KONGSBERG

QUARTERLY REPORT

3RD QUARTER 2016

KOG

We see that the oil and offshore market is still challenging, and this has a considerable impact on the Group's quarterly performance. The defence areas are steady going and at the same level as last year. Our order intake has been good, and, despite the write-downs in KM's backlog, we maintain an overall solid order backlog.

Geir Håøy, President & CEO

HIGHLIGHTS

KOG Revenues are 14 per cent down compared to the same quarter last year. The reduction comes primarily as a result of the challenging offshore market.

KM The challenging market situation affects the activity level and profitability. MNOK 660 write-down of order backlog. Write-downs and restructuring costs impact EBITDA by MNOK 399 in the quarter.

KDS Revenues on a par with the same quarter last year. Good project execution.

KPS More weapon station deliveries leads to an increase in revenues compared to last year.

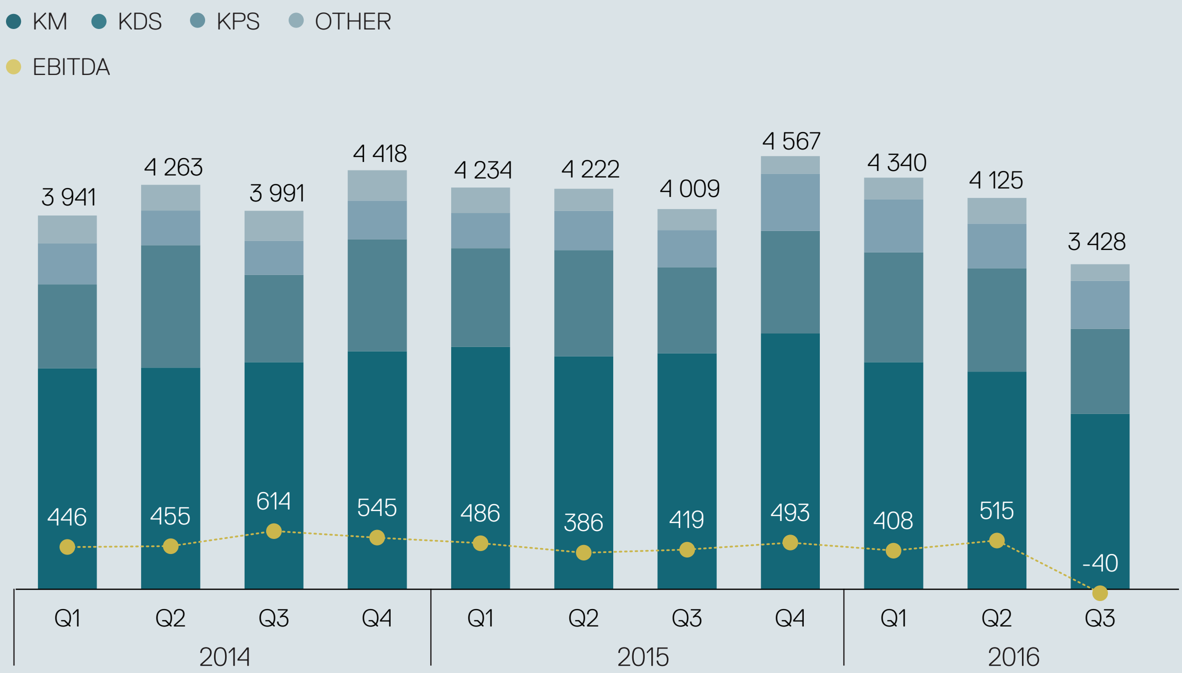
KEY FIGURES

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2016**	2015	**2016**	2015	2015
Operating revenues	**3 428**	4 009	**11 893**	12 465	17 032
EBITDA	**(40)**	419	**883**	1 291	1 784
EBITDA (%)	**(1.2)**	10.5	**7.4**	10.4	10.5
EBIT	**(162)**	281	**504**	900	944
EBIT (%)	**(4.7)**	7.0	**4.2**	7.2	5.5
Earnings before tax	**(203)**	288	**460**	920	944
Earnings after tax	**(144)**	218	**389**	691	755
EPS (NOK)	**(1.20)**	1.81	**3.25**	5.70	6.23
New orders	**4 067**	3 388	**11 307**	12 351	15 238

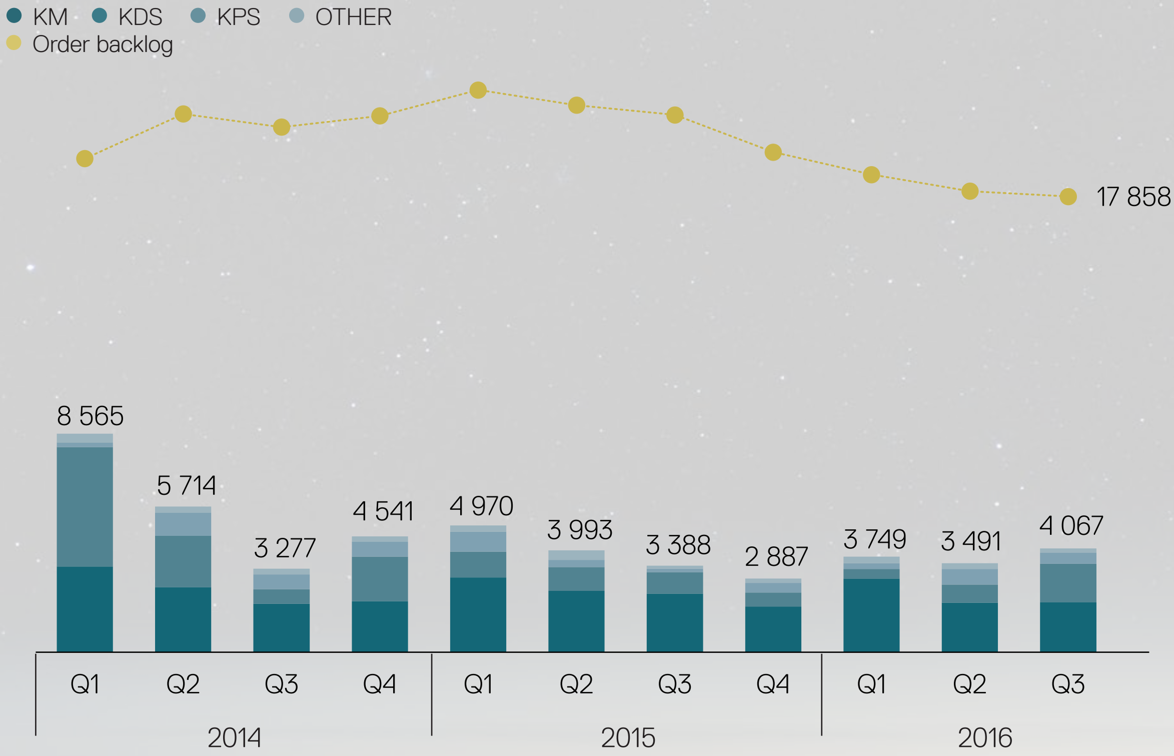
	30.9.	30.6.	31.12.
MNOK	**2016**	2016	2015
Equity ratio (%)	**31.3**	30.7	32.0
Net interest-bearing debt	**2 782**	2 667	(941)
Working capital [1]	**3 586**	3 980	2 749
ROACE (%) [2]	**6.1**	12.3	13.5
Order backlog	**17 858**	18 069	19 597
No. of employees	**7 345**	7 417	7 688

[1] *Current assets less current liabilities*
[2] *12 month rolling EBIT divided by 12 month average equity plus interest bearing debt*

OPERATING REVENUES & EBITDA

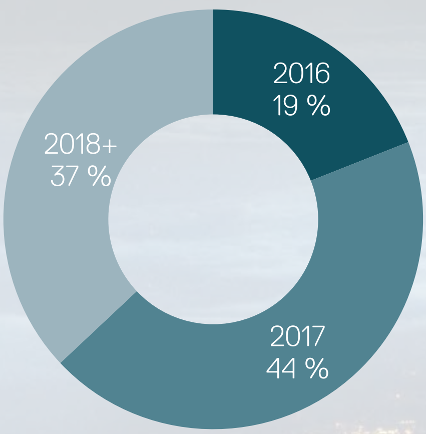


NEW ORDERS & ORDER BACKLOG

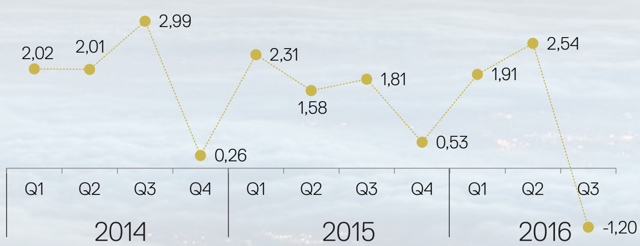


ORDER BACKLOG

Breakdown by delivery dates



EPS



PERFORMANCE, MARKET AND ORDERS

Group revenues for Q3 in 2016 are MNOK 3,428, which is 14 per cent down compared to the same quarter last year. The reduction is mainly due to the group's oil and offshore related operations. KM's revenues are down 26 per cent compared to the same quarter last year. KDS revenues are level with Q3 in 2015, while KPS has an increase of MNOK 114.

The quarterly EBITDA margin is negative by 1.2 per cent. A 30 per cent volume reduction from oil and offshore related activities impacts EBITDA negatively. As a consequence of the uncertainty in KM's offshore exposed part of the order backlog, a MNOK 660 write-down has been made in the order backlog. This, among other, results in write-down of inventory, currency hedges and other items totalling a MNOK 354 EBITDA impact. In addition, quarterly restructuring costs in KM amount to MNOK 45. KM has reduced the number of employees and hired staff by approximately 600 over the past 15 months. Based on the measures planned or in action, the cost base will be around MNOK 500 lower in 2017 compared to 2016. The Group's defence areas strengthen their margins compared to Q3 in 2015. Share of net income from Patria in Q3 is MNOK 20 and is included in KDS.

The order intake in Q3 was MNOK 4,067, which gives a gross book/bill of 1.19. The order backlog at the end of the quarter is MNOK 17,858.

Accumulated revenues in 2016 are MNOK 11,893, which is 5 per cent lower than the same period in 2015. The EBITDA margin is 7.4 per cent. The write-downs in KM for Q3 and restructuring costs in KM and KOGT has so far had a negative impact of MNOK 457 on the EBITDA in 2016. EBITDA YTD is impacted positively by MNOK 92 related to the sale of shares in KBC Advanced Technologies Ltd and customer clarifications in KPS.

CASH FLOW

KONGSBERG has a net reduction in cash and cash equivalents in Q3 of MNOK 187, and a net reduction so far this year of MNOK 558. The cash flow from operational activities is negatively affected by the use of advance payments received from customers in 2014.

In 2015, there were considerable temporary cash effects related to roll-over of currency hedges, where the cash flow is expected to recur primarily in 2017 and 2018.

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2016**	2015	**2016**	2015	2015
EBITDA	**(40)**	419	**883**	1 291	1 784
Change in net current assets and other operating related items	**159**	(1 074)	**(812)**	(2 137)	(2 871)
Net cash flow from operating activities	**119**	**(655)**	**71**	**(846)**	**(1 087)**
Net cash flow from investing activities	**(228)**	(95)	**(3 228)**	(340)	(499)
Net cash flow used in financing activities	**(27)**	(24)	**2 683**	(1 137)	(1 139)
Effect of changes in exchange rates on cash and cash equivalents	**(51)**	47	**(84)**	80	108
Net change in cash and cash equivalents	**(187)**	**(727)**	**(558)**	**(2 243)**	**(2 617)**

BALANCE SHEET

At the end of Q3, the group has a net interest-bearing debt of MNOK 2,782. The gross interest-bearing debt consists mainly of four bond loans amounting to MNOK 2,507, as well as a bridging facility of MEUR 160. In addition, the group has a syndicated credit facility of NOK 1.5 billion and an overdraft facility of MNOK 500. At the end of Q3, these remained undrawn. See Note 5 as well.

The equity share at the end of Q3 is 31.3 per cent. The equity book value is up by MNOK 557 so far in 2016. In Q3, the equity book value has increased by MNOK 60.

	30.9.	30.6.	31.12.
MNOK	**2016**	2016	2015
Equity	**6 684**	6 624	6 127
Equity ratio (%)	**31,3**	30,7	32,0
Total assets	**21 329**	21 557	19 121
Working capital	**3 586**	3 980	2 749
Gross interest-bearing liabilities	**4 031**	4 103	866
Cash and cash equivalents	**1 249**	1 436	1 807
Net interest-bearing liabilities	**2 782**	2 667	(941)

CURRENCY

KONGSBERG has a currency policy that entails that contractual currency flows are hedged by forward contracts (fair value hedges). In addition, the Group hedges a portion of the expected order intake according to the established policy (cash flow hedges). In this manner, the Group seeks to mitigate the effects of currency fluctuations over a period of up to two years, see Note 5 as well. The Group's policy was changed in 2015 and implies that the expected order intake is hedged on a shorter horizon than under the previous policy. The weakening of the Norwegian Krone (NOK) is in general positive for KONGSBERG, but the effect will become apparent over time as the currency contracts mature. At end quarter, the company's portfolio of cash flow hedges had a negative fair value of MNOK 479, which has a negative impact on equity book value. The fair value has during 2016 increased with MNOK 1.244. In conjunction with a write-down of order backlog, and as a consequence of reduced hedge volume following lower expected order intake in US dollars going forward, a currency loss of MNOK 130 has been recognised in Q3, and is included in the total write-downs in KM.

PRODUCT DEVELOPMENT

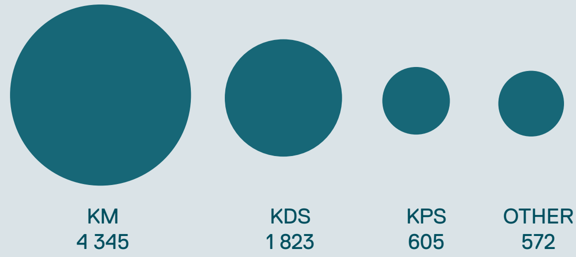
KONGSBERG continuously invests in product development, both through internally financed and customer-funded programmes. The Group has expensed MNOK 210 (MNOK 153) in Q3 for product development and maintenance. In addition, MNOK 119 (MNOK 20) has been capitalised. Total self-financed product development and maintenance in Q3 amounted to MNOK 329 (MNOK 173).

So far this year, MNOK 725 (MNOK 729) has been expensed for product development and maintenance, while MNOK 198 (MNOK 62) has been capitalised. Total self-financed product development and maintenance so far this year amounts to MNOK 923 (MNOK 791). See the table in Note 6. Customer-financed development comes in addition, either as part of delivery projects or as specific development assignments. Over time, the total costs of product development and maintenance account for about 10 per cent of the revenues.

HUMAN RESOURCES

KONGSBERG has 7,345 employees at the end of the quarter, where about 34 per cent of them being employed in companies outside of Norway. The number of employees has been reduced by 72 this quarter, mainly due to workforce reductions in KM. Further workforce reductions in KM have been announced in the quarter.

NUMBER OF EMPLOYEES BY AREA



OTHER ACTIVITIES

Other activities consist of Kongsberg Digital (KDI) in addition to eliminations and external revenues from the real estate business.

In July, KONGSBERG signed an agreement with an affiliate of National Oilwell Varco regarding the sale of the Subsea Products area of Kongsberg Oil & Gas Technologies. The transaction was concluded in September. The other divisions of KOGT have been integrated into KM and Kongsberg Digital, respectively, as of 1 July 2016.

OTHER MATTERS

The charge of corruption in Romania dismissed 16 August 2016

In February 2014, charges were brought against Kongsberg Gruppen ASA, Kongsberg Defence & Aerospace AS and an employee of Kongsberg Defence & Aerospace AS with allegations of serious corruption related to deliveries of communication equipment to Romania from 2003 to 2008. The National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim) announced on 16 August 2016 that the charges against Kongsberg Gruppen ASA and Kongsberg Defence & Aerospace AS have been dropped. As the charges have been dropped, Kongsberg Gruppen ASA and Kongsberg Defence & Aerospace AS are no longer under investigation or under suspicion of corruption. Økokrim has decided to prosecute a former employee of KONGSBERG with charges of fraud against the company.

KM

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2016**	2015	**2016**	2015	2015
Revenues	**1 849**	2 487	**6 538**	7 501	10 197
EBITDA	**(255)**	328	**211**	877	1 109
EBITDA (%)	**(13.8)**	13.2	**3.2**	11.7	10.9
New orders	**1 957**	2 300	**6 784**	7 643	9 441

	30.9.	30.6.	31.12.
MNOK	**2016**	2016	2015
Order backlog	**5 952**	6 666	6 791
No. of employees	**4 345**	4 412	4 536

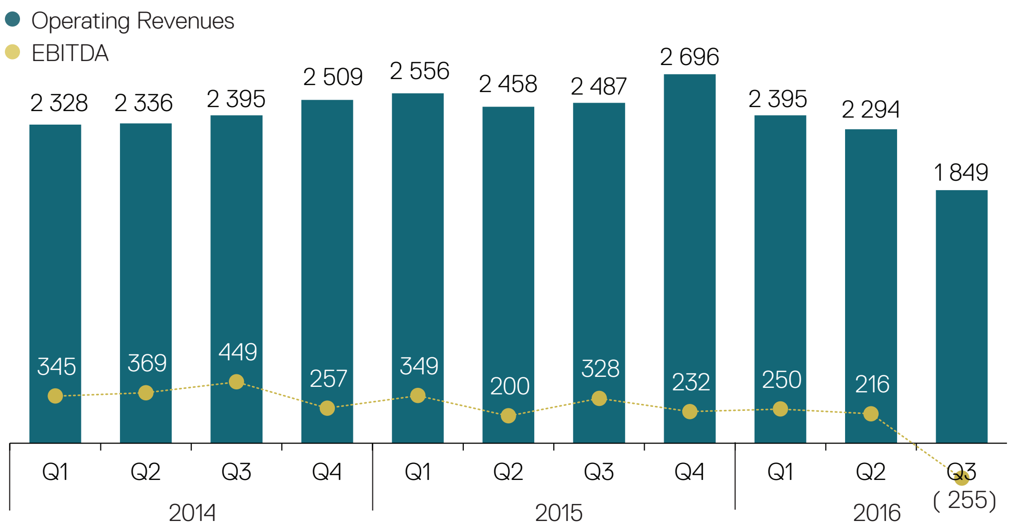
PERFORMANCE

Q3 revenues were MNOK 1,849, which is down 26 per cent compared to the same quarter last year. The reduction in revenues are mainly due to the activity level in the offshore related operations. There is also some reduced activity related to the traditional merchant marine sector.

The quarterly EBITDA is negative by MNOK 255. As a result of challenging offshore market situation, there have been continual adjustments in KM over the last two years. In Q3, there has been a MNOK 660 write-down of the order backlog. Due to this and other factors, a write-down of inventory by MNOK 150, currency hedges by MNOK 130 and other items, including receivables, by MNOK 74, amounting to a total of MNOK 354, has been made. Restructuring costs of MNOK 45 has been expensed during the quarter in the offshore related business.

Accumulated operating revenues in 2016 are MNOK 6,538, which is down 13 per cent compared to the same period last year. The EBITDA margin is 3.2 per cent and is affected negatively by the write-downs in Q3, in addition to MNOK 83 of accumulated restructuring costs.

OPERATING REVENUES & EBITDA



Substantial cost cutting measures have been implemented in KM. Based on the measures planned or in action, the cost base will be around MNOK 500 lower in 2017 compared to 2016. By year-end 2016, the number of employees and hired staff will be reduced by approximately 800 since Q2 2015. Despite very challenging conditions in some core markets, investments in development of prioritised products and solutions in existing and new markets are continued.

The activity level is high within the parts of Subsea that are not offshore related. Units such as fisheries and marine robotics have good profitability and a growth of more than 30 per cent so far in 2016. Within KM's offshore related business, the activity level is reduced, and it is also somewhat lower activity in the traditional merchant marine segment. Profitability within the offshore related parts of KM are also affected by a change in project mix. A significant part of the reduction in activity has come in areas that have traditionally been more profitable.

MARKET AND ORDERS

The order intake in Q3 was MNOK 1,957, which equals a gross book/bill of 1,06. Approximately MNOK 800 of the order intake comes from three RoPax (roll-on/roll-off passenger) vessels and two semi-sub heavy-lift/accommodation vessels. These are considerably larger scope of delivery for KM than the normal "full picture" projects. In addition to the traditional KM systems, such as navigation and automation, the contracts include delivery and integration of electrical and telecommunications systems.

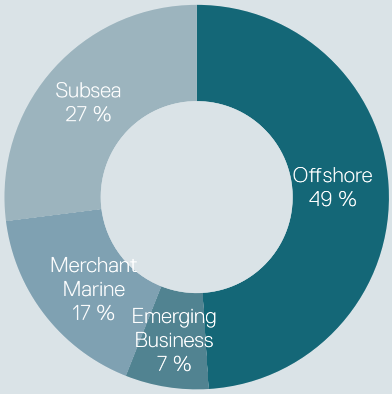
So far this year, KM has received cancellations amounting to MNOK 179, which is level with the same period in 2015. There are still many projects being postponed, and parts of the order backlog for deliveries to the offshore market are uncertain. Due to this, KM has made a MNOK 660 write-down of the order backlog. The offshore division's order backlog at the end of Q3 amounts to about NOK 3.7 billion. In addition, a smaller portion of the Subsea order backlog is related to the offshore market.

For Subsea the quarterly order intake from fisheries and research market has been good. By the end of Q3, the fisheries area already has a higher order intake than for all of 2015. For Merchant Marine the order intake is somewhat lower in Q3 compared to the previous quarters.

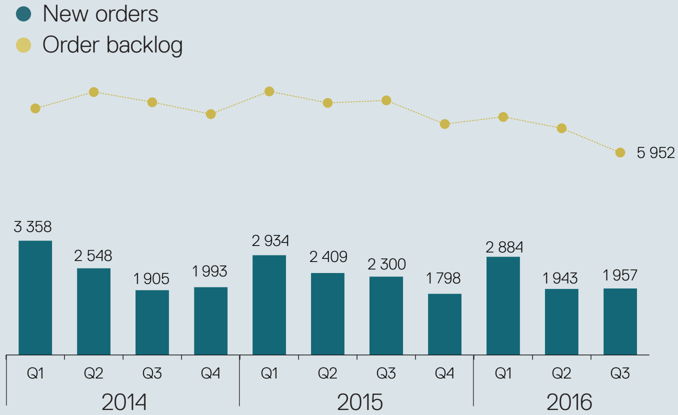
KM's after-market revenues are not included in the business area's order backlog. KM has a well-established aftermarket network that services more than 18,000 vessels fitted with KM-equipment. The down in the oil and gas market is increasingly being felt also in this business segment. By the end of Q3 in 2016, aftermarket activities represent more than a quarter of KM's turnover.

OPERATING REVENUES

YTD by segment

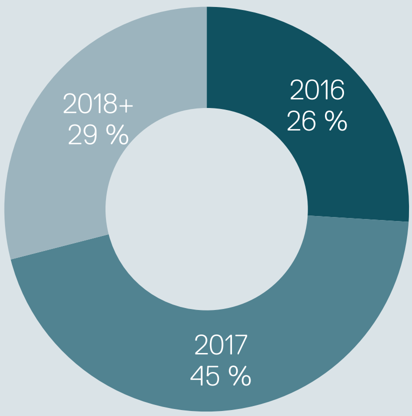


ORDERS



ORDER BACKLOG

Breakdown by delivery dates



KDS

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2016**	2015	**2016**	2015	2015
Revenues	**897**	908	**3 142**	3 066	4 149
EBITDA	**169**	131	**528**	412	695
EBITDA (%)	**18.8**	14.4	**16.8**	13.4	16.8
New orders	**1 516**	832	**2 613**	2 768	3 310

	30.9.	30.6.	31.12.
MNOK	**2016**	2016	2015
Order backlog	**8 124**	7 481	8 622
No. of employees	**1 823**	1 810	1 729

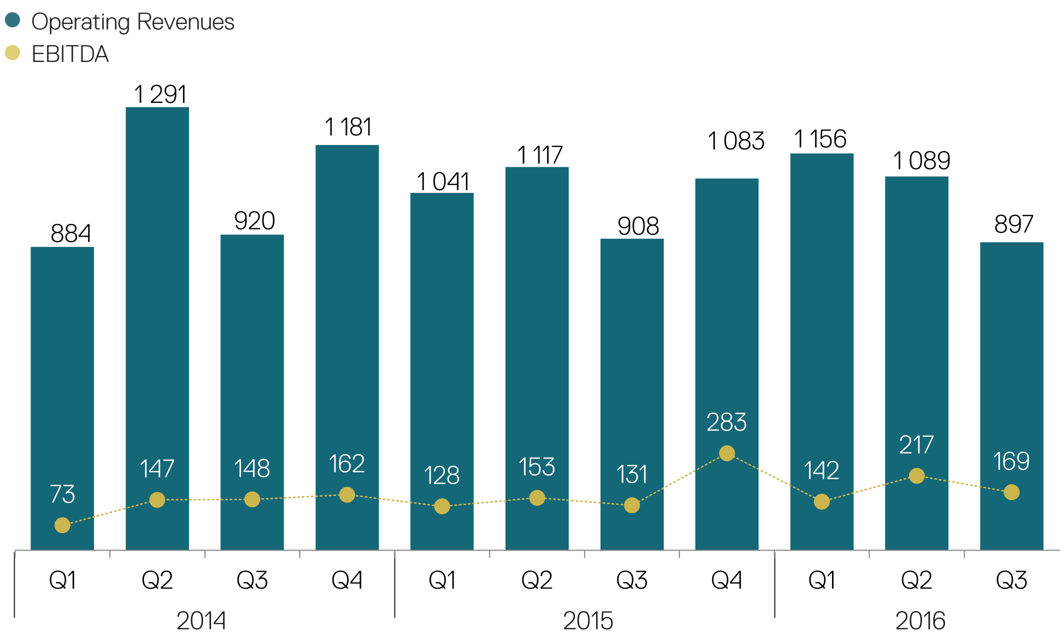
PERFORMANCE

KDS has an activity level on a par with Q3 in 2016. Revenues are MNOK 897, with an EBITDA margin of 18.8 per cent. EBITDA is MNOK 169 and includes a MNOK 20 share of net income from Patria. The EBITDA margin in KDS without Patria is 16.6 per cent.

Revenues so far in 2016 amount to MNOK 3,142, which is up 2.5 per cent from 2015. EBITDA is MNOK 528, including a MNOK 80 share of net income from Patria in the period from 24 May.

KDS has strengthened its EBITDA margin considerably in recent years. This is due to combination of many factors, including volume effects related to production of aircraft components, a higher share of projects being in the delivery phase versus the initial phase and general efficiency improvements across the organisation. The large delivery projects follow planned schedules.

OPERATING REVENUES & EBITDA



MARKET AND ORDERS

The order intake in Q3 was MNOK 1,516. The order intake is mainly driven by a high order intake within communications and aerospace-related solutions.

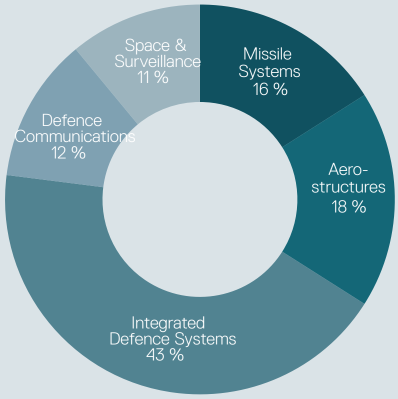
The accumulated order intake in 2016 is MNOK 2,613. The order intake is mainly driven by the same areas as in Q3. Other KDS areas have a low order intake, which was expected. Prospects for orders are good for the next 12 months within several core areas.

KDS has a product portfolio that is well positioned to meet future needs and expected market development. There is significant international interest in KONGSBERG's missiles and air defence systems, and high market activity in several large programmes in Europe, USA and Asia. KONGSBERG is the largest supplier of equipment and services for the space industry in the Nordics, and the activity in this segment is growing.

The defence market is characterised by relatively few, but large contracts. Hence, fluctuations in order intake are regarded to be normal. Decisions about defence investments are often time consuming. The customers of large defence systems are the defence authorities in the countries in question. These customers consider national security and domestic economic development as significant factors, in addition to product price and performance, when purchasing defence equipment.

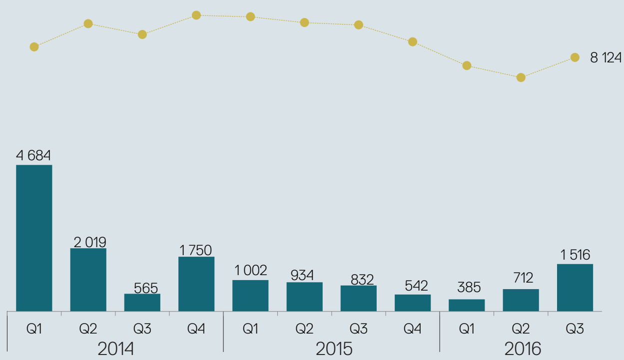
OPERATING REVENUES

YTD by segment



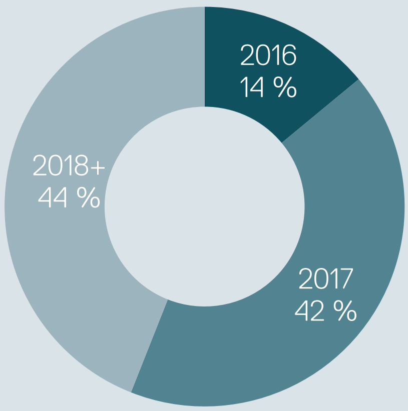
ORDERS

- New orders
- Order backlog



ORDER BACKLOG

Breakdown by delivery dates



KPS

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2016**	2015	**2016**	2015	2015
Revenues	**506**	392	**1 537**	1 177	1 777
EBITDA	**24**	3	**103**	165	227
EBITDA (%)	**4.7**	0.8	**6.7**	14.0	12.8
New orders	**433**	142	**1 264**	1 195	1 576

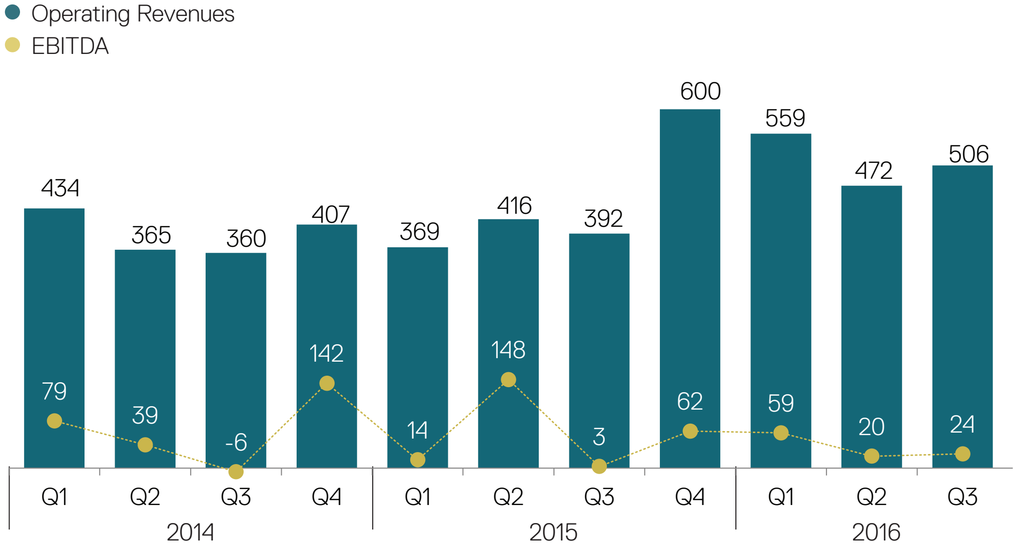
	30.9.	30.6.	31.12.
MNOK	**2016**	2016	2015
Order backlog	**3 036**	3 124	3 325
No. of employees	**605**	605	663

PERFORMANCE

KPS's revenues are MNOK 516 and the activity level has been higher in Q3 than the corresponding quarter last year. This is mainly due to an increase in deliveries of new weapon stations. More than 200 new systems were delivered in this quarter to eight different customers. A total of 450 new weapon stations were delivered in 2015. Most of the deliveries this quarter have been to the Canadian TAPV programme, the US CROWS programme, and to Switzerland and the Netherlands. In September, the first MCT-30 system was delivered to the customer. The quarterly EBITDA margin ended at 4.7 per cent.

Revenues so far in 2016 are MNOK 1,537, which is up 31 per cent from 2015. EBITDA is MNOK 103. Accumulated EBITDA is affected positively by MNOK 38 as a result of customer clarifications. The underlying EBITDA margin for the first three quarters of this year is 4.2 per cent when adjusted for one-off effects.

OPERATING REVENUES & EBITDA



The low underlying EBITDA level is a result of planned high market and development activity, especially in connection with the medium calibre project.

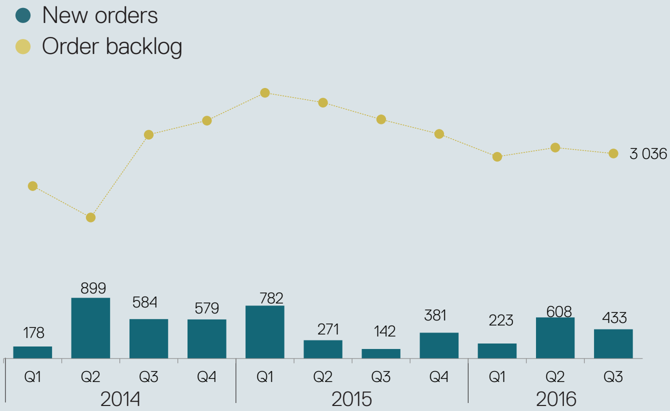
MARKET AND ORDERS

The order intake in Q3 was MNOK 433. The quarterly order intake mainly comes from the CT-30 programme with General Dynamics Land Systems, and the US CROWS III programme.

So far this year, KPS has signed orders amounting to a value of MNOK 1,264. KPS has an order backlog of MNOK 3,036, where about 20 per cent is for deliveries in the current year. The order backlog consists of maintenance orders, upgrades, new RWS systems and spare parts. The order backlog related to MCT-30 at the end of Q3 is MNOK 368. The order intake for MCT-30 to the Stryker programme has until now only involved smaller contracts.

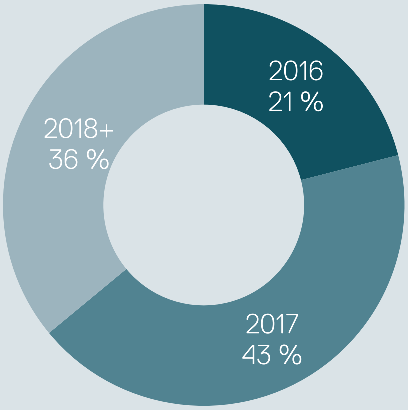
During the last 15 years, KPS has grown to become the world's leading supplier of remotely controlled weapon stations. More than 18,500 systems have been sold to customers in 17 countries. The US Army is both directly and via vehicle suppliers the largest customer. In 2016, efforts are made to maintain KPS' position in the US to ensure continued contracts on CROWS after 2017. At the same time, there will be a continued focus on growth in the after-market and on establishing new positions in the market for RWS outside of the USA.

ORDERS



ORDER BACKLOG

Breakdown by delivery dates



PARTIALLY OWNED COMPANIES

PATRIA

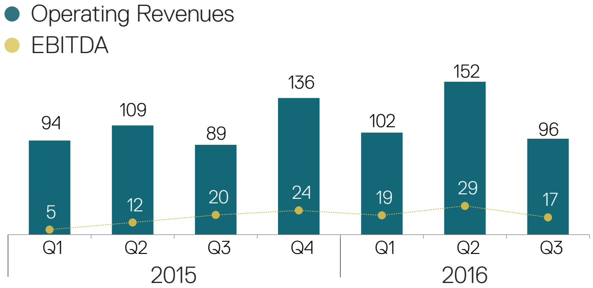
Patria is Finland's premier provider of technology solutions and life-cycle support services within defence, security and aviation. The company has an international organisation with some 2,800 employees, and holds 50 per cent of the shares in Nammo. KONGSBERG holds 49,9 per cent of the shares in Patria.

HIGHLIGHTS

- High market activity, especially within the vehicle business
- A seven per cent rise in revenues compared to Q3 in 2015
- Good execution of vehicle projects has had a positive impact on the profitability this quarter

OPERATING REVENUES AND EBITDA

MEUR



KEY FIGURES

MEUR

	1.7. - 30.9.		1.1. - 30.9.		
	2016	2015	**2016**	2015	2015
Operating revenues	**96**	89	**349**	292	428
EBITDA	**17**	20	**65**	37	61
EBITDA (%)	**18.0**	21.9	**18.6**	12.6	14.2
Net income after tax	**10**	12	**42**	20	38
Order income	**41**	39	**192**	177	299
Order backlog	**918**	1 056	**918**	1 056	1 056

BRIDGE BETWEEN EBITDA AND KONGSBERG'S SHARE OF THE CONSOLIDATED NET INCOME

	1.7. - 30.9.		24.5. - 30.9.	
Milliones	EUR	NOK	EUR	NOK
EBITDA	17		36	
Financial items, taxes, depreciations and amortisation	(7)		(12)	
Net income after tax	10		24	
KONGSBERG's share of net income in the period (49.9 %) [1]		39		104
Amortisation of excess values after tax		(19)		(24)
Share of net income recognised in KDS for the period		**20**		**80**

[1] *Share of Patria's net income after tax adjusted for minority interests*

OUTLOOK

Kongsberg Maritime has seen a considerable decrease in contracting of deliveries for new offshore vessels, and the activity has dropped significantly in this segment. A change in the project mix in the order backlog and a lower volume has a negative impact on the margin. The order situation in the traditional merchant marine segment has also clearly worsened during 2016. Total restructuring costs in 2016 are estimated to be in the order of MNOK 120–150, of which MNOK 83 is incurred by Q3. Further cost level adjustments are initiated continuously according to the market situation. Revenues and margin level in Q4 are expected to be lower compared to the same period in 2015. There are still uncertainty in parts of the order backlog.

Kongsberg Defence Systems is well positioned in its niches in a generally stronger defence market. It is expected to have several contract opportunities over the next few years for missiles, air defence, aircraft components, submarine systems and communication. Revenues for the remainder of 2016 are expected to be on a par with or somewhat higher than the same period in 2015. Patria expects growth in Q4 of 2016.

Kongsberg Protech Systems has a globally leading position in remotely operated weapon stations and a well-positioned product portfolio that includes the medium calibre turret solution that has been selected for the US Stryker vehicles. Revenues in Q4 are expected to be level with the same period in 2015.

As a part of the Group's strategy for developing the next generation of digitalized products and services, Kongsberg Digital was established on 1 July 2016. KDI's main focus in 2016 and 2017 will be on building and developing the business, including development work on digital platform solutions for customers of KM. KDI's profit contribution in this period is expected to be not significant.

Kongsberg, 27 October 2016

The Board in Kongsberg Gruppen ASA

KEY FIGURES BY QUARTER

KOG	2016				2015					2014				
MNOK	**2016**	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1	**2014**	Q4	Q3	Q2	Q1
Revenues	**11 893**	3 428	4 125	4 340	**17 032**	4 567	4 009	4 222	4 234	**16 613**	4 418	3 991	4 263	3 941
EBITDA	**883**	(40)	515	408	**1 784**	493	419	386	486	**2 060**	545	614	455	446
EBITDA %	**7.4**	(1.2)	12.5	9.4	**10.5**	10.8	10.5	9.1	11.5	**12.4**	12.3	15.4	10.7	11.3
New orders	**11 307**	4 067	3 491	3 749	**15 238**	2 887	3 388	3 993	4 970	**22 097**	4 541	3 277	5 714	8 565
Order backlog	**17 858**	17 858	18 069	18 718	**19 597**	19 597	21 059	21 439	22 033	**21 020**	21 020	20 580	21 096	19 344
EBITA	**615**	(125)	422	318	**1 405**	387	320	299	399	**1 718**	453	526	373	366
EBITA %	**5.2**	(3.6)	10.2	7.3	**8.2**	8.5	8.0	7.1	9.4	**10.3**	10.3	13.2	8.7	9.3

KM	2016				2015					2014				
MNOK	**2016**	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1	**2014**	Q4	Q3	Q2	Q1
Revenues	**6 538**	1 849	2 294	2 395	**10 197**	2 696	2 487	2 458	2 556	**9 568**	2 509	2 395	2 336	2 328
EBITDA	**211**	(255)	216	250	**1 109**	232	328	200	349	**1 420**	257	449	369	345
EBITDA %	**3.2**	(13.8)	9.4	10.4	**10.9**	8.6	13.2	8.1	13.7	**14.8**	10.2	18.7	15.8	14.8
New orders	**6 784**	1 957	1 943	2 884	**9 441**	1 798	2 300	2 409	2 934	**9 804**	1 993	1 905	2 548	3 358
Order backlog	**5 952**	5 952	6 666	7 002	**6 791**	6 791	7 485	7 412	7 751	**7 081**	7 081	7 433	7 732	7 250
EBITA	**78**	(293)	170	201	**909**	178	271	155	305	**1 249**	211	405	328	305
EBITA %	**1.2**	(15.8)	7.4	8.4	**8.9**	6.6	10.9	6.3	11.9	**13.1**	8.4	16.9	14.0	13.1

KDS	2016				2015					2014				
MNOK	**2016**	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1	**2014**	Q4	Q3	Q2	Q1
Revenues	**3 142**	897	1 089	1 156	**4 149**	1 083	908	1 117	1 041	**4 276**	1 181	920	1 291	884
EBITDA	**528**	169	217	142	**695**	283	131	153	128	**530**	162	148	147	73
EBITDA %	**16.8**	18.8	19.9	12.3	**16.8**	26.1	14.4	13.7	12.3	**12.4**	13.7	16.1	11.4	8.3
New orders	**2 613**	1 516	712	385	**3 310**	542	832	934	1 002	**9 018**	1 750	565	2 019	4 684
Order backlog	**8 124**	8 124	7 481	7 861	**8 622**	8 622	9 163	9 238	9 425	**9 471**	9 471	8 856	9 203	8 460
EBITA	**430**	135	184	111	**590**	260	101	126	103	**435**	138	124	123	50
EBITA %	**13.7**	15.1	16.9	9.6	**14.2**	24.0	11.1	11.3	9.9	**10.2**	11.7	13.5	9.5	5.7

KPS	2016				2015					2014				
MNOK	**2016**	Q3	Q2	Q1	**2015**	Q4	Q3	Q2	Q1	**2014**	Q4	Q3	Q2	Q1
Revenues	**1 537**	506	472	559	**1 777**	600	392	416	369	**1 566**	407	360	365	434
EBITDA	**103**	24	20	59	**227**	62	3	148	14	**254**	142	(6)	39	79
EBITDA %	**6.7**	4.7	4.2	10.6	**12.8**	10.3	0.8	35.6	3.8	**16.2**	34.9	(1.7)	10.7	18.2
New orders	**1 264**	433	608	223	**1 576**	381	142	271	782	**2 240**	579	584	899	178
Order backlog	**3 036**	3 036	3 124	2 989	**3 325**	3 325	3 541	3 790	3 935	**3 523**	3 523	3 315	3 088	2 555
EBITA	**76**	16	10	50	**177**	50	(9)	135	1	**201**	128	(19)	27	65
EBITA %	**4.9**	3.2	2.1	8.9	**10.0**	8.3	(2.3)	32.5	0.3	**12.8**	31.4	(5.3)	7.4	15.0

CONDENSED INCOME STATEMENT FOR THE PERIOD

		1.7. - 30.9.		1.1. - 30.9.		1.1. - 31.12.
MNOK	Note	**2016**	2015	**2016**	2015	2015
Revenues	3, 5, 12	**3 428**	4 009	**11 893**	12 465	17 032
Operating expenses	6, 12	**(3 510)**	(3 616)	**(11 157)**	(11 242)	(15 335)
Share of net income from joint arrangements and associated companies	4	**42**	26	**147**	68	87
EBITDA	3, 10	**(40)**	**419**	**883**	**1 291**	**1 784**
Depreciation		**(85)**	(93)	**(265)**	(273)	(362)
Impairment of property, plant and equipment		**-**	(6)	**(3)**	-	(17)
EBITA	3, 10	**(125)**	**320**	**615**	**1 018**	**1 405**
Amortisation		**(37)**	(39)	**(111)**	(118)	(161)
Impairment of intangible assets		**-**	-	**-**	-	(300)
EBIT	10	**(162)**	**281**	**504**	**900**	**944**
Net financial items		**(41)**	7	**(44)**	20	-
Earnings before tax (EBT)		**(203)**	**288**	**460**	**920**	**944**
Income tax expence	9	**59**	(70)	**(71)**	(229)	(189)
Earnings after tax		**(144)**	**218**	**389**	**691**	**755**
Attributable to:						
Equity holders of the parent		**(143)**	217	**390**	684	747
Non-controlling interests		**(1)**	1	**(1)**	7	8
Earnings per share (EPS)/EPS diluted in NOK		**(1.20)**	1.81	**3.25**	5.70	6.23

CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD

		1.7. - 30.9.		1.1. - 30.9.		1.1. - 31.12.
MNOK	Note	**2016**	2015	**2016**	2015	2015
Earnings after tax		**(144)**	218	**389**	691	755
Other comprehensive income:						
Items to be reclassified to profit or loss in subsequent period:						
Change in fair value, financial instruments:						
- Available-for-sale shares	5	**35**	5	**28**	46	101
- Cashflow hedges (currency futures and interest rate swaps)	5	**454**	(518)	**1 290**	(270)	(425)
Tax effect cash flow hedges (currency futures and interest rate swaps)		**(114)**	140	**(323)**	73	80
Translation differences and hedge of net investments (currency)		**(166)**	107	**(315)**	191	268
Total items to be reclassified to profit or loss in subsequent period		**209**	**(266)**	**680**	**40**	**24**
Items not to be reclassified to profit or loss:						
Actuarial gains/losses pensions		**-**	-	**-**	-	254
Income tax on items remaining in equity		**-**	-	**-**	-	(69)
Total items not to be reclassified to profit or loss in subsequent period		**-**	**-**	**-**	**-**	**185**
Comprehensive income		**128**	**(48)**	**1 132**	**731**	**964**

CONDENSED STATEMENT OF FINANCIAL STATUS

MNOK	Note	30.9. 2016	30.6. 2016	31.12. 2015
Property, plant and equipment		**2 678**	2 692	2 542
Intangible assets	6	**2 687**	2 633	2 655
Shares in joint arrangements and associated companies	4	**3 008**	3 047	366
Other non-current assets	5	**464**	290	340
Total non-current assets		**8 837**	**8 662**	**5 903**
Inventories	12	**4 660**	4 539	4 136
Trade receivables	12	**2 305**	2 792	3 038
Construction contracts in progress, asset	12	**2 414**	2 588	2 935
Other current assets		**1 864**	1 540	1 302
Cash and cash equivalents		**1 249**	1 436	1 807
Total current assets		**12 492**	**12 895**	**13 218**
Total assets		**21 329**	**21 557**	**19 121**
Issued capital		**982**	982	982
Retained earnings		**5 891**	6 201	6 298
Fair value of financial instruments		**(222)**	(598)	(1 194)
Non-controlling interests		**33**	39	41
Total equity		**6 684**	**6 624**	**6 127**
Long-term interest-bearing loans	5	**3 773**	4 103	866
Other non-current liabilities and provisions	2	**1 966**	1 915	1 659
Total non-current liabilities and provisions		**5 739**	**6 018**	**2 525**
Construction contracts in progress, liabilities	12	**2 934**	2 801	2 736
Short-term interest-bearing loans	5	**258**	-	-
Other current liabilities	2, 12	**5 714**	6 114	7 733
Total current liabilities and provisions		**8 906**	**8 915**	**10 469**
Total equity, liabilities and provisions		**21 329**	**21 557**	**19 121**
Equity ratio (%)		**31.3**	30.7	32.0
Net interest-bearing liabilities		**2 782**	2 667	(941)

CONDENSED STATEMENT OF CHANGES IN EQUITY

MNOK	30.9. 2016	30.6. 2016	31.12. 2015
Equity opening balance	**6 127**	6 127	6 282
Comprehensive income accumulated	**1 069**	1 004	964
Dividends	**(510)**	(510)	(1 110)
Treasury shares	**5**	5	8
Dividends non-controlling interests	**(3)**	-	(2)
Change in non-controlling interests	**(4)**	(2)	(15)
Equity, closing balance	**6 684**	**6 624**	**6 127**

CONDENSED CASH FLOW STATEMENT

	1.7. - 30.9.		1.1. - 30.9.		1.1. - 31.12.
MNOK	**2016**	2015	**2016**	2015	2015
Earnings before interest, tax, depreciation and amortisation	**(40)**	419	**883**	1 291	1 784
Change in net current assets and other operating related items	**159**	(1 074)	**(812)**	(2 137)	(2 871)
Net cash flow from operating activities	**119**	**(655)**	**71**	**(846)**	**(1 087)**
Acquisition of property, plant and equipment	**(107)**	(75)	**(481)**	(234)	(349)
Acquisition/disposal of subsidiaries and joint arrangement and associated companies	**-**	-	**(2 686)**	(44)	(44)
Net payment for the acquisition/disposal of available-for-sale-shares	**-**	-	**139**	-	-
Other investing activities including capitalised internally financed development	**(121)**	(20)	**(200)**	(62)	(106)
Net cash flow from investing activities	**(228)**	**(95)**	**(3 228)**	**(340)**	**(499)**
Net new loans raised	**-**	-	**3 248**	-	-
Net interests received (paid)	**(24)**	(1)	**(41)**	5	3
Net payments for the acquisition/disposal of treasury shares	**-**	-	**(12)**	(12)	(12)
Transactions with non-controlling interests	**(3)**	(23)	**(3)**	-	(23)
Dividends paid to equity holders of the parent	**-**	-	**(510)**	(1 130)	(1 110)
- of which dividends from treasury shares	**-**	-	**1**	-	3
Net cash flow from financial activities	**(27)**	**(24)**	**2 683**	**(1 137)**	**(1 139)**
Effect of changes in exchange rates on cash and cash equivalents	**(51)**	47	**(84)**	80	108
Net change in cash and cash equivalents	**(187)**	**(727)**	**(558)**	**(2 243)**	**(2 617)**
Cash and cash equivalents opening balance	**1 436**	**2 908**	**1 807**	**4 424**	**4 424**
Cash and cash equivalents closing balance	**1 249**	**2 181**	**1 249**	**2 181**	**1 807**

NOTE 1 | GENERAL INFORMATION AND PRINCIPLES

The consolidated interim condensed financial statements for Q3 (interim financial statements) covers Kongsberg Gruppen ASA, its subsidiaries and shares in joint arrangements and associated companies that are included according to the equity method.

The interim financial statements have been prepared in accordance with IAS 34 (Interim reporting), stock regulations and the additional requirements of the Securities Trading Act. The interim financial statements do not cover all information that is required in a full financial statement, and it should be read in relation to the consolidated financial statements for 2015. The consolidated financial statements for 2015 were prepared in accordance with the Norwegian Accounting Act and international standards for financial reporting (IFRS) that have been determined by the EU. In the interim financial statements, KONGSBERG have applied the same accounting principles that were described in the consolidated financial statements for 2015.

The consolidated financial statements for 2015 are available in electronic format on www.kongsberg.com.

The interim financial statements have not been audited.

NOTE 2 | ESTIMATES

Preparing the interim financial statements 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 most important assessments in using the Group's accounting principles, and the biggest sources of uncertainty, are the same as when the consolidated financial statements for 2015 were prepared.

NOTE 3 | SEGMENT INFORMATION

KDI was formally established on 1 July 2016 and is reported under "Other activities". As of Q3, some business areas have been moved to and from KM as a result of the establishment of KDI. Comparison figures have been adjusted.

	OPERATING REVENUES					EBITDA					EBITA				
	1.7. - 30.9.		1.1. - 30.9.			1.7. - 30.9.		1.1. - 30.9.			1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2016**	2015	**2016**	2015	2015	**2016**	2015	**2016**	2015	2015	**2016**	2015	**2016**	2015	2015
KM	**1 849**	2 487	**6 538**	7 501	10 197	**(255)**	328	**211**	877	1 109	**(293)**	271	**78**	731	909
KDS	**897**	908	**3 142**	3 066	4 149	**169**	131	**528**	412	695	**135**	101	**430**	330	590
KPS	**506**	392	**1 537**	1 177	1 777	**24**	3	**103**	165	227	**16**	(9)	**76**	127	177
Other	**176**	222	**676**	721	909	**22**	(43)	**41**	(163)	(247)	**17**	(43)	**31**	(170)	(271)
GROUP	**3 428**	**4 009**	**11 893**	**12 465**	**17 032**	**(40)**	**419**	**883**	**1 291**	**1 784**	**(125)**	**320**	**615**	**1 018**	**1 405**

Comparison statement KM:

	2014					2015					2016	
MNOK	Q1	Q2	Q3	Q4	2014	Q1	Q2	Q3	Q4	2015	Q1	Q2
Operating revenues, new organisation	**2 328**	**2 336**	**2 395**	**2 509**	**9 568**	**2 556**	**2 458**	**2 487**	**2 696**	**10 197**	**2 395**	**2 294**
Operating revenues, old organisation	2 365	2 359	2 433	2 546	9 703	2 611	2 509	2 541	2 777	10 438	2 478	2 360
EBITDA, new organisation	**345**	**369**	**449**	**257**	**1 420**	**349**	**200**	**328**	**232**	**1 109**	**250**	**216**
EBITDA, old organisation	341	366	459	275	1 441	352	204	325	235	1 116	264	235
EBITA, new organisation	**305**	**328**	**405**	**211**	**1 249**	**305**	**155**	**271**	**178**	**909**	**201**	**170**
EBITA, old organisation	302	324	415	225	1 266	309	159	275	183	926	219	191

NOTE 4 | SHARES IN JOINT ARRANGEMENTS AND ASSOCIATED COMPANIES

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

MNOK	Owner-ship	Carrying amount 1.1.16	Additions in the period	Dividends received in the period	Share of net income in the period [1]	Comprehensive income in the period	Carrying ammount 30.9.16
Patria Oyj	49,9 %	-	2 664	-	80	(102)	2 642
Kongsberg Satellite Services AS	50,0 %	317	-	(60)	58	-	315
Other		49	-	(7)	9	-	51
Total		**366**	**2 664**	**(67)**	**147**	**(102)**	**3 008**

[1] *The profit/loss from companies that are independent taxable entities, such as private companies, is included after amortisation and tax.*

NOTE 5 | FINANCIAL INSTRUMENTS

Long-term loans:

			30.9.2016		30.6.2016		31.12.2015	
Amount in MNOK	*Due date*	*Nominal interest rate*	*Nominal amount*	*Carrying amount*	*Nominal amount*	*Carrying amount*	*Nominelt beløp*	*Balanseført verdi*
Bond issue KOG06 - floating interest rate [2]	11.9.17	2,88 %	-	-	257	257	500	500
Bond issue KOG07 - fixed interest rate	11.9.19	4,80 %	250	250	250	250	250	250
Bond issue KOG08 - floating interest rate	2.6.21	2,25 %	1 000	1 000	1 000	1 000	-	-
Bond issue KOG09 - fixed interest rate	2.6.26	3,20 %	1 000	1 000	1 000	1 000	-	-
Bridge facility MEUR 160 - floating interest rate	24.2.19	1,95 %	1 435	1 435	1 491	1 491	-	-
Other long-term loans [3]			76	76	80	80	97	97
Total long-term loans [1]			**3 761**	**3 761**	**4 078**	**4 078**	**847**	**847**
Credit facility (unused borrowing limit)	7.4.19		1 500		1 500		1 500	
Overdraft facility (unused)			500		500		-	

[1] *The difference between the carrying amount in the statement of financial position and amounts in this note is ascribable to the fair value of the interest swap agreement related to bond issue KOG07, which had a value of MNOK 12 at 30 September 2016, MNOK 25 at 30 June 2016 and MNOK 19 at 31 December 2015.*
[2] *Bond issue KOG06, carrying amount MNOK 257, is due on 11 September 2017 and is reclassified to short-term liabilities at 30 September 2016.*
[3] *"Other long-term loans" consists of smaller loans in local banks in some of the Group's subsidiaries.*

Other non-current assets

As of 30 September, available-for-sale shares have an excess value of MNOK 110. The value has increased by MNOK 35 in Q3, which is due to the increased value of shares in Kitron ASA. The accumulated value of available-for-sale shares has increased by MNOK 6 from 1 January. In Q2, the shares in KBC Advanced Technologies Ltd were sold at a profit of MNOK 54 that was reclassified from other comprehensive income to profit and loss. Other comprehensive income for the period 1 January to 30 September 2016, MNOK 28, also includes a reversal of previous years' impairment of MNOK 22.

Currency futures and interest swap agreements

Fair value of balances classified as cash flow hedges has increased by MNOK 1,290 [3] before tax in the period 1 January to 30 September 2016. Change in fair value of currency futures represents an increase of MNOK 1,083 in the same period. The end of quarter spot prices were USD/NOK 8.06 and EUR/NOK 9.00.

Currency futures classified as cash flow hedges:

	Due in 2016		Due in 2017 or later		Total		
MNOK (before tax)	Value based on agreed exchange rates	Fair value at 30.9.16 [1]	Value based on agreed exchange rates	Fair value at 30.9.16 [1]	Value based on agreed exchange rates	Change in fair value from 31.12.15	Fair value at 30.9.16 [1]
EUR	254	1	143	6	397	50	7
USD	3 789	(35)	1 383	(23)	5 172	1 037	(58)
Others	(43)	(1)	(33)	(3)	(76)	(4)	(4)
Sumtotal	**4 000**	**(35)**	**1 493**	**(20)**	**5 493**	**1 083**	**(55)**
Roll-over of currency futures [2]		(82)		(342)		161	(424)
Total	**4 000**	**(117)**	**1 493**	**(362)**	**5 493**	**1 244** [3]	**(479)**

1) Fair value is calculated as the difference between the spot price at 30 September 2016 and the forward prices on currency contracts.
2) Carrying amount related to rollovers of cash flow hedges.
3) The difference between these two the figures, i.e. MNOK 46, is ascribable to a change in the fair values of interest swap agreements, MNOK 4, and basis swaps, MNOK 42.

NOTE 6 | SELF-FINANCED DEVELOPMENT

Self-financed product maintenance, research and development recognised in profit and loss for the period:

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2016**	2015	**2016**	2015	2015
Product maintenance	**47**	42	**156**	181	262
Research and development cost	**163**	111	**569**	548	745
Total	**210**	153	**725**	729	1 007

Self-financed development capitalised for the period:

	1.7. - 30.9.		1.1. - 30.9.		
MNOK	**2016**	2015	**2016**	2015	2015
Self-financed development	**119**	20	**198**	62	103

NOTE 7 | RELATED PARTIES

The Board is not aware of any changes or transactions in Q3 associated with related parties that in any significant way affects the Group's financial position and profit for the period.

NOTE 8 | IMPORTANT RISK AND UNCERTAINTY FACTORS

No new important risk and uncertainty factors have been detected during the quarter apart from the events described in the "Annual Report and Sustainability Report 2015", note 33 "Contingent liabilities".

The National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim) announced on 16 August 2016 that the charges against Kongsberg Gruppen ASA and Kongsberg Defence & Aerospace AS claiming serious corruption related to deliveries of communication equipment to Romania from 2003 to 2008 have been dropped.

The Group's assessment of potential financial effects is the same as in the presentation of the financial statements for 2015.

For a description of the Group's handling of various risks, please see the "Annual Report and Sustainability Report 2015".

NOTE 9 | TAX

The tax rate as of Q3 is calculated to 15.4 per cent. The reason why the effective tax rate is lower than the tax rate on regular income is that the share of net income from associated companies is included after tax. In addition, the exemption model is applicable when calculating taxable profit from sold shares.

NOTE 10 | 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.

EBITDA/EBITA/EBIT

KONGSBERG considers EBITDA/EBITA/EBIT to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is an abbreviation for «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 that are part of the financial statements for 2015. The same applies for EBITA and EBIT.

Net interest-bearing debt

Net interest-bearing debt is the net amount of the accounting lines "Cash and cash equivalents", "Long-term interest-bearing loans" and "Short-term interest-bearing loans".

Restructuring costs

KONGSBERG defines restructuring costs as salary and social security tax when employment relationships are terminated (including severance pay and gift pension) in connection with workforce reductions, as well as rent and related costs or one-time payments when leases are terminated before the lease agreement expires for spaces that are vacated.

NOTE 11 | SUBSEQUENT EVENTS

Sale of shares in Kitron ASA

On 19 October 2016, Kongsberg Gruppen ASA sold 33,439,153 shares in Kitron ASA at NOK 5.50 per share. After this sale, KONGSBERG owns no shares in the company.

NOTE 12 | WRITE-DOWNS IN KONGSBERG MARITIME

In Q3, Kongsberg Maritime has made write-downs of the value of inventories, currency hedges and other account items of MNOK 354 in total. Of this, write-down of inventory constitutes MNOK 150, write-down of currency hedges constitutes MNOK 130 and write-down of other project related account items, including loss on accounts receivables, constitutes MNOK 74.

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