(39)	33	(157)	48	(41)	(54)	16	(196)	7	(80)
Group	7 745	6 216	22 358	19 342	27 449	1 360	1 054	3 201	2 930	4 086	1 035	748	2 240	2 019	2 863

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

EBITDA in the third quarter is affected by change in accruals of the employee share program compared to last year. In 2021 the expense of this program was accrued evenly throughout the year, while in 2022 the entire expense was recognised in the second quarter. The change affect EBITDA between the quarters, but it does not affect the total expense the year.

Operating revenues YTD by division:

<i>MNOK</i>	2022	2021
<i>Divisions</i>		
Global Customer Support	7 213	5 631
Integrated Solutions	2 801	2 725
Sensor & Robotics	2 397	2 027
Propulsion & Engines	1 679	1 689
Deck Machinery	592	612
Other/elimination	(996)	(1 051)
Kongsberg Maritime	13 685	11 632
Land Systems	1 514	2 116
Integrated Defence Systems	3 145	2 195
Aerostructures	1 879	1 716
Missile Systems	1 537	1 163
Space & Surveillance	506	505
Other/elimination	(615)	(628)
Kongsberg Defence & Aerospace	7 966	7 067
Other/elimination	707	643
Total revenues	22 358	19 342

The table shows the anticipated date on which remaining performance obligations as of 30 September 2022 are recognised as income:

<i>MNOK</i>	2022				2021			
	Date of revenue recognition				Date of revenue recognition			
	Order backlog 30.9.22	2022	2023	2024 and later	Order backlog 30.9.21	2021	2022	2023 and later
Kongsberg Maritime	18 129	4 408	8 135	5 585	12 870	2 746	7 215	2 909
Kongsberg Defence & Aerospace	35 027	3 782	11 474	19 771	31 189	3 118	9 265	18 806
Other/elimination	971	214	363	395	860	179	446	234
Total	54 127	8 404	19 972	25 751	44 918	6 043	16 927	21 948

6

Shares in joint arrangements and associated companies

Specification of movement in the balance sheet line "Shares in joint arrangements and associated companies"
1 January to 30 September

MNOK	Owner ship	Carrying amount 1.1	Additions/ disposals	Dividends received	Share of net income ¹⁾	Other items and comprehensive income	Carrying amount 30.9.	Share of net income 1.7 - 30.9
Patria Oyj	49,9 %	2 849	-	(127)	46	24	2 792	28
Kongsberg Satellite Services AS	50,0 %	628	1	(65)	115	-	679	46
Other shares		132	(79)	(9)	52	-	97	71
Total		3 609	(78)	(201)	213	24	3 568	144

¹⁾ The share of net income is included after tax and amortisation of excess value. The share of net income from the associated companies includes a gain of MNOK 70 as a result of the ownership share in eSmart Systems AS being diluted. The shares in this company are from the third quarter reclassified to shares at fair value through profit and loss in the consolidated statement of financial position.

Share of net result from Patria:

	1.7 - 30.9		1.1 - 30.9		1.1-31.12
Millions	2022	2021	2022	2021	2021
KONGSBERG's share (49,9%) ¹⁾	31	42	54	68	166
Amortisation of excess values after tax	(3)	(4)	(9)	(10)	(16)
Share of net income recognised in KDA for the period	28	38	46	58	150

¹⁾ Share of Patria's net income after tax adjusted for non-controlling interests and net income from KAMS. Share of net income from Patria is recognised as follows during the quarters: Q1: jan-Feb, Q2: Mar-May, Q3: Jun-Aug and Q4: Sep-Des.

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

	Share of net income					Dividend				
	1.7 - 30.9		1.1 - 30.9		1.1-31.12	1.7 - 30.9		1.1 - 30.9		1.1-31.12
MNOK	2022	2021	2022	2021	2021	2022	2021	2022	2021	2021
KM	-	-	(4)	-	(3)	-	-	-	-	-
KDA	74	82	159	155	263	9	-	201	147	147
Other	70	(3)	59	(7)	(17)	-	-	-	-	-
Group	144	79	213	148	244	9	-	201	147	147

7 Leasing

KONGSBERG has leases that are primarily related to land and buildings, as well as leases for machinery, vehicles and equipment.

IFRS 16 effects on condensed statement of financial position:

Opening balance 1 January 2022	1 715		
Addition	91		
Depreciation Q1	(109)		
Translation differences	(9)		
Opening balance 1 April 2022	1 689		
Addition	300		
Disposal	(64)		
Depreciation Q2	(114)		
Translation differences	25		
Opening balance 1 July 2022	1 837		
Addition	29		
Disposal	(1)		
Depreciation Q3	(115)		
Closing balance 30 September 2022	1 766		
	30.9.2022	30.6.2022	31.12.2021
Leasing assets	1 766	1 837	1 715
Long-term leasing liabilities	1 558	1 609	1 500
Short-term leasing liabilities	405	409	380

IFRS 16 effects on condensed income statement in the period:

	1.7 - 30.9		1.1 - 30.9		1.1 - 31.12
	2022	2021	2022	2021	2021
Returned rental cost earlier included in EBITDA	134	123	398	366	489
Profit/Loss on disposed leases	-	-	6	1	-
Increased EBITDA in the period	134	123	404	367	489
Depreciation on leases	(115)	(99)	(337)	(296)	(396)
Increased EBIT in the period	19	23	67	71	93
Interest cost on leasing liabilities for the period	(33)	(33)	(95)	(101)	(132)
Reduced EBT in the period	(14)	(9)	(28)	(30)	(39)

8 Financial instruments

Loans and credit facilities

The group has four bond loans amounting to a total of MNOK 2,450. The loans are classified as long-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 2,500 and an overdraft credit facility of MNOK 1000. Neither were utilized at the end of the quarter.

Interest-bearing loans:

			30.9.2022	31.12.2021
<i>MNOK</i>	<i>Due date</i>	<i>Nominal interest rate</i>	<i>Value¹</i>	<i>Value¹</i>
Long-term loans:				
Bond issue KOG09 - fixed interest rate	02.06.2026	3,20%	1 000	1 000
Bond issue KOG11 - fixed interest rate	05.12.2023	2,90%	450	450
Bond issue KOG13 - floating interest rate	06.06.2024	3,86%	500	500
Bond issue KOG14 - floating interest rate	26.02.2026	3,43%	500	500
Total long-term loans			2 450	2 450
Total interest-bearing loans			2 450	2 450
Syndicated credit facility (unutilised borrowing limit)	22.03.2027		2 500	2 300
Overdraft facility (unutilised) ²⁾			1 000	500

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

²⁾ The overdraft facility was increased with MNOK 500 to MNOK 1000 during the quarter.

Forward exchange contracts

Fair value of balances classified as cash flow hedges, as shown in the condensed statement of comprehensive income, decreased by MNOK 343 before tax during the period 1 January – 30 September 2022. The fair value of unrealized forward exchange

contracts decreased by MNOK 377 during the period. The total change in net fair value of fair value hedges represented a decrease of MNOK 1 568 from the end of last year. The end-of-quarter spot rates were USD/NOK 10.88, EUR/NOK 10.66 and GBP/NOK 12.14.

Forward exchange contracts classified as cash flow hedges:

MNOK	Due in 2022		Due in 2023 or later		Total		
	Value in NOK on agreed rates	Fair value at 30.9.22	Value in NOK on agreed rates	Fair value at 30.9.22	Value in NOK on agreed rates	Change in fair value from 31.12.21	Fair value at 30.9.22
USD	(38)	19	2 180	(400)	2 142	(343)	(381)
EUR	378	(28)	732	(9)	1 111	(40)	(37)
Other	(13)	1	(273)	3	(285)	6	4
Sum	328	(8)	2 640	(406)	2 968	(377)	(414)
Roll-over of currency futures		10		57		142	67
Total	328	2	2 640	(349)	2 968	(235)	(347)
Forward exchange contracts cash flow hedges, assets							309
Forward exchange contracts cash flow hedges, liabilities							724
Net forward exchange contracts cash flow hedges							(414)

Fair value is referring to the net present value of the variance between the forward rate at 30 September 2022 and the forward rate at the time of entering the forward exchange contract.

The change in the fair value of cash flow hedges recognised in the statement of comprehensive income

is MNOK -343, while the table above show a change in fair value of MNOK -235 since year end 2021. The difference between these two amounts of MNOK -108 was ascribable to a change in fair value of cross-currency swaps of MNOK 81 and a change in fair value of currency options with net MNOK -190.

Forward exchange contracts classified as fair value hedges:

MNOK	Due in 2022		Due in 2023 or later		Total		
	Value in NOK on agreed rates	Fair value at 30.9.22	Value in NOK on agreed rates	Fair value at 30.9.22	Value in NOK on agreed rates	Change in fair value from 31.12.21	Fair value at 30.9.22
USD	2 774	(311)	6 077	(913)	8 852	(1 205)	(1 224)
EUR	1 492	(44)	4 230	(74)	5 722	(303)	(118)
GBP	210	(4)	795	23	1 006	22	20
Other	123	(28)	426	(30)	549	(82)	(58)
Total	4 600	(386)	11 528	(994)	16 128	(1 568)	(1 380)
Forward exchange contracts fair value hedges, assets							871
Forward exchange contracts fair value hedges, liabilities							2 251
Net forward exchange contracts fair value hedges							(1 380)

The net value of fair value hedges is recognized as derivatives in the statement of financial position, offset against customer contracts, assets by MNOK -409 (increase) and customer contracts, liabilities by MNOK -953 (decrease).

Specification of derivatives:

	30.9	30.6	31.12
MNOK	2022	2022	2021
Forward exchange contracts, cash flow hedges (a)	309	127	28
Forward exchange contracts, fair value hedges (b)	871	500	500
Cross-currency swaps	82	-	17
Currency options	-	0	-
Total derivatives, current assets	1 263	628	545
Forward exchange contracts, cash flow hedges (c)	724	331	65
Forward exchange contracts, fair value hedges (d)	2 251	1 108	312
Cross-currency swaps	-	57	-
Currency options	190	7	-
Total derivatives, current liabilities	3 164	1 503	378
Net forward exchange contracts, cash flow hedges (a) - (c)	(414)	(203)	(37)
Net forward exchange contracts, fair value hedges (b) - (d)	(1 380)	(609)	188
Total net forward exchange contracts	(1 795)	(812)	151

9 Product development

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

	1.7 - 30.9		1.1 - 30.9		1.1-31.12
<i>MNOK</i>	2022	2021	2022	2021	2021
Product maintenance	109	102	332	314	451
Development cost	234	223	890	755	1 056
Total	344	325	1 222	1 069	1 507

Capitalised development recognised during the period:

	1.7 - 30.9		1.1 - 30.9		1.1-31.12
<i>MNOK</i>	2022	2021	2022	2021	2021
Capitalised development	60	59	202	150	214

In the consolidated statement of financial position at the end of the third quarter the largest capitalised projects were related to the development of the 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.

10 Related parties

The Board is not aware of any changes or transactions in the 3rd quarter associated with related parties that

in any significant way have an impact on the Group's financial position and profit for the period.

11 Important risk and uncertainty factors

The Group's risk management is described in the 2021 annual report.

In the assessment of the financial position in the 3rd quarter, KONGSBERG has made a thorough assessment of the impact the ongoing invasion of Ukraine has on relevant accounting items. Per 1st quarter Kongsberg Maritime did a review of their customer relations and a provision of NOK 69 million was recognised that quarter related to the sanctions against Russia. The outcome of the updated review in the 3rd quarter is that the provision remains

approximately unchanged. The world is experiencing increased raw material prices and shortage of certain components. The challenging component situation gives increased delivering time and to some delayed deliveries to the end customer. KONGSBERG works continuously with initiatives in form of redesign and alternative suppliers. The increased inflation is sought to be handled through a combination of escalation clauses in customer contracts, agreements with the supply chain, as well as other local and global measures to ensure the profitability.

12 Tax

The income tax expense per 3rd quarter was calculated to be 20.6 per cent of earnings before tax.

The income tax expense was mainly affected by income from associates recognised after tax.

13 Acquisitions

NanoAvionics.

On 2 July, Kongsberg Defence & Aerospace AS signed an agreement to purchase 77 per cent of the shares in the Lithuanian smallsat company NanoAvionics. The rest of the shares are owned by leading employees in the company. The acquisition was completed the 6th of September.

NanoAvionics is a leading company in development and production of small satellites and has more than 150 employees. The customers range from national space agencies to universities and commercial companies. The acquisition strengthens KONGSBERG's space ambitions and expands its portfolio to also include world leading small satellite products and technology.

If the acquisition had been completed on 1 January, the overall effect on KONGSBERG's operating revenues and EBIT (exclusive IFRS 16 effects) would have been approximately MNOK 140 and MNOK 10 higher respectively.

The parties have agreed upon an enterprise value of EUR 65 million (100 per cent basis) on cash and debt-free basis. Added values in the acquisition are allocated to goodwill, technology, and customer relations.

Preliminary purchase price allocation NanoAvionics:

	Carrying amount prior to acquisition	Adjustments fair value	Recognised values at acquisition
MNOK			
Customer relations	-	25	25
Technology	4	30	35
Total intangible assets exclusive goodwill	4	56	60
Property, plant and equipment	10	-	10
Current assets exclusive cash and cash equivalents	88	-	88
Cash and cash equivalents	26	-	26
Total assets exclusive goodwill	128	56	183
Deferred tax liability	-	(9)	(9)
Non-current provisions	(7)	-	(7)
Other current liabilities and provisions	(72)	-	(72)
Total liabilities and provisions	(79)	(9)	(88)
Net identifiable assets and liabilities	49	47	95
Goodwill upon acquisitions	11	434	445
Expected remuneration	-	-	540
Cash and cash equivalents acquired	-	-	(33)

14 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 2021 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.

Net interest-bearing debt incl. leasing liabilities/EBITDA

is defined as net interest-bearing debt incl. leasing liabilities divided by 12-month rolling EBITDA.

Working capital

is defined as current assets (except cash and cash equivalents) minus non-interest-bearing liabilities (except taxes payable). Financial instruments classified as cash flow hedges are not included in working capital.

Working capital is calculated as follow:

	30.9	30.6	31.12
<i>MNOK</i>	2022	2022	2021
Current assets	23 828	22 786	24 624
Current liabilities and provisions	(21 025)	(19 138)	(19 164)
<i>Adjusted for:</i>			
Cash and cash equivalents	(2 225)	(3 536)	(8 118)
Short-term interest-bearing loans	0	0	(0)
Short-term leasing liabilities	405	409	380
Net tax payable	507	106	180
Financial instruments classified as cash flow hedges	455	256	96
Working capital	1 945	883	(2 003)

Book-to-bill ratio

is order intake divided by operating revenues.

Recurring revenues

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

Organic growth

is change in operating revenues exclusive acquired companies.

