

A network of ideas



KONGSBERG

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On the cover

With their diversity, knowledge and enthusiasm, 3 400 employees in 20 countries work to generate added value for Kongsberg Gruppen, its shareholders and society-at-large.

From top left:

Lona Chang (46) – *Finance Manager, Kongsberg Simrad Pte. Ltd. – Singapore*

Michael Santos Boyd (39) – *Customer Support, Simrad Inc. – Seattle, Washington, USA*

Hwang-Yong Park (40) – *Service Manager, Kongsberg Norcontrol Ltd. – Pusan, South Korea*

Maiken Thomassen (23) – *Export Assistant, Simrad Shipmate AS - Støvring, Denmark*

Helge Morsund (47) – *Program Manager Australia, Kongsberg Defence & Aerospace – Kongsberg, Norway*

Eirik Lie (33) – *Project Manager Air Defence, Kongsberg Defence & Aerospace – Kongsberg, Norway*

Our international presence

Jan Erik Korssj en
CEO



"We possess a wide diversity of expertise and cultures. I am convinced that this is the essence of our strength and the best basis for our dealings with the rest of the world."

We are proud to present the annual report for 1999. The year was characterised by strong performance in most of the Corporation's business areas, as evidenced by a significant improvement in aggregate earnings. Having said that, there is still considerable room for improvement in many areas, meaning the Corporation has not yet achieved its full potential.

As much as 66 per cent of our sales went to customers outside Norway. These sales were achieved through alliances and co-operation with international partners, as well as through

our own international production and sales network.

Approximately 25 per cent of Kongsberg Gruppen's employees work outside Norway in one of the Group's 30+ operations in 20 different countries.

This international presence is one of the corporate strengths that has not been emphasised sufficiently in the past.

In this year's annual report we have chosen to introduce our readers to a few of our employees to illustrate the Group's international expertise and ability to adapt.

As a knowledge based corporation, it is only natural that we pay close attention to the development of high-technology based products. Our ability to identify and interpret the needs of the market is the basis for our international acceptance. The key to such a development is a staff of dedicated co-workers, both in Norway and abroad, including an international network of qualified partners in other corporations as well as at research institutes.

Our financial results have been achieved through long-term planning and our investment in know-how. We are of the opinion that we have laid a firm foundation for continued progress, growth, development and expansion both in Norway and abroad.

These days, one often hears talk about the new challenges and processes of change facing business and industry, including new demands, new technology, increased focus on different areas of interest. Regardless of how the conditions applied to industrial growth and development change – our goal is to always be at the forefront.

Happy reading!

JAN ERIK KORSSJ EN
CEO

Corporate management



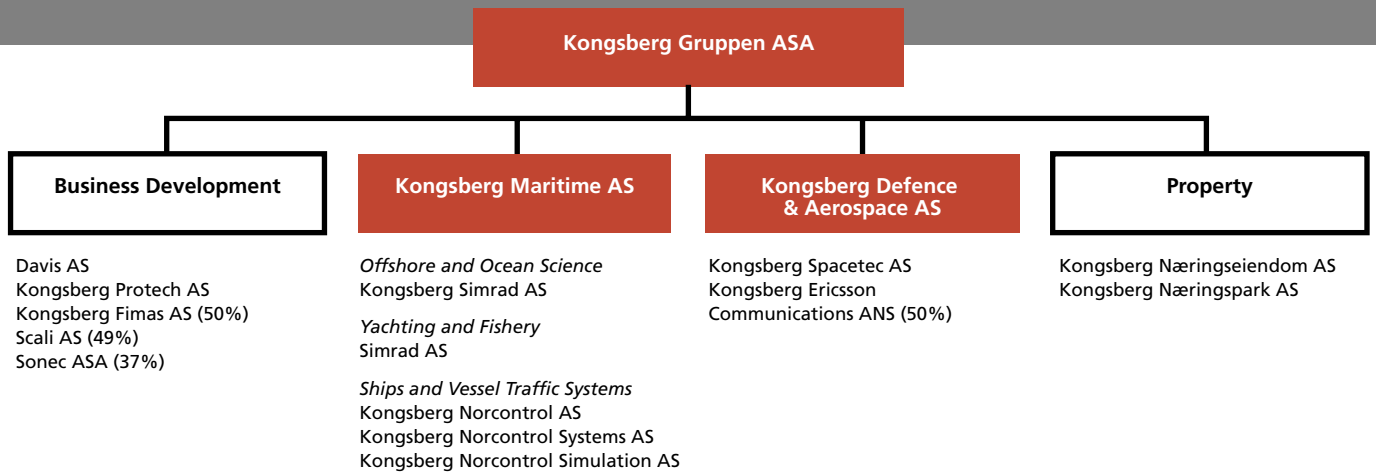
From left:
Chief Executive Officer
Jan Erik Korssj en

Executive Vice President,
Corporate
Communications
Even Aas

President, Kongsberg
Defence & Aerospace AS
Tom Gerhardsen

Executive Vice President,
Business Development,
and Acting President,
Kongsberg Maritime AS
Torfinn Kildal

Executive Vice President
and Chief Financial Officer
Arne Solberg



This is Kongsberg Gruppen

One of Norway's foremost high-tech corporations

Kongsberg Gruppen intends to:

- operate an IT/high-tech corporation in the maritime and defence market
- be a world leader in its niches
- take advantage of knowledge as its most important competitive edge
- grow organically and through acquisitions

Kongsberg Gruppen is an international high-technology corporation headquartered in Norway. The Group has 3 400 employees, a turnover of MNOK 4 945, and offices in more than 20 countries. Customers outside Norway account for MNOK 3 145, or 66 per cent, of aggregate sales. More than 800 of the Group's employees work abroad.

The Group has two main business areas: Kongsberg Maritime and Kongsberg Defence & Aerospace.

Kongsberg Gruppen has several international alliance partners, including Lockheed Martin and Raytheon of the US, Aerospatiale and Thomson of France, and Hyundai of Korea.

Through Kongsberg Maritime, the Group is a world leader in a number of maritime electronics and systems niche markets. The business area is Kongsberg Gruppen's largest, with 2000 employees and a turnover of MNOK 2 929. Kongsberg Maritime comprises three main segments: Offshore and Ocean Science, Yachting and Fishery, and Ships and Vessel Traffic Systems.

For more than 50 years, Kongsberg Maritime has been building up expertise in maritime electronics, and the company has carved out a position in the vanguard of global developments. In certain product areas, the company enjoys as much as 80 to 90 per cent of the world market. Kongsberg Maritime accounted for 60 per cent of the Group's consolidated operating revenues in 1999.

Kongsberg Defence & Aerospace is the Group's other main business area. It develops and manufactures defence and

aerospace products. A total of 1000 employees and a turnover of MNOK 1 268 make Kongsberg Defence & Aerospace far and away Norway's premier defence supplier.

Kongsberg Defence & Aerospace has roots dating back to 1814 and the dawn of Norwegian weapons production. Today, the business area is a niche defence supplier, focusing on anti-ship missiles and command and control systems for all branches of the Armed Forces. Exports have accounted for no less than 85 per cent of the orders booked during the past two years.

The two main business areas are alike insofar as both maintain an exceptionally high level of technology and have the ability to commercialise technical innovations. Software and systems development are also core technologies in both business areas.

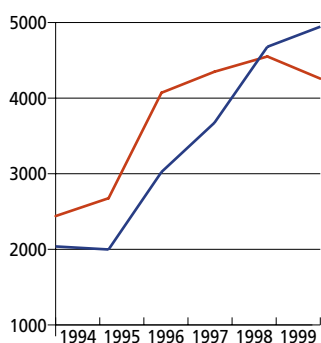
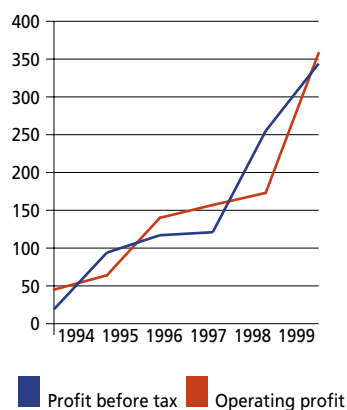
Kongsberg Gruppen attaches considerable importance to continued growth, and has organised a special unit to co-ordinate corporate business development. The unit handles existing business activities and evaluates new companies for possible acquisition. It is also in charge of further developing the wholly-owned subsidiaries Kongsberg Protech AS and Davis AS, and for ensuring optimal industrial and financial development in the partially-owned companies Sonec ASA, Kongsberg Fimas AS and Scali AS.



Key Figures

Amounts in MNOK	1999	1998	1997	1996	1995	1994
Operations:						
Operating revenues	4 945	4 679	3 674	3 023	1 998	2 038
<i>Operating revenues civilian</i> %	75	73	71	61	52	49
<i>Operating revenues outside Norway</i> %	66	60	55	51	41	47
Operating profit	358	173	157	140	64	45
Profit before tax	344	255	121	117	94	19
Order backlog	4 258	4 551	4 349	4 041	2 676	2 440
Profitability:						
Operating margin %	7,2	3,7	4,3	4,6	3,2	2,2
Return on total assets %	10	9	6	6	5	4
Return on equity %	27	24	12	12	11	2
Equity (%)	37	28	31	30	42	39
Equity (MNOK)	1 490	1 106	1 042	975	917	871
Owners' values:						
Profit/loss per share	8.84	7.04	3.04	2.95	2.69	0.28
P/E	16.22	10.79	24.99	19.60	15.20	124.50
Number of employees	3 382	3 333	3 262	3 212	2 049	2 131

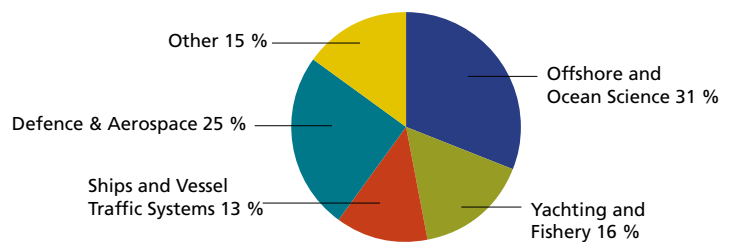
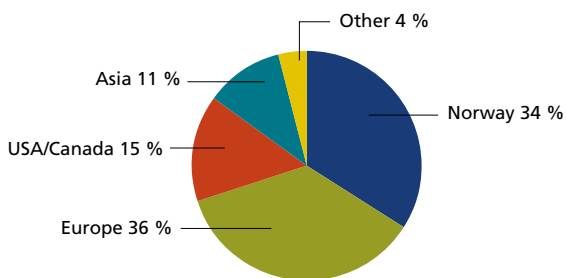
Corporate development (MNOK)



Key figures by business segment

Amounts in MNOK	Operating revenues			Operating profit		
	1999	1998	1997	1999	1998	1997
Kongsberg Maritime	2 929	2 790	2 232	133	76	78
Offshore and Ocean Science	1 534	1 424	771	183	163	58
Yachting and Fishery	827	695	538	32	31	20
Ships and Vessel Traffic Systems	661	749	924	(82)	(118)	0
Kongsberg Defence & Aerospace	1 268	1 285	1 263	1	56	28
Property	332	164	139	217	60	45
Other activities	585	759	346	7	(19)	6
Elimination	(169)	(319)	(306)			
• THE GROUP	4 945	4 679	3 674	358	173	157

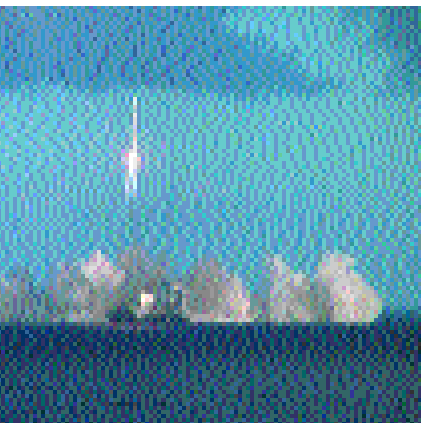
Consolidated operating revenues



Highlights



SEA LAUNCH PLATFORM: Kongsberg Simrad's dynamic positioning systems keeps the platform in precisely the right place during launches.



Dynamic positioning

- **PENGUIN:** Kongsberg Defence & Aerospace concluded Penguin contracts worth MNOK 380 with Australia, MNOK 300 with Turkey and MNOK 140 with Greece.
- **SEA LAUNCH:** Successful launches from the Sea Launch platform, for which Kongsberg Simrad has supplied highly sophisticated dynamic positioning systems for the platform and command vessel.
- **SHIP SIMULATORS:** Kongsberg Norcontrol Simulation won a MNOK 27.5 simulator contract with the Evergreen Shipping Company of Taiwan.
- **DYNAMIC POSITIONING:** Kongsberg Simrad landed contracts for dynamic positioning systems worth MNOK 25 and MNOK 50 with R&B Falcon of the USA and Alstom of France, respectively.
- **AIR DEFENCE:** A MNOK 250 air defence contract with Greece represented an international breakthrough for air defence command and control systems. Raytheon of the US is Kongsberg Defence & Aerospace's partner in this contract.
- **SONAR:** Simrad signed a MNOK 38 contract to supply sonars to the Royal Australian Navy.
- **SHARE ISSUE:** A rights issue totalling MNOK 600 was conducted in July. A subordinated loan from the Norwegian state for MNOK 300 was converted into equity.
- **HUGIN:** Kongsberg Simrad signed its first commercial contract for the untethered underwater vehicle Hugin with C&C Technologies of the US.
- **NEW FRIGATES:** An agreement was signed with Lockheed Martin and Bazan for Kongsberg Defence & Aerospace with a market potential of MNOK 3 800, in connection with the frigate contract with the Royal Norwegian Navy.
- **NEW CHIEF EXECUTIVE OFFICER:** Jan Erik Korssj en was appointed president and CEO of Kongsberg Gruppen on 24 November.
- **PROPERTY SALE:** Property accounting for the equivalent of 27 per cent of rental revenues was sold then leased back on a 15-year contract.
- **EUROFIGHTER:** Kongsberg Defence & Aerospace signed a contract worth approximately MNOK 180 for the manufacture of parts for the new European fighter aircraft (Eurofighter).

"It usually takes a larger number of people to deal with a geographically vast and highly selective market. Although the Singapore company is small, it is staffed by people of many nationalities and from all walks of life. Thanks to these individuals' enthusiasm, expertise and team spirit, we sell the full range of Kongsberg Simrad's sophisticated equipment, although our main focus is on dynamic positioning and hydrography products, as well as services. We are proud of that!"

Lona Chang (46)

Finance Manager

Kongsberg Simrad Pte. Ltd. - Singapore



pride



Directors' Report 1999

Kongsberg Gruppen had another good year of profit growth in 1999. The profit before tax came to MNOK 344 (MNOK 255 in 1998).

The Group's financial position improved considerably in 1999. The year's profit, the share issue in summer 1999 and the sale of property all contributed to this improvement. In the opinion of the Board, this financial platform should be used to promote further growth in the core areas.

The Board notes that the growth in operating revenues and profits over the past three years is largely ascribable to sales outside Norway in both the defence market and the maritime electronics market. This underlines the importance of targetting further international expansion and growth.

In this connection, predictability, both with respect to the way export regulations are applied to defence products and the authorities' practices in respect of this issue, are of the utmost importance to the Group's operating parameters.

Kongsberg Gruppen's markets are becoming increasingly complex. Accordingly, the Board is of the opinion that it is essential to continue focusing on the development of technology and expertise. Human resources are the Group's most important resources in this respect. Providing personal development opportunities for all employees and making Kongsberg Gruppen an even more attractive employer are high priorities for the Group.

The Board of Directors of Kongsberg Gruppen ASA



Christian Brinch
Chairman



Kristian Rambjør
Deputy Chairman



Berit Ågren Aas



Roar Flåthen



Marianne Lie Harg



Vidar Lande

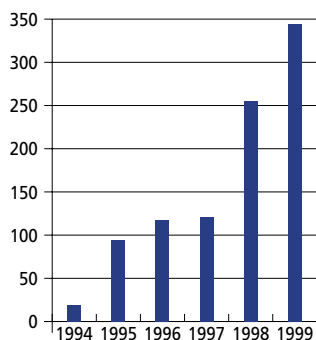


Torolf Rein

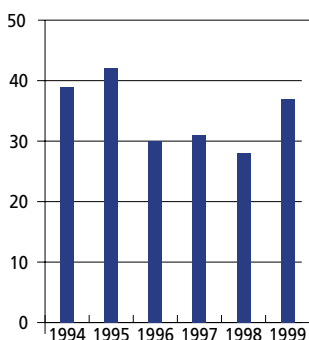


Roar Marthiniusen

**Profit before tax
(MNOK)**



Equity ratio (%)



The Group focuses on research and development on a continuous basis. Cross-border partnerships and the reinforcement of international marketing networks have been and continue to be imperative for taking full advantage of development opportunities and for continued profitability and growth.

At the end of 1999, Kongsberg Gruppen had a market capitalisation of MNOK 3 780 (MNOK 1 824 in 1998). Kongsberg Gruppen's share price climbed 66 per cent in 1999, while the Oslo Stock Exchange's All-share Index rose by 46 per cent during the same period.

THE STATEMENT OF INCOME, THE BALANCE SHEET AND THE STATEMENT OF CASH FLOWS

Consolidated operating revenues came to MNOK 4 945 in 1999, up 6 per cent compared with 1998 (MNOK 4 679). The operating profit amounted to MNOK 358 (MNOK 173).

Net financial items, including associated companies, aggregated MNOK -14 (MNOK 82). In 1998, net financial items included a MNOK 119 gain on the sale of shares.

The profit before tax totalled MNOK 344 (MNOK 255). The profit reflects certain circumstances which, in combination, had a net positive effect of MNOK 25. Excluding these special circumstances, the profit before tax came to MNOK 319.

Corporate taxes amounted to MNOK 111 (MNOK 84), corresponding to a tax rate of 32 per cent.

The order backlog was valued at MNOK 4 258 at year end, compared with MNOK 4 551 in 1998.

The Group's net short-term investments came to MNOK 330, compared with net interest-bearing debt of MNOK 456 at 31 December 1998. Insofar as cash flow is concerned, MNOK 409 was generated from operations, MNOK 40 from investments and MNOK -430 from financial activities in 1999. Total Group cash and cash equivalents added up to MNOK 139 at 31 December 1999.

Total consolidated assets aggregated MNOK 4 012, as against MNOK 3 949 at 31 December 1998.

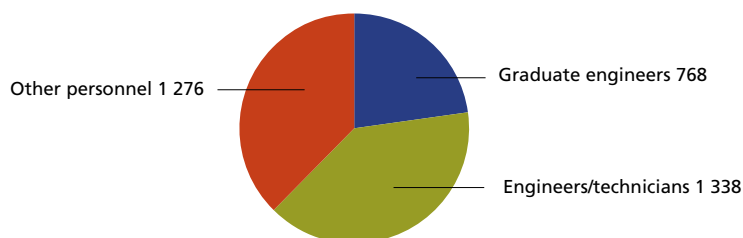
At 31 December 1999, book equity totalled MNOK 1 490 (MNOK 806), corresponding to 37 per cent.

The capital increase resulting from the rights issue became effective at 16 July 1999. The total amount of the capital increase was MNOK 600, of which MNOK 300 was paid in by the Group's private shareholders and MNOK 300 was converted from a subordinated loan from the Norwegian State. The number of shares was increased from 24 million to 30 million.

Kongsberg Gruppen ASA owned 600 783 treasury shares at 31 December 1999, representing 2 per cent of all outstanding shares. The shares were purchased for the employee option schemes pursuant to the authorisation given by the ordinary AGM on 27 April 1999, which allows the re-purchase of up to 5 per cent of outstanding shares.

The profit per share came to NOK 8.84 (NOK 7.04) for the year, based on 26.4 million shares (adjusted for the

Distribution of employees, by level of education



average number of Group-owned shares). The Board proposes a dividend of NOK 2.25 per share for 1999.

BUSINESS AREA OPERATIONS

Kongsberg Gruppen's core products are in the fields of maritime technology and defence technology. Most corporate activities take place in Norway, and the Group is headquartered in Kongsberg. The Group also has operations at other locations in Norway and abroad. (See the address list on pages 57-59, for full details.)

Kongsberg Maritime

Kongsberg Maritime reported external operating revenues of MNOK 2 929 in 1999 (MNOK 2 790). The operating profit totalled MNOK 133 (MNOK 76). Offshore and Ocean Science has continued to forge ahead, although low oil prices in the winter of 1998/99 had ramifications on business activities and orders received during the year. Ships and Vessel Traffic Systems are in the process of resolving the problems affecting Vessel Traffic Systems, but the other business activities did well. Yachting and Fishery saw growth in operating revenues.

In December 1999, Torfinn Kildal was named acting president of Kongsberg Maritime AS.

Offshore and Ocean Science

The segment reported a rise of 8 per cent in operating revenues compared with 1998. The operating profit was MNOK 183 (MNOK 163). The postponement of investment decisions in the oil industry due to low oil prices in

the winter of 1998/99 led to a decline in activity in the offshore sector, affecting the Group's business activities in this area. Offshore and Ocean Science booked orders worth MNOK 1 313 in 1999 (MNOK 1 632).

High priority is assigned to the development of technological concepts designed to make the company less vulnerable to fluctuations in the offshore market.

The development of subsea operations at ever greater depths is a designated target area for Kongsberg Simrad. The company has signed a MNOK 25 contract with R&B Falcon Drilling of the US for the delivery of a sophisticated positioning and automation system, as well as for acoustic systems. The equipment is destined for a drilling rig that will be used at depths down to 3 000 metres. This order is the first commercial result of a three-year research project conducted jointly with major North Sea oil companies. Further, a MNOK 50 contract was signed with Alstom S.A. of France for dynamic/acoustic positioning systems for deepwater drilling rigs.

Kongsberg Simrad has sold its first HUGIN 3000 untethered underwater vehicle to C&C Technologies Inc. of the US. Designed for seabed mapping at depths of down to 3000 metres, the untethered underwater vehicle was developed in conjunction with Statoil, the Norwegian Defence Research Establishment (FFI) and Norwegian Underwater Intervention (NUI) in Bergen.

Yachting and Fishery

In 1999, the segment posted an operating profit of MNOK 32 (MNOK 31) and noted a 19 per cent increase in operating revenues.

The most pronounced growth was seen in yachting products, which account for about half the segment's revenues. Modern new production lines were installed during the year. A total of MNOK 73 was spent on product development in 1999, an increase of MNOK 24 from 1998.

A unit within the Yachting and Fishery segment, Naval Sonars, signed a MNOK 38 contract with Thomson Marconi Sonar Pty. Ltd. for upgrading the sonar system onboard Australian Navy frigates. Simrad and Thomson are offering this same system for the new Norwegian frigates. Simrad is working together with Kongsberg Defence & Aerospace and the Norwegian Defence Research Establishment on a MNOK 69 R&D project known as UNISON. Aimed at further developing expertise and technology in sonar and underwater technology, the project is partially funded by the Ministry of Defence and the Norwegian Industrial and Regional Development Fund.

Ships and Vessel Traffic Systems

The segment posted an operating loss of MNOK -82 in 1999 (MNOK -118).

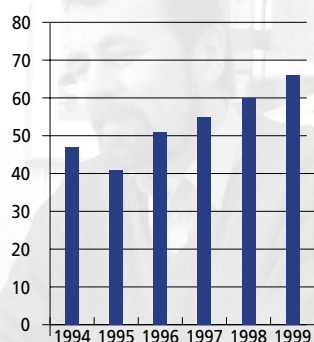
Activities related to automation and navigation posted a positive operating profit. Through determined development efforts over the past three years, the segment has rejuvenated its product portfolio. In collaboration with Hyundai Information Technology, a

new company, Hyundai Kongsberg Maritime Co. Ltd., was established in South Korea. The company will market and supply navigation and automation systems designed for the shipbuilding industry in South Korea. Kongsberg Maritime owns a 35 per cent stake in the company.

Simulator activities booked many new orders in 1999 and had a large backlog of orders at the beginning of 2000. Simulator activities earned an operating profit and have re-affirmed their position in the field of maritime simulators. Among other things, an important MNOK 27.5 contract was signed with the Evergreen Shipping Company of Taiwan, opening up new opportunities in the shipping market. More stringent international training standards have opened new opportunities for maritime simulators as large shipping companies are now interested in building their own training centres.

Weak performance on the part of Vessel Traffic Systems necessitated comprehensive adjustment measures at mid-year. As part of this adjustment,

**Operating revenues outside Norway
(% of total operating revenues)**



Kongsberg Norcontrol Systems AS is currently fulfilling current customer obligations and providing support for existing customers only. Efforts are being made to invigorate the company through alliances with other companies in the same field, and negotiations are in progress for a merger with the Norwegian company Control IT. An allocation of MNOK 74 was made in 1999 to ensure the completion of existing contracts.

Kongsberg Defence & Aerospace

In 1999, this business area posted an operating profit of MNOK 1 (MNOK 56). The 1999 operating profit reflects certain special events associated with the new Norwegian frigates and with Kongsberg Ericsson Communications ANS. A total of MNOK 13 was charged to the accounts in connection with the winding up of Nor-Eskort Gruppen DA, and the company's share of the operating loss incurred by Kongsberg Ericsson Communication ANS came to MNOK 37. The result reported by Kongsberg Ericsson Communication ANS is also related to the due diligence conducted as a result of the Group's decision to acquire Ericsson's share of the company. The factors which came to light are reflected in the renegotiated price of the company.

Kongsberg Defence & Aerospace's other main projects, including the development of the new NSM anti-ship missile, are all on schedule.

At the end of 1999, the business area had a backlog of orders valued at MNOK 3 126, compared with MNOK 3 163 at the end of 1998.

1999 was a good year for Penguin activities, as evidenced by a contract for supplementary sales to Australia, a maintenance contract with Greece and an export licence for the sale of the missiles to Turkey.

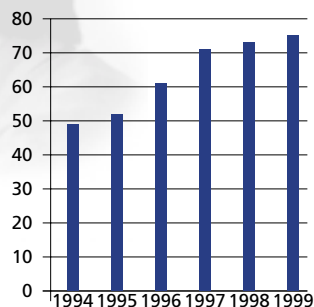
In addition, there is a strong potential for the sale of Penguins to Spain if the Royal Norwegian Navy selects Bazan as its frigate supplier. Further, an MNOK 810 contract has been signed with Lockheed Martin of the US, which will also help sell the Norwegian solution to international frigate customers.

Kongsberg Defence & Aerospace and Raytheon of the US have signed a contract with the Hellenic Ministry of National Defence to upgrade Greece's Hawk air defence system. Kongsberg Defence & Aerospace's share totals approximately MNOK 250 and includes a recently developed command and control centre. The contract is an important reference, as it represents an export market breakthrough for air defence systems.

Property

Property posted an operating profit of MNOK 217 (MNOK 60). The increase is chiefly ascribable to the sale of property. In December 1999, an agreement was signed for the sale of property equivalent to 27 per cent of the Group's rental income. The buildings are located in Kongsberg and leased to external tenants. The sales price was MNOK 350 and resulted in a book profit of MNOK 149. Kongsberg Gruppen has leased the properties back under a 15-year lease-back agreement.

Operating revenues, civilian
(% of total operating revenues)



Property enjoys a long-term occupancy rate of 99 per cent.

Other activities

Other activities posted an operating profit of MNOK 7 (MNOK -19).

The wholly-owned subsidiary Kongsberg Spedisjon AS was sold for MNOK 9, resulting in a gain of MNOK 7.

As from 1 January 1999, Kongsberg Gruppen's laboratory services merged with FIMAS Kalibreringscenter AS of Bergen. Kongsberg Gruppen owns 50 per cent of the new company, Kongsberg FIMAS AS.

Kongsberg Protech AS has enjoyed stable operations, a positive operating profit and a good influx of orders, including a contract signed with the Norwegian Army Materiel Command and Vinghøgs Mek. Verksted AS for the delivery of innovative new weapons stations (MNOK 21).

Following extensive restructuring, Davis AS earned an operating profit of MNOK 11 prior to the goodwill depreciation related to Kongsberg Gruppen's acquisition of Davis AS.

Kongsberg Gruppen conducted an employee share programme in the 2nd quarter. Some 1 300 employees (40 per cent) took part. The Group incurred costs of MNOK 5 in connection with the share programme.

THE BOARD AND THE SHAREHOLDERS

At the Annual General meeting (AGM) held 27 April 1999, it was decided to disband the Corporate Assembly and an agreement was signed between Kongsberg Gruppen and the trade

unions regarding an amendment to the co-determination regulations applying to Board representation. The agreement entails that the employees are entitled to elect one new Board member in addition to the two Board members that already represented the employees. Roar Marthiniusen was elected to the Board, and the Corporate Assembly was disbanded as of the same date.

This year's adjustment on the tax-related incoming value of shares (RISK) is positive for shareholders in Kongsberg Gruppen ASA, and is estimated at NOK 2.13 per share. The RISK adjustment for 1998 has been stipulated at NOK -1.90 per share and accrues to those holding shares at 1 January 1999. Further details about shares and shareholder relations are provided in Note 22 to the corporate accounts and on pages 34-38.

RESEARCH AND DEVELOPMENT

Kongsberg Gruppen spent approximately MNOK 500 on research and development in 1999, of which approximately MNOK 200 was self financed. Projects based on external financing entail long-term commercial rights. Kongsberg Gruppen intends to continue to focus on these activities, which will be directed towards the Group's core areas.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Kongsberg Gruppen has experienced no serious job-related accidents during the year which have resulted in grave human injury or material damage. The Board is concerned with preventing

job-related injuries and illnesses.

Enthusiasm and accountability at all levels of the organisation are essential for achieving this goal.

The Group's various working environment committees met on a regular basis in 1999. The committees dealt with several specific issues, resulting in improvements that have been made on an ongoing basis.

Average absence due to illness was 3.1 per cent in 1999, compared with 3.0 per cent a year earlier. Importance is attached to the psycho-social working environment, among other things in order to be prepared to adapt to change. Each year, a survey is conducted to examine conditions related to the working environment and organisational development. The survey conducted in 1999 showed that the improvement processes are bringing results.

Corporate production activities involve fluids and substances which require stringent safety treatment. Environmental factors are taken into account through Kongsberg companies' procedures, and the Group follows these up on a continuous basis through established routines. From this perspective, environmental risks are considered minimal. The Board considers the Group's treatment of environmental issues to fall well within the limits established by the rules and guidelines which apply.

EMPLOYEES

At 31 December 1999, the Group had 3 382 employees, 760 of whom worked outside Norway. At year end, the parent company had 22 employees. At year-end 1998, the Group had 3 333 employees.

Kongsberg Gruppen's human resources and focus on human resource development are the most essential factors for corporate goal achievement. The business areas are encouraged to share expertise. Management development and professional resources development are also high on the corporate priority list.

Kongsberg Gruppen enjoys good co-operation with the trade unions, which make invaluable contributions to the development of the individual companies and the corporation as a whole.

OTHER MATTERS

On 24 November 1999, Jan Erik Korsjøen was appointed Chief Executive Officer of Kongsberg Gruppen. He was previously president of Kongsberg Maritime.

PROSPECTS FOR THE FUTURE

Offshore and Ocean Science are expected to turn in a weaker profit in 2000 as a result of the reduced investment level in the offshore sector.

Yachting and Fishery's profits are expected to improve.

In Ships and Vessel Traffic Systems, maritime automation and simulation are expected to maintain stable operations and improve their results.

Kongsberg Defence & Aerospace is expected to post higher profits and book more orders.

Property activities will see a downturn in the operating profit as a result of the sale of part of the Group's property.

Other activities are expected to remain stable.

ALLOCATION OF NET PROFIT AND EQUITY TRANSFERS

The Annual Report is submitted on the assumption that Kongsberg Gruppen is a going concern.

The Board recommends the following appropriation of Kongsberg Gruppen ASA's net profit/loss for the year:

Dividends	MNOK	66
Other shareholders' equity	MNOK	69
Total	MNOK	135

Kongsberg Gruppen ASA has MNOK 486 in free reserves at 31 December 1999.

Kongsberg, 28 February 2000

Board of Directors of Kongsberg Gruppen ASA

Christian Brinch
Chairman

Kristian Rambjør
Deputy Chairman

Berit Ågren Aas

Roar Flåthen

Marianne Lie Harg

Vidar Lande

Torolf Rein

Roar Marthiniussen

Jan Erik Korsjøen
Chief Executive Officer



enthusiasm

"Alliance partners which complement but also supplement our own expertise are important in order to obtain a foothold in the market for defence materiel. We have established a network of outstanding partners whose goals concur with our own. They constitute a tremendous resource. The air defence contract with Greece is a prime example."

Eirik Lie (33)

Project Manager, Air Defence
Kongsberg Defence & Aerospace AS - Kongsberg, Norway

Statement of Income 1 Jan. - 31 Dec.

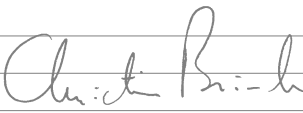
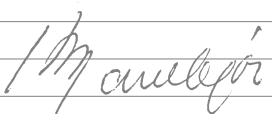

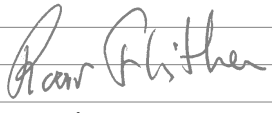
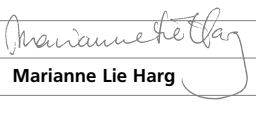
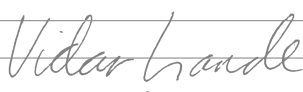

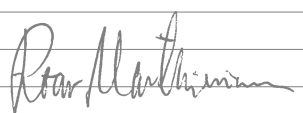

Kongsberg Gruppen - The Group

	Amounts in MNOK	Note	1999	1998	1997
• Operating revenues		3	4 945	4 679	3 674
Change in processed inventory			11	(179)	(27)
Cost of materials and consumables			1 990	2 110	1 444
Personnel expenses		4, 17	1 501	1 336	1 204
Depreciation		15, 16	205	184	149
Write-down of goodwill			-	56	-
Other operating expenses		5	880	999	747
• Total operating expenses			4 587	4 506	3 517
• Operating profit			358	173	157
Profit from associated companies		18	19	7	-
Net financial items		6	(33)	75	(36)
• Profit before tax			344	255	121
Tax expense		19	(111)	(84)	(48)
• Net profit			233	171	73
Minority share			0	(2)	-
Majority share			233	169	73
Basic/diluted earnings per share in NOK		21	8.84	7.04	3.04



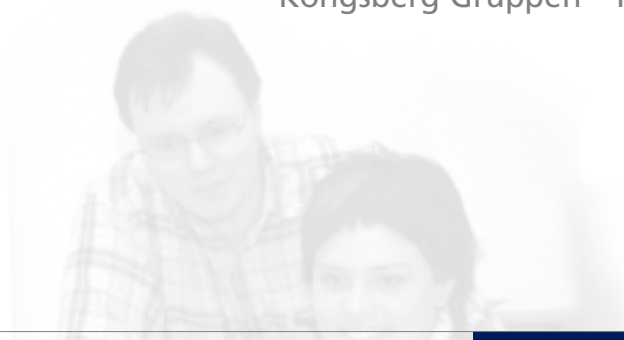
Balance Sheet at 31 December

Kongsberg Gruppen - The Group

	Amounts in MNOK	Note	1999	1998	1997
ASSETS					
Kongsberg, 28 February 2000	Deferred tax asset	19	10	-	-
	Goodwill	15	501	553	428
Christian Brinch Chairman	Fixed assets	16	889	935	738
	Financial assets	7, 17, 18	192	123	81
	• Total non-current assets		1 592	1 611	1 247
	Inventory	8	480	462	383
	Receivables	9, 10	1 610	1 727	1 400
Kristian Rambjør Deputy Chairman	Investments	11	191	29	118
	Bank deposits and cash equivalents		139	120	264
	• Total current assets		2 420	2 338	2 165
	TOTAL ASSETS		4 012	3 949	3 412
Berit Ågren Aas	EQUITY AND LIABILITIES				
	Share capital	22	150	120	120
Roar Flåthen	Treasury shares		(3)	-	-
	Share premium fund		832	267	267
	• Total paid-in equity		979	387	387
	Other equity from retained earnings		508	416	353
Marianne Lie Harg	• Total accrued equity		508	416	353
	Minority interests		3	3	2
Vidar Lande	• Total equity	20	1 490	806	742
	Provisions	12	30	-	-
	Pension liabilities	17	-	18	26
	Deferred tax liabilities	19	276	230	222
	• Total provisions		306	248	248
Torolf Rein	Subordinated loan		-	300	300
	Debt to credit institutions	13	-	578	460
	• Total other non-current liabilities		0	878	760
	Debt to credit institutions		-	27	48
Roar Marthiniusen	Other current liabilities	14	1 358	1 438	1 059
	Prepayments from customers		858	552	555
	• Total current liabilities		2 216	2 017	1 662
	• Total liabilities		2 522	3 143	2 670
Jan Erik Korssjøen Chief Executive Officer	• TOTAL EQUITY AND LIABILITIES		4 012	3 949	3 412

Statement of Cash Flows

Kongsberg Gruppen - The Group



Amounts in MNOK	1999	1998	1997
Profit before tax	344	255	121
Tax paid	(18)	(5)	(11)
Profit/(loss) on sale of fixed assets	(152)	-	-
Depreciation	205	184	149
Write-down of goodwill	-	56	-
Profit from associated companies	(19)	(7)	-
Change in net pension assets and pension liabilities	(32)	(22)	(8)
Change in shares and bonds	(27)	89	(101)
Change in current receivables	18	(286)	(80)
Change in projects in progress and inventories	(45)	(20)	(42)
Change in accounts payable	(92)	84	49
Change in prepayments from customers	306	(3)	179
Change in other accruals	(79)	98	102
• Net cash flow from operations	409	423	358
Payments for the purchase of fixed assets	(305)	(353)	(216)
Payment for the purchase of shares	(8)	(206)	(96)
Receipts from the sale of fixed assets	350	24	47
Net receipts/payments for financial investments	(9)	-	-
Net receipts/payments for long-term receivables and shares	12	-	(1)
• Net cash flow from investment activities	40	(535)	(266)
Receipts from raising interest-bearing debt	-	199	-
Down payment of interest-bearing debt	(605)	(207)	(117)
Paid-in equity	292	-	-
Payments for purchase of treasury shares	(92)	-	-
Receipts for sale of treasury shares	23	-	-
Payment of dividends	(48)	(24)	(21)
• Net cash flow from financial activities	(430)	(32)	(138)
Net change in cash and cash equivalents	19	(144)	(46)
Cash and cash equivalents at 1 January	120	264	310
• Cash and cash equivalents at 31 December	139	120	264

Accounting Principles

The annual accounts are presented in compliance with the Accounting Act of 1998, and have been prepared in accordance with generally accepted Norwegian accounting standards. The company has amended its accounting principles to comply with the Accounting Act of 1998. The transition to the new Accounting Act does not affect the Group's equity. The Statement of Income and the Balance Sheet have been reclassified, and previous figures have been adjusted to facilitate comparison.

Consolidation of subsidiaries

The consolidated accounts include the companies in which Kongsberg Gruppen ASA directly or indirectly owns more than 50 per cent of the shares and has a controlling interest. The most significant companies included in the consolidated accounts are listed in Note 1 to the parent company's accounts. The consolidated accounts show the Group's financial position and results when all units are considered as a whole.

Shares in subsidiaries are eliminated in accordance with the acquisition method of accounting. Excess value that cannot be assigned to identifiable assets is classified as goodwill. New subsidiaries are included in the consolidated accounts from the date of acquisition.

Phased acquisitions are based on asset values at the time of integration into the Group. Excess value due to goodwill is calculated on each individual acquisition.

Subsidiaries sold during the year are included in the Statement of Income up to the date of disposal. Inter-company revenues, costs and balances have been eliminated.

Translation – foreign subsidiaries

The accounts of the foreign subsidiaries are included in the Statement of Income at average exchange rates for the year. Balance Sheet items are translated at the rates that applied on 31 December. Translation differences are booked against the Group's shareholders' equity.

Valuation and classification of assets and liabilities

The classification of items on the Balance Sheet is based on the assumption that assets associated with transaction flows, claims to be settled within one year and "assets not intended for permanent ownership or use", are current assets. Other assets are classified as fixed assets.

Commercial papers are classified as long-term liabilities because it is possible to convert them to long-term bank loans.

Current assets are valued at cost or market value, whichever is lower. Fixed assets are valued at cost less depreciation, if any. Fixed assets are written down if their market value is lower than their book value and the difference is considered to be of a permanent nature.

Foreign currency

Receivables and liabilities are translated at the exchange rate applicable on the Balance Sheet date.

Intangible assets

Goodwill is amortised on the basis of the earnings estimates made at the time of acquisition of each individual company. The value of remaining goodwill is reviewed at the close of each fiscal year and, if necessary, it is written down or its amortisation rate is adjusted.

All costs related to equity-financed research and development have been charged to the Statement of Income.

Fixed assets

Fixed assets are generally depreciated on a straight line basis over the expected useful life of the asset.

Ownership interests in associated companies and subsidiaries

Associated companies are defined as those in which the Kongsberg Group has significant influence. Interests in associated companies

are valued in the consolidated accounts in accordance with the equity method of accounting. In the parent company accounts, ownership interests refer to shares in associated companies valued on the basis of the cost method of accounting.

Ownership interests in joint ventures

The subsidiary Kongsberg Defence & Aerospace AS has a 50 per cent ownership interest in the general partnership Kongsberg Ericsson Communications ANS. This ownership interest is accounted for using to the proportionate method of consolidation.

Other long-term shareholdings and other ownership interests

Long-term shareholdings and units in which Kongsberg Gruppen does not exercise significant influence are recognised in accordance with the cost method of accounting. The investments are written down to their actual value if any decline in value is not of a temporary nature. Dividends and other allocations of profit from the companies are reported under 'Other financial income'.

Short-term investments in other companies (short-term shareholdings)

Other short-term investments are valued at average cost price or actual value, whichever is lower, on the date of Balance Sheet recognition. Previously, cost price was attributed according to the FIFO method, rather than average cost price. The change in accounting principles had no effect on equity on 1 January 1999.

Inventory

Inventory is valued at average cost price or net realisable value, whichever is lower. The net realisable value of raw materials and work in progress is calculated as the sales value of the finished products less remaining production and sales costs.

Revenue recognition principles

The Group's main business objective is to develop and manufacture products and sys-

orders received. The processed work in progress is booked as revenue. Uninvoiced work is reported under "Projects in the Balance Sheet.

Progress is stipulated as incurred costs plus a proportional share of contract profit. Production costs include direct wages, direct materials and a proportional share of the individual project's indirect costs, while general overhead costs, sales costs, corporate costs and interest expenses are included in production costs. Accrued contract profit includes the interest income from customers that exceeds the cost of capital up in the individual projects. Contract profit shall be calculated as a proportional share of the estimated contract profit. The proportional share of contract profit is based on the completion of the individual contract, which is largely determined on the basis of the progress incurred compared with the total costs at the time of valuation.

Contract profit is not recognised as long as the project's final result can be estimated to a reasonable degree of certainty. An anticipated loss on the remainder of the contract shall be expensed in full immediately.

Contract profits for projects with a large number of variables. Such estimates are based on the best judgement of management. However, owing to the scope and uncertainty of the estimates, the final result at completion of the contract may differ from the estimates made at the time of valuation in the accounts.

Financial instruments

Kongsberg Gruppen uses financial instruments to manage foreign exchange and interest rate exposure. Most forward foreign exchange contracts are used to hedge future cash flows and Balance Sheet items in foreign currency.

Gains and losses on foreign exchange contracts which satisfy the criteria for hedging are reported and evaluated in tandem with the hedged item. Gains and losses on foreign exchange contracts which satisfy the criteria for the hedging of future transactions are recorded together with the underlying transaction.

Foreign exchange contracts not classified as hedges are reported collectively as a portfolio and assessed at market value. Net losses and gains are recognised as 'Financial items'.

Interest instruments not classified as hedges are reported collectively as a portfolio and assessed at market value. Net losses and gains are recognised as "Financial items".

Amounts received or paid in connection with interest rate swaps which satisfy the criteria for hedging interest-bearing assets or liabilities are recorded over the term of the contract.

Gains and losses on hedging instruments terminated prior to their expiry are capitalised and recognised together with the hedged item.

Pensions

Pension expenses and commitments are treated in accordance with the Preliminary Norwegian Accounting Standard prepared by the Norwegian Accounting Standards Board.

The parent company and subsidiaries have collective pension schemes which entitle employees to certain future pension benefits

The Group's legal obligations are determined by their treatment in the accounts.

In the Profit and Loss Account, net pension expenses, after a deduction of the anticipated return on the pension plan, have been recorded as "Personnel expenses". In the Balance Sheet, net pension obligations including social security expenses are recorded as "Financial assets". Differences between the pension obligations and pension funds are amortised over the assumed average remaining years of service until retirement age if net differences exceed 5 percent of the gross pension obligations. In pension funds, whichever is higher, the pension plan are distributed over the average remaining years until retirement.

Taxation

The tax expenses in the Profit and Loss Account include payable taxes and changes in deferred taxes. The change in deferred taxes reflects the future tax consequences resulting from the current period's activities. Deferred taxes are based on the current period's profit, but they fall due in subsequent accounting periods. Deferred taxes are calculated on net tax-increasing differences between the Balance Sheet items and the accounting purposes and those differences, for tax reporting purposes, adjusted for temporary decreasing differences and tax losses carried forward according to the liability method in accounting pursuant to the Preliminary Norwegian Accounting Standard. Income from long-term production contracts is not recognised for tax purposes until an individual contract has been completed. As to Kongsberg Gruppen's voluntary long-term contracts, there are no significant considerable temporary tax-increasing differences.

Notes

The Group

1 SPECIAL CIRCUMSTANCES AND CHANGES IN GROUP STRUCTURE

In December, Kongsberg Gruppen sold property equivalent to 27 per cent of its rental income for MNOK 350. Kongsberg Næringseiendom subsequently leased the properties back for a period of 15 years, then sublet them in turn to external tenants. Kongsberg Næringseiendom has agreed to undertake certain obligations related to maintenance, property tax and municipal fees on the sold properties. The profit from the sale amounted to MNOK 149 before tax and after making provisions for future obligations.

Kongsberg Gruppen's laboratory services were merged with FIMAS Kalibreringscenter AS in Bergen on 1 January 1999. The new company is called Kongsberg FIMAS AS, of which Kongsberg Gruppen owns 50 per cent. The equity method of accounting has been used for this company.

In August, Kongsberg Gruppen sold its wholly-owned subsidiary Kongsberg Spedisjon AS to Grieg Transport AS in Bergen for MNOK 9. The profit from this sale was MNOK 7.

At about mid-year, Kongsberg Maritime AS (KM) established a new company, Hyundai Kongsberg Maritime Co. Ltd. (HKM) in South Korea in collaboration with Hyundai Information Technology (HIT). Kongsberg Maritime invested a total of MNOK 20 in the new company and has an ownership interest of 35 per cent. HIT owns 29 per cent of the shares, while the employees own the remaining 28 per cent. The equity method of accounting has been used for this company.

Weak performance in Ships and Vessel Traffic Systems necessitated comprehensive restructuring at Kongsberg Norcontrol Systems AS. As part of this process, the company is currently working exclusively with existing customer obligations and customer support. Efforts are being made to strengthen the company through alliances with others in the same industry, and negotiations are in progress regarding a merger with the Norwegian company Control IT. The 1999 accounts include a provision of MNOK 74 earmarked for the completion of existing contracts.

Kongsberg Defence & Aerospace has received arbitration notification from DCNI of France. The matter refers to an underlying dispute regarding the parties' long-term co-operation. The disagreement is over the submission of a joint bid for the new Norwegian frigates. Kongsberg Defence & Aerospace plans to lodge a counterclaim against DCNI.

2 FINANCIAL MARKET RISK

Interest rate risk

The Group's policy is to avoid interest rate risk. At 31 December 1999, the Group had net financial investments of MNOK 330, and no interest-bearing debt. The current investments are in short-term interest-bearing bank deposits and liquid securities.

Exchange rate risk

The Group's policy is to avoid exchange rate risk. Foreign exchange contracts have been entered into with external banks to hedge the Group's foreign exchange positions. Forward exchange contracts and options are used to hedge cash flows and assets denominated in foreign currencies.

Otherwise, reference is made to pages 36 - 38 regarding analytical information.

3 OPERATING REVENUES

By geographical area

Amounts in MNOK	1999	1998	1997
Norway	1 800	1 869	1 647
Scandinavia	384	295	251
Europe	1 404	1 270	798
USA/Canada	726	600	457
Asia	515	582	481
Other	116	63	40
• Total	4 945	4 679	3 674

Key figures by business segment

Inter-company sales are priced at stipulated market values. The most significant inter-company sales are related to property activities, which had MNOK 98 in revenues from companies within the Group in 1999.

...continues →

Notes

The Group

→ Key figures by business segment

Amounts in MNOK	Operating revenues	Operating expenses	Operating profit	Capital employed *)	Interest-free debt	Investments	Deprec. and write-downs
1997							
Offshore and Ocean Science	924	866	58	801	323	59	35
Yachting and Fishery	538	518	20	649	155	37	30
Ships and Vessel Traffic Systems	771	771	0	661	350	16	23
Defence & Aerospace	1 263	1 235	28	726	1 157	38	36
Property	139	94	45	416	56	64	21
Other/elimination	39	33	6	(223)	(179)	2	4
• Total	3 674	3 517	157	3 030	1 862	216	149
1998							
Offshore and Ocean Science	1 424	1 261	163	916	358	28	45
Yachting and Fishery	695	664	31	743	164	137	35
Ships and Vessel Traffic Systems	749	867	(118)	441	289	13	80
Defence & Aerospace	1 605	1 537	56	622	1 217	77	42
Property	164	104	60	621	105	160	26
Other/elimination	42	73	(19)	457	105	159	12
• Total	4 679	4 506	173	3 800	2 238	574	240
1999							
Offshore and Ocean Science	1 534	1 351	183	903	634	66	53
Yachting and Fishery	827	795	32	829	228	56	43
Ships and Vessel Traffic Systems	661	743	(82)	469	330	31	16
Defence & Aerospace	1 268	1 267	1	662	1 348	61	34
Property	332	115	217	475	217	67	31
Other/elimination	323	316	7	344	(235)	24	28
• Total	4 945	4 587	358	3 682	2 522	305	205

*) Capital employed comprises total assets less current investments, bank deposits and cash equivalents.

4

PERSONNEL EXPENSES, NUMBER OF EMPLOYEES AND REMUNERATION

Personnel expenses

Amounts in MNOK	1999	1998	1997
Wages and salaries	1 239	1 095	986
Social security expenses	166	150	137
Pension expenses	31	28	27
Other benefits	65	63	54
• Total	1 501	1 336	1 204

The company had an average of 3 308 employees during the fiscal year.

	CEO *)	Board	Corporate Assembly
Wages and fees	1 408 490	815 332	26 270
Pension expenses for CEO	387 791		
Other remuneration	108 513		

*) Payments to the CEO cover payments to former CEO Jan T. Jørgensen until 10 Sept. 1999 and to the current CEO Jan Erik Korssj en from 10 September 1999 through 31 December 1999.

According to his agreement, the CEO is entitled to one year's severance pay upon leaving the company and he has an early retirement agreement.

Auditor

Ordinary auditing fees were NOK 400 000 in 1999 for the parent company, and NOK 4 726 260 for the Group. Fees for other services were NOK 907 295.

Notes

The Group

5 OTHER OPERATING EXPENSES

Amounts in MNOK	1999	1998	1997
Sales, advertising, etc.	85	104	103
Contracted services	218	263	156
Operations and maintenance	93	67	50
Rent-related expenses	52	75	74
Travel and per diem expenses	179	222	180
Procurements related to operations	83	127	76
Other	170	141	108
Total	880	999	747

6 NET FINANCIAL ITEMS

Amounts in MNOK	1999	1998	1997
Interest income	11	23	26
Interest expenses	(55)	(61)	(54)
Change in valuation of current investments	11	(14)	(13)
Gain/(loss) on foreign exchange	-	8	5
Gain on sale of shares	-	119	-
Sum	(33)	75	(36)

7 FINANCIAL ASSETS

Amounts in MNOK	1999	1998	1997
Investments in associated companies	103	57	-
Investments in shares and partnership interests	10	8	5
Net pension fund assets	56	42	28
Loans to employees	6	11	8
Other long-term receivables	17	5	40
Total	192	123	81

8 INVENTORY

Amounts in MNOK	1999	1998	1997
Raw materials	202	146	246
Finished products	278	316	137
Total	480	462	383

9 RECEIVABLES

Amounts in MNOK	1999	1998	1997
Accounts receivable	941	954	783
Projects in progress	520	493	516
Other receivables	120	245	86
Prepayments to suppliers	29	35	15
Total	1 610	1 727	1 400

10 LONG-TERM CONSTRUCTION CONTRACTS

The largest projects currently in progress at Kongsberg Defence & Aerospace at 31 December 1999:

Amounts in MNOK	Aggregate orders	Operating revenue 1999	Residual oper. rev.	Completion
New anti-ship missile (NSM)	1 506	204	897	2004
Submarines	1 021	202	688	2002
Penguin	950	91	566	2006
Air defence system	283	19	264	2003
Missile torpedo boat	213	75	93	2004
Multi Role Radio*	1 747	0	772	2003

* Kongsberg Gruppen's share is 50%.

11 INVESTMENTS

	Ownership interest in %	Acquisition cost MNOK	Book value MNOK
Market-based shares (Navia ASA)	6.7	50	34
Other shares (Scali AS)	49.1	7	7
Other current financial investments			150
Total			191

12 PROVISIONS

A provision of MNOK 30 was made to cover the net present value of estimated future obligations in connection with the sale and leaseback of property.

13 LONG-TERM DEBT TO CREDIT INSTITUTIONS

Amounts in MNOK	1999	1998	1997
Mortgages	-	-	148
Certificate loans/syndicated credit facility	-	449	250
Other long-term liabilities	-	129	62
Total	-	578	460

14 OTHER CURRENT LIABILITIES

Amounts in MNOK	1999	1998	1997
Accounts payable	422	514	330
Withholding tax, social security, VAT, etc.	117	94	85
Tax payable	54	18	5
Provision for dividends	66	48	24
Other current liabilities	699	764	615
Total	1 358	1 438	1 059

Other current liabilities' includes accruals related to projects, provisions for warranties, and accruals for holiday pay.

Notes

The Group

15 INTANGIBLE ASSETS

<i>Amounts in MNOK</i>	Davis	Simrad	Navico	Norcontrol vessel automation	Total goodwill
Cost price 31 Dec. 1998	151	428	77	36	692
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
• Cost price at 31 Dec. 1999	151	428	77	36	692
Accumulated write-downs/depreciation 31 Dec. 1999	(28)	(142)	(5)	(16)	(191)
• Book value at 31 Dec. 1999	123	286	72	20	501
Ordinary amortisation for the year	15	29	5	2	51
Write-offs for the year: Straight line					
Amortisation rate: 5-10%					

The amortisation of goodwill is based on the estimated gains expected in conjunction with the acquisition of the individual company. Amortisation rates vary from 5 to 10 per cent. At each closing of the accounts, the value of the remaining goodwill is estimated, and changes, if any, are made in write-downs or amortisation periods.

MNOK 201, covering all costs related to equity-financed research and development, has been expensed in the Statement of Income. The costs are not considered to fulfil the criteria for Balance Sheet recognition.

16 FIXED ASSETS

<i>Amounts in MNOK</i>	Machinery and equipment, etc.	Technical facilities	Land/buildings and other real property	Total
Cost price at 31 Dec. 1998	222	548	833	1 603
Additions	29	157	119	305
Disposals	(8)	(39)	(221)	(268)
• Cost price at 31 Dec. 1999	243	666	731	1 640
Accumulated write-down/depreciation at 31 Dec. 1999	(167)	(378)	(206)	(751)
• Book value at 31 Dec. 1999	76	288	525	889
Ordinary depreciation for the year	31	91	32	154
Annual rent for operating leases not recognised in the Balance Sheet	-	7	56	63

The Group employs the straight line method of depreciation for all fixed assets. The estimated useful life of fixed assets:

Machinery and equipment	12 - 33 %
Technical facilities	12 - 33 %
Buildings and other real property	2 - 10 %
Land	0 %

Notes

The Group

17 PENSION EXPENSES, FUNDS AND OBLIGATIONS

At 31 December 1999, 3 382 employees were covered by the Group's pension plans. The schemes are treated as benefit plans. Pension benefits are based on the number of years of earned pension rights and salary level at retirement.

The calculation of future pension obligations is based on the following assumptions:

	1999	1998	1997
Discount rate	7.0%	7.0%	6.0%
Anticipated rate of return	8.0%	8.0%	7.0%
Salary adjustment	3.0%	3.0%	2.0%
Pension base level adjustment	3.0%	3.0%	2.0%
Pension adjustment	2.0%	2.0%	2.0%
Turnover	2.0%	2.0%	2.0%

The year's pension costs were calculated as follows:

Amounts in MNOK	1999	1998	1997
Service cost	31	28	28
Interest cost on pension obligations	23	21	17
Estimated return on pension plan assets	(28)	(25)	(21)
Amortisation of gains and losses	1	1	-
Accrued social security expenses	4	3	3
Total net pension expenses	31	28	27

Amounts in MNOK	1999	1998	1997
Gross pension obligations	(388)	(350)	(352)
Gross pension plan assets	408	356	339
Net pension plan assets/(obligations)	20	6	(13)

Unrecognised gains and losses and plan changes	28	14	14
Accrued social security expenses	8	4	1

Net pension fund assets on the Balance Sheet	56	24	2
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The age limit for an early retirement pension (AFP) is 62.

The Group's extended pension obligations are included in the accounts for 1999 in accordance with actuarial standards based on a lower ordinary retirement age, 25% signing propensity, 20% employer financing, and otherwise the same assumptions as apply to ordinary pensions. Changes in actual signing propensity as well as final funding can lead to changes in the final pension obligations.

Overfunding falls within the Total Benefit Obligation (TBO). The accounts reflect the assumption that all overfunding can be used, based on known future commitments and the continuous development taking place in the Group's business activities and organisation.

18 SHARES IN ASSOCIATED COMPANIES, ETC.

Amounts in MNOK	Sonec ASA	Kongsberg Lockheed Martin Space Data Services AS	CCIS House AS	Kongsberg Fimas AS	Hyundai Kongsberg Maritime Co. Ltd.	Total associated companies
Year of acquisition	1998	1998	1998	1999	1999	
Business office	Hisøy	Tromsø	Asker	Ågotnes	Korea	
Ownership and voting stake	37.2%	50.0%	42.5%	50.0%	35.0%	
Cost of acquisition	45	3	2	3	20	
Shareholders' equity recognised at date of acquisition	39	15	2	4	20	
Attributable excess/negative values at date of acquisition	6	(12)	0	(1)	0	
Opening balance 1 Jan. 1999	53	2	2	-	-	57
Acquisition/merger	-	-	-	3	20	23
Capital increase	8	-	-	-	-	8
Dividends	(4)	-	-	-	-	(4)
Share of the current year's profit/loss, including gain from dilution of ownership interest	15	(4)	-	2	3	16
Depreciation attributable to excess/negative values	(1)	3	-	1	-	3
Closing balance 31 Dec. 1999	71	1	2	6	23	103
-of which, undepreciated excess/negative values	5	(7)	-	-	-	

...continues →

Notes

The Group

→ Shares in general partnerships

Kongsberg Defence & Aerospace AS owns a 50 per cent share in the general partnership Kongsberg Ericsson.

This stake has affected the Group's accounts as follows:

Kongsberg Ericsson Communications ANS

Amounts in MNOK	1999	1998	1997
Share of operating revenues	123	156	128
Share of operating profit	(37)	9	12
Share of profit before tax	(46)	6	8
Share of fixed assets	15	13	10
Share of current assets	175	159	122
• Total assets	190	172	132
Share of equity	9	55	49
Share of non-current liabilities	45	45	45
Share of current liabilities	136	72	38
• Total liabilities and equity	190	172	132

19

TAX

Deferred tax/deferred tax assets have been calculated on temporary differences and tax losses carried forward related to:

Amounts in MNOK	1999	1998	1997
Fixed assets/non-current liabilities	73	(19)	(29)
Current assets/current liabilities	885	842	863
Tax loss carried forward	(8)	(2)	(42)

• Temporary differences and tax loss carried forward

	1999	1998	1997
Deferred tax	276	230	222
Deferred tax benefits abroad	(10)	-	-
Net deferred tax	266	230	222

Tax expenses comprise the following items:

	1999	1998	1997
Tax effect of items charged directly against equity	5	-	-
Change in deferred tax in Norway and abroad	36	66	43
Tax payable in Norway and abroad	70	18	5
• Tax expense	111	84	48

Reconciliation of effective and nominal tax rates:

	1999	1998	1997
28 % of the profit before tax	96	72	34
Amortisation of goodwill at Group level	11	28	10
Tax benefits not previously taken into account in Norway	(3)	(13)	-
Tax loss carried forward and effect of tax rate differences between Norway and other countries	7	(5)	-
Other permanent differences	-	2	4
Tax expenses	111	84	48

• Effective tax rate

	1999	1998	1997
Effective tax rate	32 %	33 %	40 %

Notes

The Group

20 EQUITY

<i>Amounts in MNOK</i>	Share capital	Treasury shares	Share premium fund	Other equity	Total, parent company	Group companies	Total, Group
Equity at 31 Dec. 1998 pursuant to new presentation plan	120	-	267	479	866	(60)	806
Capitalisation of deferred tax asset	-	-	-	3	3	(3)	
Equity at 1 Jan. 1999 pursuant to new Act	120	-	267	482	869	(63)	806
Capital increase	30	-	570	-	600	-	600
Cost of issuing new equity	-	-	(5)	-	(5)	-	(5)
Treasury shares	-	(3)	-	(62)	(65)	-	(65)
Net profit	-	-	-	135	135	98	233
Translation differences	-	-	-	-	-	(13)	(13)
Provision for dividends	-	-	-	(66)	(66)	-	(66)
Total equity at 31 Dec. 1999	150	(3)	832	489	1 468	22	1 490

MNOK 267 was transferred from legal reserves to the share premium fund on 31 Dec. 1998, while MNOK 52 was transferred to 'Other equity'.

Capital increase

On 15 June 1999, an extraordinary general meeting voted to conduct a pre-emptive rights issue for a total of MNOK 600. MNOK 300 was paid in and MNOK 300 was converted from an interest and principle-free subordinated loan from the Norwegian State. The capital increase took effect on 16 July 1999.

21 BASIC/DILUTED EARNINGS PER SHARE

The basic/diluted profit per share has been calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding in the period from 1 Jan. 1999 to 31 Dec. 1999. Ordinary shares issued in connection with capital increase and shares bought back during the period under review are weighted proportionate to the length of time they have been outstanding during the reporting period.

	1999	1998	1997
Majority share of the profit for the year (MNOK)	233	169	73
Share capital (million shares)	30.0	24.0	24.0
Weighted no. of shares outstanding (million shares)	26.4	24.0	24.0
Basic/diluted earnings per share in NOK	8.84	7.04	3.04

Notes

The Group

22

SHARE CAPITAL AND SHAREHOLDER INFORMATION

At 31 December 1999, the Group's share capital consisted of 30 000 000 shares with a nominal value of NOK 5 per share.

The largest shareholders at 31 December 1999 were:

Name	Number of shares	Percentage share
The Norwegian State as repr. by the Ministry of Trade and Industry	15 000 400	50.0 %
Storebrand Livsforsikring AS	1 294 550	4.3 %
Folketrygdfondet	1 046 822	3.5 %
Kongsberg Gruppen ASA	600 783	2.0 %
Gjensidige NOR Spareforsikring	557 850	1.9 %
Vital Forsikring ASA	497 600	1.7 %
Tine Pensjonskasse	496 895	1.7 %
Norsk Hydros Pensjonskasse	453 113	1.5 %
Postbanken Aksjespar	435 800	1.5 %
Verdipapirfondet Avanse	433 625	1.4 %
Verdipapirfondet Skagen Vekst	355 219	1.2 %
Oslo kommunale Pensjonskasse	306 250	1.0 %
Total	21 478 907	71.7 %
Other (interest < 1%)	8 521 093	28.3 %
Total number of shares	30 000 000	100.0 %

Treasury shares

Kongsberg Gruppen holds 600 783 treasury shares for use in the employee share programme. The shares have been purchased in accordance with the authorisation issued by the Annual General Meeting on 27 April 1999, which allows for the repurchase of up to 5 per cent of the shares outstanding.

	Number	Amount in MNOK
Own shares acquired February 1999	450 000	41
Own shares acquired August 1999	450 000	52
Own shares conveyed to employees	(299 217)	(27)
Holding of treasury shares	600 783	65

A total of 625 000 share options have been issued to employees. 150 500 share options were granted through an employee share programme comprising all employees within the Group, 474 500 share options refer to a programme for a group of key executives, which was set up in 1999. The share price was NOK 105.00 at the time of grant. The exercise price is equivalent to the price at the time of grant plus 0.5 per cent per month. These options apply for three years, and it is possible to exercise 1/3 of them each year. The options were priced at NOK 3 each.

Shares and options owned by members of the Board, corporate management and other insiders:

Name	Number of shares	Number of options
Jan Erik Korssjøen, CEO	1 691	31 808
Tom Gerhardsen, President, Kongsberg Defence & Aerospace	3 353	20 308
Arne Solberg, CFO	2 363	20 308
Torfinn Kildal, Executive Vice President, Business Development	2 705	20 308
Even Aas, Executive Vice President, Corporate Communications	582	20 296
Berit Ågren Aas, Member of the Board	633	308
Vidar Lande, Member of the Board	461	233
Roar Marthiniusen, Member of the Board	1 686	308

Distribution of shareholders by size of holding:

Number of shares	No. of owners	Holding %
1-100	306	0.06
101-1 000	2 128	3.06
1 001 - 10 000	418	3.65
10 001 - 100 000	109	12.76
100 001 - 1 000 000	26	22.66
More than 1 000 000	3	57.81
TOTAL	2 990	100.00

Of the 2 990 owners at 31 Dec. 1999, 255 were foreigners and owned a total of 1.36 per cent of the shares.

23

ASSETS PLEDGED AS SECURITY/GUARANTEES, ETC.

Amounts in MNOK

	1999	1998	1997
Assets pledged as security			
The following loans are secured by collateral:			
Loans against collateral in buildings, including operating equipment	-	-	148
Book value of assets pledged as security:			
Buildings, machinery, fittings, etc.	-	-	785
Guarantee liabilities			
Joint and several liability, general partnership	181	117	83
Guarantee liabilities, employees	-	1	1

Statement of Income/Balance Sheet

Kongsberg Gruppen ASA (The Parent Company)

Amounts in MNOK	1999	1998	Amounts in MNOK	Notes	1999	1998
STATEMENT OF INCOME			BALANCE SHEET AT 31 DECEMBER			
Operating revenues	54	29	ASSETS			
Personnel expenses	24	23	• Fixed assets		10	7
Depreciation	2	1	Shares in subsidiaries	1	1 495	1 474
Other operating expenses	22	26	Other shares		47	36
• Total operating expenses	48	50	Net pension plan assets		5	4
• Operating profit	6	(21)	Receivables from subsidiaries		1 101	999
Interest from Group companies	94	-	Other long-term receivables		5	3
Other interest income	1	70	• Total non-current assets		2 663	2 523
Interest to Group companies	(85)	-	Receivables, subsidiaries		265	373
Other interest expenses	(34)	(79)	Other receivables		5	-
Change in the value of current invest.	11	(14)	Shares		41	27
Capital gains/(losses)	(10)	1	Bank deposits and cash equivalents		106	8
Dividends	4	-	• Total current assets		417	408
Gains from the sale of shares	-	9	• Total assets		3 080	2 931
Group contributions received	200	-				
• Net financial items	181	(13)	LIABILITIES AND EQUITY			
• Profit before tax	187	(34)	Share capital		150	120
Tax	(52)	11	Treasury shares		(3)	-
• Profit/(loss) for the year	135	(23)	Share premium fund		832	267
			• Total paid-in equity		979	387
Appropriations and equity transfers:			Other equity		489	482
From/to other equity	69	(75)	• Total equity from retained earnings		489	482
Group contribution made	-	4	• Total equity		1 468	869
Dividends	66	48	Subordinated loan		-	300
• Total	135	(23)	Debt to credit institutions		-	449
			• Total non-current liabilities		0	749
STATEMENT OF CASH FLOWS			Short-term debt to subsidiaries		1 378	1 225
Net cash flow from operations	(5)	(19)	Provision for dividends		66	48
Net cash flow from investment activities	(16)	(242)	Other current liabilities		65	19
Net cash flow from financial activities	119	126	Bank overdrafts		103	21
Net change in cash and cash equivalents	98	(135)	• Total current liabilities		1 612	1 313
Cash and cash equivalents at 1 January	8	143	• Total liabilities and equity		3 080	2 931
• Cash and cash equivalents at 31 December	106	8				

Notes

Kongsberg Gruppen ASA

1 SHARES IN SUBSIDIARIES

<i>Amounts in MNOK</i>	Year of acquisition	Main office	Stake/voting percentage	Book value 31 Dec. 1999
Kongsberg Defence & Aerospace AS	1997	Kongsberg	100	255
Kongsberg Protech AS	1999	Kongsberg	100	22
Kongsberg Næringspark AS	1987	Kongsberg	100	5
Kongsberg Holding AS	1987	Kongsberg	100	0
Kongsberg Basetec AS	1992	Kongsberg	100	106
Kongsberg Maritime AS *)	1992	Horten	72.5	787
Kongsberg Forsvar AS	1995	Kongsberg	100	0
Kongsberg NFT AS	1995	Kongsberg	100	0
Norsk Forsvarsteknologi AS	1987	Kongsberg	100	0
Kongsberg Næringseiendom AS	1997	Kongsberg	100	172
Davis AS	1998	Drammen	100	148
				1 495

*) Kongsberg Basetec AS owns the remaining 27.5 per cent of the shares in Kongsberg Maritime AS.

2 GUARANTEE LIABILITIES

<i>Amounts in MNOK</i>	1999	1998
Prepayments from and performance guarantees to customers	1 431	1 596

Kongsberg Gruppen ASA has covenants with banks and insurance companies regarding the furnishing of guarantees, and they have requirements for key financial figures. All requirements regarding key figures were met as at the end of 1999. No collateral has been furnished for guarantee facilities. The parent company has guaranteed Kongsberg Næringseiendom's payment for leasing back the properties that were sold. The rent amounts to MNOK 29 for 2000. The agreement applies for 15 years.

Auditor's Report for 1999

To the Annual Shareholders' Meeting of Kongsberg Gruppen ASA

We have audited the annual financial statements of Kongsberg Gruppen ASA as of 31 December 1999, showing a profit of NOK 135 million for the parent company and a profit of NOK 233 million for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 1999, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with law and regulations.

ARTHUR ANDERSEN & CO.



Olve Gravråk
State Authorised Public Accountant (Norway)

Oslo, 28 February 2000

"The US market for electronics for yachts and fishing vessels is highly discerning. Thanks to our high quality, close proximity, contact and customer follow up, we are currently the market leader in autopilots designed for pleasure craft".

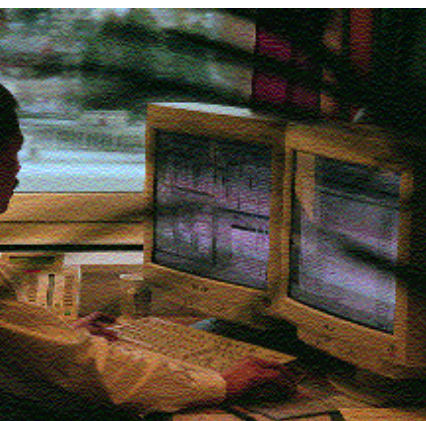
Michel Santos Boyd (39)
Customer Support
Simrad Inc. Seattle - Washington, USA



"Norcontrol equipment is in place on more than 7000 vessels the world over. The safety of thousands of seamen depends on the optimal functioning of our equipment. Many of these vessels were built in South Korea. Our presence on the local market allows us to further consolidate our position."

Hwang-Yong Park (40)
Service Manager
Kongsberg Norcontrol Ltd. - Pusan, South Korea

Shares and Shareholder Relations



Overall strategy and shareholder policy

The aim of Kongsberg Gruppen ASA is to achieve a satisfactory level of profitability by engaging in technology-based, export-oriented activities in selected segments of the defence and maritime electronics markets.

Kongsberg Gruppen also endeavours to ensure a long-term competitive return on shareholders' investments. The company furnishes the equity market with relevant, comprehensive information as a basis for a balanced, correct valuation of the shares.

The Board will endeavour to provide annual dividends that are at least on a par with similar companies quoted on the Oslo Stock Exchange.

Employee share programme

A share programme was conducted for employees in spring 1999. Some 1300 employees purchased nearly 300,000 shares in the Group. This means that roughly 40 per cent of all employees took advantage of the programme. The shares were sold at a price of NOK 73, a 20 per cent discount compared with the stock exchange price. In addition, one free option was given for every two shares purchased. After a two-year lock-in period, the options may be redeemed for NOK 100 each. This was the third year of the employee share programme, and plans are being made to arrange programmes of approximately the same scope in the years ahead.

Rights issue

At an extraordinary general meeting held on 15 June 1999, a decision was taken to expand the company's share capital by MNOK 30, to MNOK 150, by issuing 6 million new shares, each with a nominal value of NOK 5 and a price of NOK 100 per share. The subscription period was from 18 June to 2 July. Those who owned shares in the company at 15 June had pre-emptive rights. The issue was fully subscribed and paid up on 15 July 1999.

The share issue increased the Group's equity by MNOK 600, of which MNOK 300 were paid in and MNOK 300 were derived when the Norwegian State, represented by the Ministry of Trade and Industry, converted a subordinated loan into equity. The State maintained its ownership of slightly more than 50 per cent.

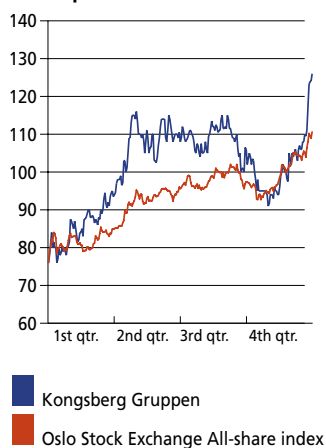
Re-purchase of shares

Kongsberg Gruppen's ordinary Annual General Meeting (AGM) on 27 April 1999 authorised the Board to buy back Kongsberg shares. Limited to up to 5 per cent of the share capital, the authorisation is valid until the next ordinary AGM. At 31 December 1999, Kongsberg Gruppen owned a total of 2.0 per cent of its own shares. The shares were purchased for employee option programs.

Dividends for 1999

The Board has proposed that the dividend for 1999 be NOK 2.25 per share. Aggregate dividends of MNOK 66 will be paid on 29.4 million shares, corresponding to 28 per cent of the company's profit after tax. Dividends will be paid to those registered as owning shares on the date of the AGM, 5 May 2000. The dividends will be paid out on 23 May 2000.

Share price



Investor relations

Kongsberg Gruppen is a high-technology enterprise operating in a number of markets. Ever since it was first listed on the Oslo Stock Exchange in 1993, the Group has attached importance to maintaining an open dialogue with the stock market and the media. This has been accomplished through stock exchange bulletins, press releases and other media initiatives, as well as through presentations and individual meetings with analysts and investors.

Thus far, this information has mainly been directed at the Norwegian stock market. There is now a desire to augment foreign ownership in an effort to increase the liquidity of the share and increase capacity in respect of future share issues. Initiatives to attract foreign investment have therefore been stepped up, for example through individual meetings with foreign investors.

Kongsberg Gruppen's Internet website now includes financial pages featur-

ing annual reports, quarterly reports and presentation materials.

Share price trends and sales

The price of the Kongsberg Gruppen share climbed rapidly in the early half of 1999. From NOK 76.00 at 31 December 1998, the share peaked at NOK 118.00 in August, a rise of 55 per cent. During the same period, Norway's all-share index rose by 24 per cent. The Kongsberg share later experienced a somewhat weaker trend than the all-share index, but that was followed by a dramatic upswing towards year end. The Kongsberg share finished the fiscal year at NOK 126.00, up 66 per cent on the year, and outperforming the all-share index which climbed by 46 per cent.

The expansive trend early in the year was probably related to strong corporate performance and the high volume of new orders in several of the main segments. Offshore activities reported pronounced growth, despite low oil prices early in the year. In the third quarter, profits tapered off and the price of the share dropped, while the year-end upswing was probably related to important orders, including Penguin sales to Turkey and the freeing up of capital as a result of property sales.

A total of 8 579 047 Kongsberg shares were traded in 1999, compared with 8 368 991 in 1998 and 9 052 316 in 1997. Of the shares in trade (not counting the State's 50 per cent stake), these volumes represent 64 per cent, 70 per cent and 75 per cent, respectively. (The number of shares was increased from 24 million to 30 million in July.)

Ownership structure

The ownership structure has remained relatively stable. The Norwegian State continues to own 50 per cent, while Norwegian life insurance companies, unit trusts and pension funds also rank high on the list of owners. New on the list of the largest owners is Kongsberg Gruppen itself (see the paragraph above regarding the re-purchase of shares).

Following the employee share programmes implemented in 1996, 1998 and 1999, it is estimated that approximately 40 per cent or about 1 300 employees own shares in Kongsberg Gruppen. Employee ownership accounts for about 2 per cent of the total number of shares.

The number of shareholders increased from 2 775 in 1998 to 2 990 during the year.

The ownership structure is specified in more detail in note 22 to the corporate accounts.

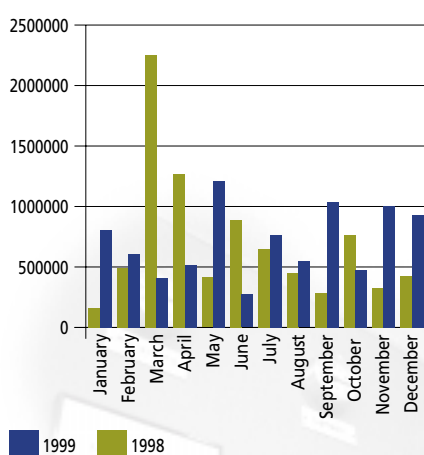
RISK adjustment

The 1999 adjustment on the tax-related incoming value of shares (RISK) will ultimately be stipulated by the tax authorities. The company has estimated that the RISK adjustment for 1999 be NOK 2.13 per share. The RISK trend in recent years has been as follows:

1993	1994	1995	1996	1997	1998	Est. 1999
-0.18	-0.25	-0.69	-0.81	-0.95	-1.90	2.13

As a result of the share split, the figures from 1993 through 1996 have been divided by four to facilitate comparison with 1997 through 1999.

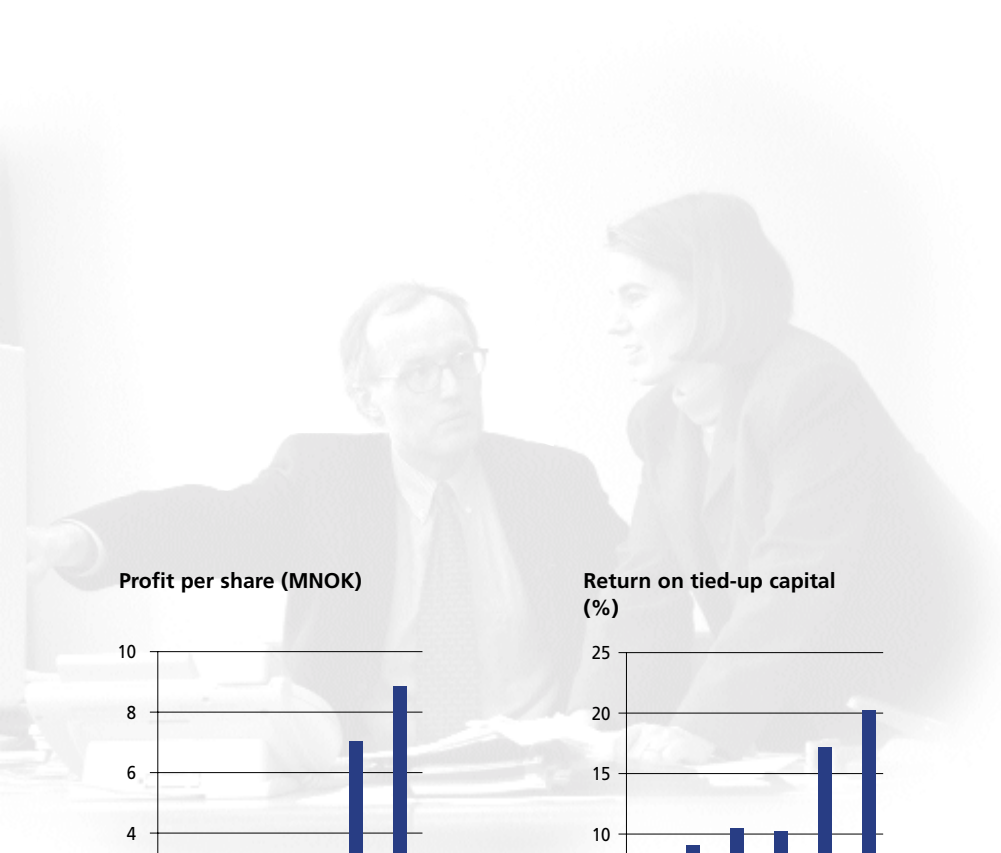
Number of shares traded



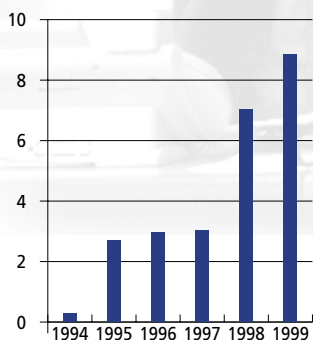
Analytical data

Key figures

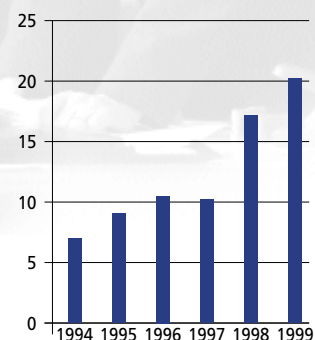
Amounts in MNOK		1999	1998	1997	1996	1995	1994	1993
Operations	Operating revenues	4 945	4 679	3 674	3 023	1 998	2 038	2 185
	Of which, civilian (%)	75 %	73 %	71 %	61 %	52 %	49 %	44 %
	Of which, outside Norway (%)	66 %	60 %	55 %	51 %	41 %	47 %	57 %
	Operating profit	358	173	157	140	64	45	69
	Profit before tax	344	255	121	117	94	19	92
	Net profit	233	169	73	69	63	6	62
	Effective tax rate	32 %	33 %	40 %	36 %	33 %	74 %	32 %
	Net cash flow from operations	409	423	358	190	121	130	213
	Operating margin (%)	7.2 %	3.7 %	4.3 %	4.6 %	3.2 %	2.2 %	3.2 %
	Profit margin (%)	7.0 %	5.4 %	3.3 %	3.9 %	4.7 %	0.9 %	4.2 %
	Orders received	4 656	4 879	3 952	3 955	2 291	1 590	1 947
	Order backlog	4 258	4 551	4 349	4 041	2 676	2 440	2 819
	Self-financed R&D	201	196	146	142	74	77	56
	% of operating revenues	4 %	4 %	4 %	5 %	4 %	4 %	3 %
Capital	Total assets	4 012	3 949	3 412	3 221	2 171	2 216	2 207
	Tied-up capital	1 796	1 959	1 798	1 888	1 254	1 319	1 385
	Prepayments from customers	858	552	555	376	217	361	289
	Net interest-bearing debt	(330)	456	126	298	(255)	(330)	(333)
	Equity	1 490	1 106	1 042	975	917	871	891
	Equity (%)	37 %	28 %	31 %	30 %	42 %	39 %	40 %
	Return on total assets	10 %	9 %	6 %	6 %	5 %	4 %	7 %
	Return on tied-up capital	20 %	17 %	10 %	11 %	9 %	7 %	11 %
	Return on equity (%)	27 %	24 %	12 %	12 %	11 %	2 %	10 %
	Investments	305	574	216	715	112	84	70
Depreciation	205	240	149	133	87	108	122	
Employees	Number of employees	3 382	3 333	3 262	3 212	2 049	2 131	2 214
	Engineers/graduate engineers	2 106	1 990	1 921				
	Wage share	30 %	29 %	33 %	33 %	37 %	36 %	35 %
Owners' values	Market capitalisation	3 780	1 824	1 824	1 386	959	801	755
	Annual market capitalisation trend	107 %	0 %	32 %	45 %	20 %	6 %	17 %
	Market price per share in NOK	126.0	76.0	76.0	57.8	41.0	34.3	32.3
	Profit/loss per share in NOK	8.84	7.04	3.04	2.95	2.69	0.28	2.65
	Cash flow per share in NOK	15.52	17.63	14.92	8.81	5.17	11.67	2.95
	P/E	16.22	10.79	24.99	19.60	15.20	124.50	12.20
	P/CBIT	9.24	4.31	5.09	6.50	7.90	2.90	10.90
	Dividend	2.25	2.00	1.00	0.88	0.69	0.26	0.64



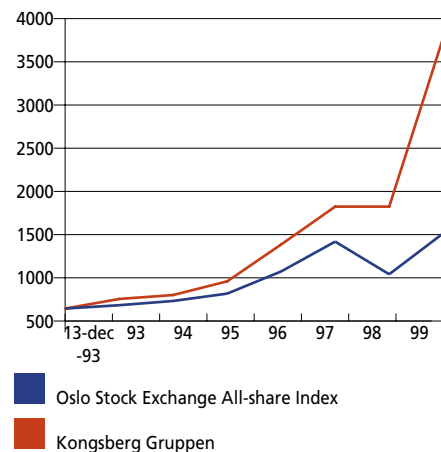
Profit per share (MNOK)



Return on tied-up capital (%)



Share price trend/market capitalisation



Definitions:

Effective tax rate	Tax as a % of the profit/loss before tax.
Net cash flow	Please see to the Statement of Cash Flows on page 19.
Operating margin	Operating profit as a % of operating revenues.
Profit margin	Profit before tax as a % of operating revenues.
Tied-up capital	Total assets less short-term interest-free liabilities.
Equity	Booked equity and subordinated loans from the State (MNOK 300 from 1993 to 1998)
Return on total assets	Operating profit plus financial income as a % of average total assets.
Return on tied-up capital	Operating profit plus financial income as a % of average capital invested.
Return on equity	Profit before tax as a % of average equity.
Annual share price trend	Change in share price compared with previous year. For 1993, from the time of launch on the Oslo Stock Exchange on 13 December 1993.
Wage share	Wages and social security expenses as a % of operating revenues.
Profit per share	Net profit after taxes divided by a weighted average number of shares.
Cash flow per share	Net cash flow from operations compared with a weighted average number of shares.
P/E	Price/Earnings Ratio. Market capitalisation at 31 December divided by the profit after tax.
P/CBIT	Price/Cash Flow Ratio. Market price per share at 31 December divided by cash flow per share.
RISK	The year's adjustment on the tax-related incoming value of shares

Analytical data

External Factors

Foreign currency

Most of the Group's activities are located in Norway, but 66 per cent of the corporate output is sold abroad. Most of Kongsberg Maritime's transactions are in foreign currencies and USD predominate. Defence material exports are also on the rise. Even though accounts for defence material exports are generally settled in NOK, the volume of foreign currency contracts is increasing.

It is the policy of Kongsberg Gruppen to avoid the risk associated with fluctuations in currency exchange rates. All contractual foreign currency flows of significance are therefore hedged against forward contracts or netted against foreign currency flows in the other direction. The USD is the primary income currency for maritime activities, and contracts typically last from 6 to 18 months. Most expenses are in NOK, although the Japanese yen (JPY) is also an important currency due to purchases from subcontractors. Some hedging is also done against budgeted currency flows. This entails that the maritime segment of the company has protected its revenues and expenses against exchange rate fluctuations for a period of one to two years.

As at 31 December 1999, the Group had no foreign currency loans. The Group uses currency swaps to protect the balance sheet against currency fluctuations related to shareholders' equity in foreign subsidiaries.

Interest rates

At the beginning of 2000, Kongsberg Gruppen had MNOK 330 in net financial investments placed in short-term liquid instruments.

Liquidity/financing

Kongsberg Gruppen's financial contingency funding is based on a syndicated loan facility of MNOK 800, and mortgage loan facilities for up to MNOK 405, in addition to a MNOK 20 line of credit. Including net financial investments, at year-end 1999, the Group's ready liquidity amounted to MNOK 1,579.

Financial and liquidity management are co-ordinated by Kongsberg Financial Services, a recently established corporate profit centre.

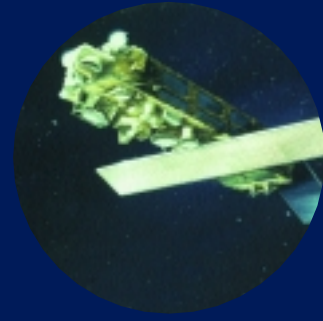
Oil prices

Oil prices and activities in the oil market affect the Group in several ways:

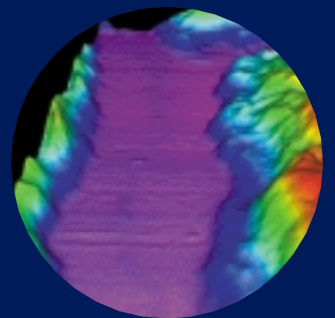
- Exploration and production activities in the North Sea and other Continental Shelves impact the market for offshore products;
- The transport of crude oil affects orders for new ships and the sale of maritime automation products;
- Oil prices influence NOK exchange rates.

Oil prices have a direct impact on offshore-related activities at Kongsberg Simrad AS. The low oil prices in winter 1998/1999 had adverse effects on offshore activities, in turn affecting Kongsberg Simrad AS. The upturn in oil prices in 1999 did not result in a comparable upturn in offshore activities, although a lasting high oil price would probably have positive effects on the order situation in future.

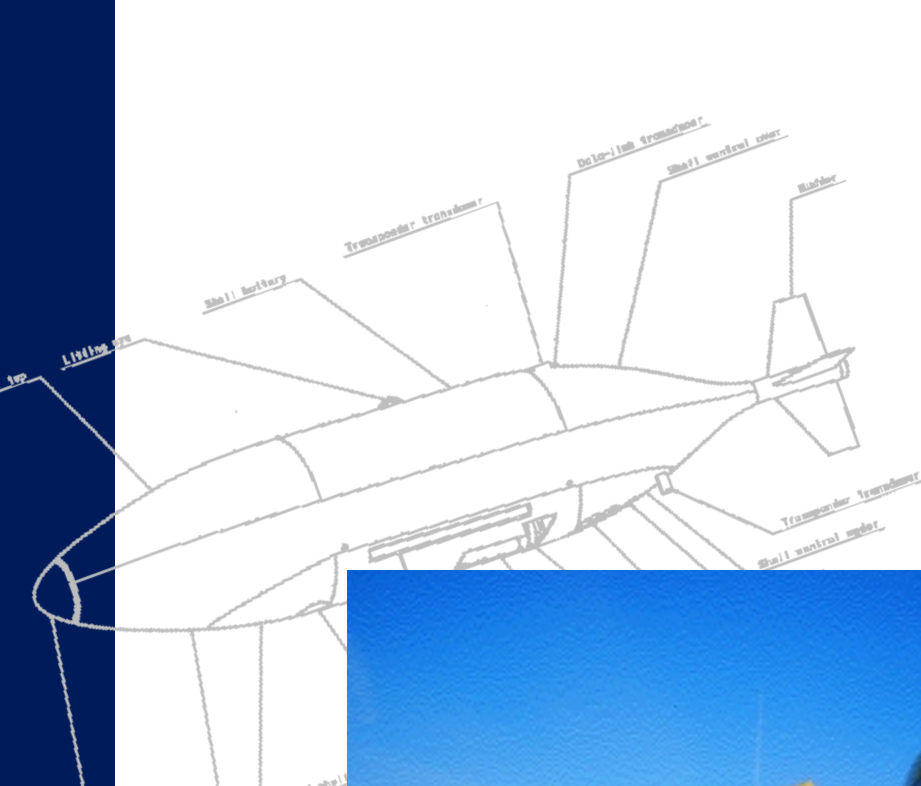
The company is actively striving to find alternative applications for new and existing technology outside the offshore market.



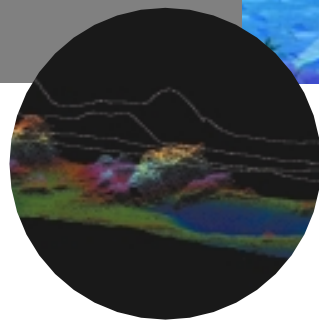
Business operations



Hugin 3000



HUGIN 3000 is a sophisticated, autonomous, untethered underwater vehicle designed to survey the seabed at great depths. The first commercial contract for the product was signed with C&C Technology of the US in 1999.



Kongsberg Maritime AS

A total supplier of maritime electronics

- Offshore and Ocean Science
- Yachting and Fishery
- Ships and Vessel Traffic Systems

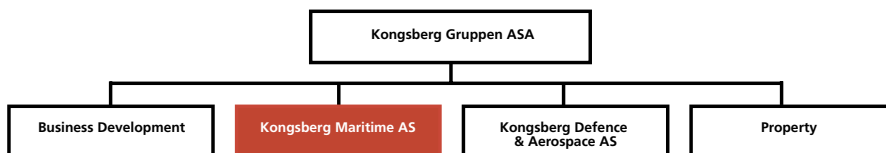
Kongsberg Maritime accounts for 60 per cent of Kongsberg Gruppen's business activities. One common denominator for the product range is maritime electronics. The main markets are offshore, hydrography, shipping, naval defence, fisheries and yachting, as well as maritime training/simulation and vessel traffic systems.

1999 was another good year for Kongsberg Maritime, as evidenced by a positive performance trend in most segments of the company. The turnover increased from MNOK 2 790 in 1998 to

MNOK 2 929 in 1999, while the operating profit climbed from MNOK 61 to MNOK 123. The business area had 1 996 employees at year end, of whom 760 worked outside Norway.

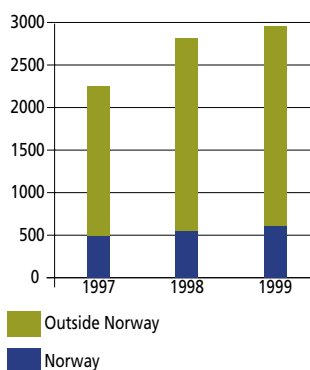
Kongsberg Maritime operates on the international market, and has offices at 44 locations in 17 countries. Kongsberg Maritime established a new company in South Korea in 1999 in collaboration with Hyundai Information Technology. Kongsberg Maritime's world-wide service network is being expanded continuously, not least by sharing facilities with other Kongsberg Maritime companies.

Kongsberg Maritime consists of Simrad, Kongsberg Simrad, and the Norcontrol companies, in addition to a number of subsidiaries outside Norway.

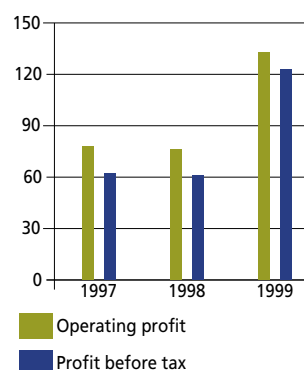


Most business segments are reporting growing market shares and significant improvements in their performance. In familiar and new markets alike, new ventures and new co-operation agreements confirm that Kongsberg Maritime is on the right path.

Operating revenues (MNOK)



Profit (MNOK)



KONGSBERG SIMRAD has further developed its dynamic positioning systems to cope with deep-water drilling down to depths of 3000 metres. The system has been installed on this drilling vessel owned by Conoco/R&B Falcon.



Offshore and Ocean Science

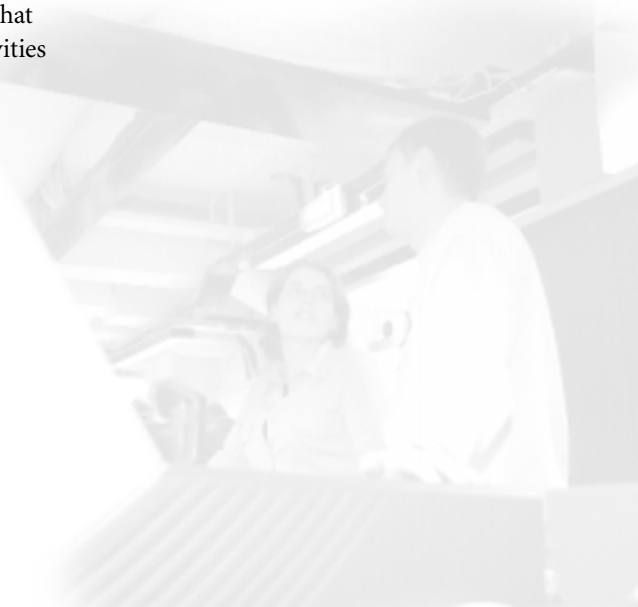
Kongsberg Simrad develops and delivers control and hydroacoustic systems. At the core of the company's technology is dynamic positioning, which has been in continuous development since 1974. Most of the products are sold to purpose-built vessels for oil and gas activities and other specialised maritime activities. Kongsberg Simrad has about 530 employees in Norway and operates companies in the USA, Canada, the UK and Singapore which employ another 290 individuals.

The Kongsberg Simrad companies had a turnover of MNOK 1 534 in 1999, compared with MNOK 1 424 in 1998. The orders booked in 1999 totalled MNOK 1 313, as against MNOK 1 632 in 1998. During the last one and a half years, efforts were focused on reducing dependence on oil and gas activities. Offshore orders now account for 56 per cent of overall sales, down from 67 per cent in 1998. Existing technology has been used for alternative applications, for example, for cable-laying vessels and cruise ships. Efforts to find alternative applications for existing and new technology will be stepped up in 2000, opening up new opportunities for growth. However, it is expected that Kongsberg Simrad will be somewhat affected by the lower level of activities in the offshore market in 2000.

The market:

Activities on the Norwegian Shelf seem to be tapering off, while markets in other parts of the world are demonstrating more stability. This is especially true of West Africa, the Gulf of Mexico and Brazil. Kongsberg Simrad is in a good position to meet these trends. The era of gigantic field developments appears to be over, and customers are moving on to simpler, preferably floating solutions, many of which are designed for use in deep water. Large parts of the company's product portfolio are well prepared for this switch.

Petroleum activities have reflected the low oil prices seen in the winter of 1998/99. This has resulted in a certain sense of caution in forecasting customers' future activity levels. Kongsberg Simrad has focused on cost-efficient solutions for quite some time, translating into higher profits for customers, even when oil prices are down. Accordingly, the decline in the general level of activities has not resulted into a corresponding decline in the company's activities.



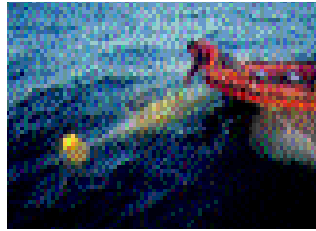


Highlights of 1999:

- Kongsberg Simrad supplied the dynamic positioning system for the Sea Launch project. The first launch was successful. The system positions both the command vessel and the launch platform which is remote-controlled during launches. A number of production vessels have been delivered with comprehensive integrated systems from Kongsberg Simrad, and several of them are now in operation in different parts of the world. These deliveries are based on specially developed new deepwater technology.

- The first commercial contract was signed for the Hugin 3000. The Hugin is a sophisticated, autonomous, untethered underwater vehicle and instrument carrier that operates at great ocean depths. The vessel will be used to map the seabed, and it is equipped with a number of Kongsberg Simrad products.

- The company's US headquarters has been moved from San Marcos to Houston, the hub of offshore activities in the USA. Expertise will be transferred from Norway to Houston.



FIELD TESTING THE HUGIN 3000 with representatives of C&C Technology of the US.

Simrad has earned brand name status as a supplier of proprietary systems for navigation, steering, communications and fish finding for the fishery and yachting market, as well as sonars for the naval defence market. The segment has 750 employees, 310 of whom work in Norway. The segment's products are manufactured at the company's factories in Norway, Denmark, England and Canada. The products are available world-wide, and Simrad has its own distribution companies in Europe, North and South America, and Asia.

The Simrad companies demonstrated a positive trend throughout 1999, as operating revenues climbed more than 19 per cent during the year. The most pronounced growth was seen in yachting products, which account for roughly half the revenues generated. Simrad has invested in modern new production lines during the year under review. MNOK 73 were invested in research and development in 1999, an increase of MNOK 24.



KONGSBERG SIMRAD'S US headquarters have been moved to Houston, Texas.

The market:

The yachting market is expected to experience an upswing. There is a clear tendency to install increasingly more electronic equipment in each individual vessel. Boat manufacturers in Europe and the USA constitute a large part of Simrad's market, and the company's expanding product range opens up new opportunities for growth as a regular supplier of instrumentation. The market for fish finding equipment is strongly impacted by major economic fluctuations and the setting of fishing quotas.

Considerable resources have been invested in product development in recent years. New products are scheduled for launch in 2000, further expanding the product range. This is expected to result in growth, continuing the positive trend in the yachting and fishery segment. A major marketing thrust has been initiated, backed up by an even more powerful sales and distribution system.



Highlights of 1999:

- In July 1999, Simrad signed a contract with Thomson Marconi Sonar Pty. Ltd. of Australia. The contract is for an upgrading of the sonar system onboard the FFG 7 frigates operated by the Royal Australian Navy, and is a continuation of years of first-rate co-operation with Thomson. Simrad and Thomson are offering a comparable sonar solution for the new Norwegian frigates.
- Simrad joined the sophisticated research programme UNISON, together with Kongsberg Defence & Aerospace and the Norwegian Defence Research Establishment. Aimed at producing new sonar and underwater technology, the project is co-funded by the parties involved, and receives support from the Ministry of Defence and the Norwegian Industrial and Regional Development Fund.

- A distribution company was established in France in 1999. The company is located in Nantes, and has set up a network of dealers in France to cover the yachting and fishery segment.
- Simrad also established a new department in Hirtshals, Denmark, in autumn 1999 to provide better service to the Danish fishery market.



THE CERAMIC ACOUSTIC TRANSDUCER is a key physical element in sonar and echosound technology.

Transducer

Ships and Vessel Traffic Systems



SIMRAD's POSITION as a brand name supplier in the yachting market is becoming increasingly evident, like here, aboard the Whitbread competitor Kværner Innovation.

Kongsberg Maritime's shipping-related activities are handled by three companies: Kongsberg Norcontrol, Kongsberg Norcontrol Simulation and Kongsberg Norcontrol Systems.

The Norcontrol companies are headquartered in Horten, Norway, and have subsidiaries in the USA, Canada, the UK, the Netherlands, France and South Korea. The companies' main customers are shipyards, operators and owners of merchant vessels, and government authorities.

Kongsberg Norcontrol's main products are alarms, in addition to systems for engine room and cargo handling monitoring and control, remote propulsion control and navigation.

The market for building new merchant vessels declined in the early half of 1999, then picked up again later in the year. This is expected to have positive ramifications in the early half of 2000.

Kongsberg Norcontrol has shown a positive trend in recent years. This is expected to continue, bolstered by the launch of newly developed and upgraded products.

Kongsberg Norcontrol Simulation operates in the field of maritime training simulators. Its products include scalable simulators, ranging from PC-based systems up to full-scale training simulators for propulsion plants, navigation, cargo handling and communications. The products are based on international standards and many years of experience from maritime training. On a global basis, the need for maritime training is on the increase, as the gap between the number of jobs for ships'

officers and the number of qualified job seekers widens by several thousand each year. Nowadays, maritime training simulators are a recognised educational tool for effective maritime training.

More shipowners are now establishing their own training centres, meaning the simulator market is expanding rapidly. This trend is especially pronounced in the Philippine and North American markets. The trend towards simpler, PC-based systems is becoming ever clearer, and work is in progress to incorporate simulators into distance education programmes. This is a growing market.



THE SHIP SIMULATOR that Kongsberg Norcontrol Simulation delivered to the Korea Maritime University in South Korea is among the company's most advanced products.



Kongsberg Norcontrol Systems operates in the field of vessel traffic control. This type of monitoring and traffic control, which is largely radar based, is used in harbours, shipping lanes, coastal areas, rivers, channels and canals.

1999 was characterised by a short-fall of orders, leading the company to implement a comprehensive restructuring and downsizing process which reduced the workforce from about 100 to about 40 people. The company's new strategy focuses chiefly on servicing existing customers. The company is not expected to incur further losses.

Highlights of 1999:

- Kongsberg Norcontrol AS developed a radar/integrated navigation display and ECDIS – an electronic map display system. A new generation automation system for monitoring engine and cargo processes was introduced, and an information support system was developed for shipping companies. The first deliveries of the latter received a warm welcome in the market.
- A Voyage Data Recorder is being developed in collaboration with Thomson CSF of France. This is a future-oriented product that might be compared with the flight recorders (black boxes) carried by aircraft. The product is expected to be made mandatory onboard passenger vessels, then later on merchant vessels in general.
- Kongsberg Norcontrol Simulation has standardised its products. This has boosted profits and won market share for the company.
- An agreement has been signed for a merger between Kongsberg Norcontrol Systems and Control IT, a company which employs about 40 people and has subsidiaries in Singapore and India.



The VOYAGE DATA RECORDER currently being developed by Kongsberg Norcontrol and Thomson CSF is expected to be mandatory equipment for commercial shipping.



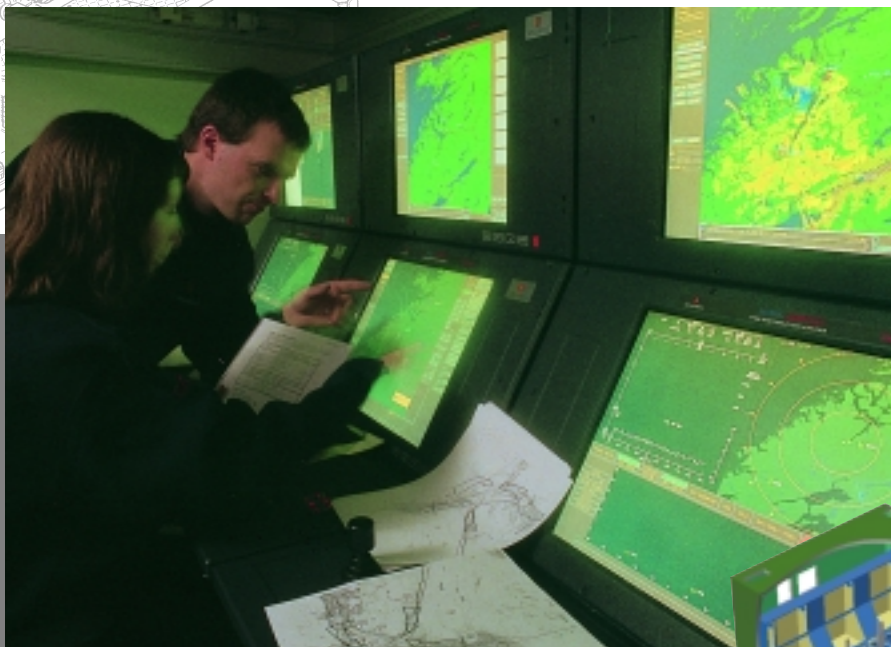
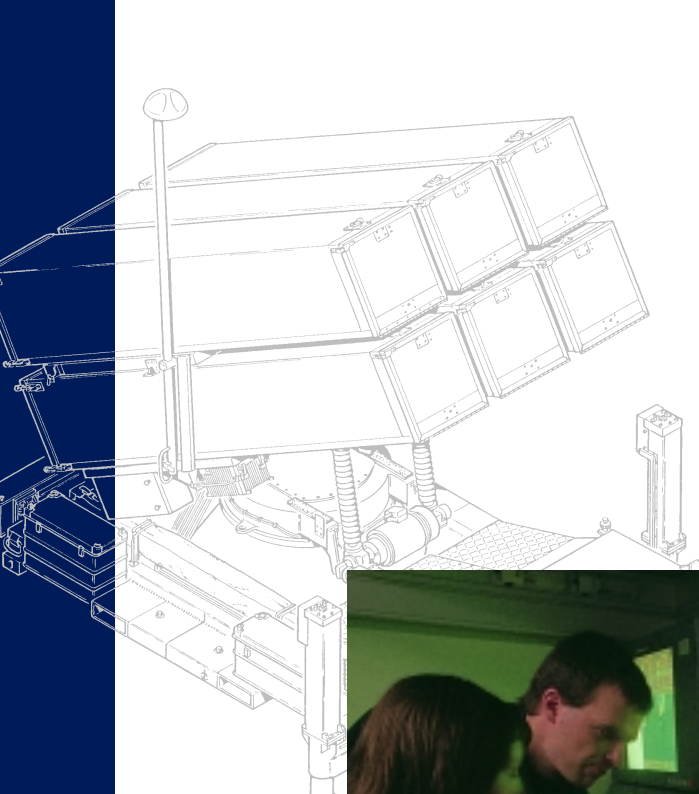
"We develop products that are sophisticated, attractively designed and functional. At Kongsberg Gruppen, we organise our work on a long-term basis, further enhancing our competitiveness."

Maiken Thomassen (23)
Export Assistant
Simrad Shipmate AS - Støvring, Denmark



innovation





Air defence systems

THE AIR DEFENCE CONTRACT with Greece was an important international breakthrough in this product area. Pictured here, the command centre.

Kongsberg Defence & Aerospace AS

Norway's premier defence contractor

- **Command and weapons control systems**
- **Air defence systems**
- **Missiles**
- **Space activities**
- **Tactical trainers and simulators**
- **Communications systems**

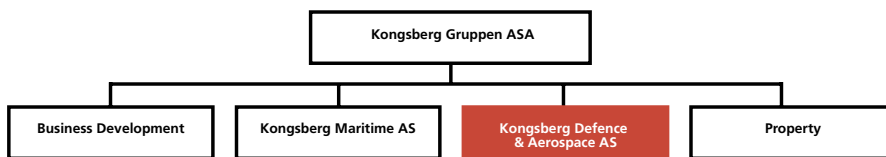
Kongsberg Defence & Aerospace has long traditions of developing sophisticated systems in close collaboration with the Norwegian Armed Forces. Anti-ship missiles, command and weapons control systems and communications systems have also proven competitive on export markets.

The business area had 1 023 employees at 31 December 1999. The company is divided into six product areas.

The market:

The trend towards larger units in the defence market continued in 1999. Kongsberg Defence & Aerospace has chosen a strategy which focuses on continuing its close co-operation in respect of individual products with major foreign defence suppliers. Co-operation agreements have been established through large-scale projects with the Norwegian Armed Forces. In many countries, the choice of defence material suppliers is an industrial policy decision, where the home market factor outweighs performance and price. For precisely such reasons, Kongsberg Defence & Aerospace targets markets in which the competitive factor is decisive. In 1998 and again in 1999, Kongsberg Defence & Aerospace won contracts against keen international competition, as evidenced by a large backlog of orders in early 2000.

The Norwegian Air Force will soon be awarding contracts for new fighter craft. The choice of supplier is expected to be announced in 2000. Kongsberg Defence & Aerospace has established a dialogue with both potential suppliers, Lockheed Martin and the Eurofighter consortium. The company's goal is to take part in the production of subsystems for the fighter craft and to sell Kongsberg products to the countries selling the fighter craft.



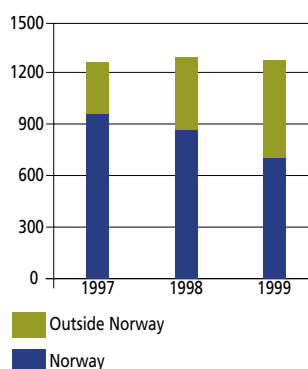
A year of consolidation, successful co-operative projects, important letters of intention, and definitive breakthroughs on new markets.

Alliances with major foreign defence manufacturers, such as Aerospatiale Matra Missiles of France and Raytheon and Lockheed Martin of the US, play a key role in the business area's international market strategy.

The business area had a turnover of MNOK 1 268 in 1999, compared with MNOK 1 285 in 1998. The profit before tax came to MNOK 58. The profit was adversely affected by special circumstances related to the new frigates and to Kongsberg Ericsson Communications ANS. The total adverse effect came to MNOK 50.

At year-end 1999, Kongsberg Defence & Aerospace had a backlog of orders valued at MNOK 3 126, compared with MNOK 3 163 a year earlier.

Operating revenues (MNOK)





Highlights of 1999:

- Export market progress has continued, as evidenced by MNOK 1 100 worth of new contracts being signed in 1999. Exports account for 85 per cent, the same level as in 1998.

- After years of co-operation with US defence supplier Raytheon, Kongsberg Defence & Aerospace has managed to obtain an export market breakthrough for its air defence concept. A contract was signed with the Greek Armed Forces for the delivery of an air defence system featuring a command and weapons control unit made by Kongsberg Defence & Aerospace. The KDA contract is valued at about MNOK 250.

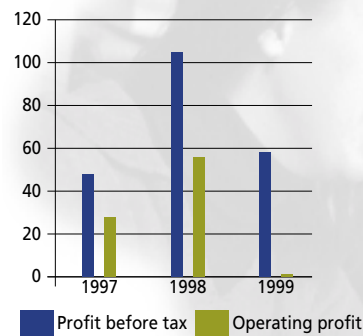
- In April 1999, the Australian Navy exercised an option for the purchase of more Penguin missiles. The main contract was signed in 1998. Altogether, Kongsberg will deliver about MNOK 760 worth of Penguin missiles to Australia by 2004.

- In December, Kongsberg Defence & Aerospace was granted an export licence to sell Penguin missiles to Turkey. The MNOK 300 was signed in Mars 2000.

PENGUIN MISSILES valued at an additional MNOK 380 were sold to Australia when the Royal Australian Navy chose to exercise an option attached to a 1998 contract.



Profit (MNOK)



- Development of the new NSM anti-ship missile achieved some important milestones in 1999. One of the most important was the implementation of a successful Preliminary Design Review in June, when, among other things, it was decided how the missile would be shaped.

- Kongsberg Defence & Aerospace joined Kværner Oil & Gas and Umo Sterkoder to form the Nor-Eskort Group to tender a bid for the delivery of frigates to the Royal Norwegian Navy. The bid was ranked third, and the Nor-Eskort Group withdrew it from the competition. The Nor-Eskort Group was subsequently disbanded.

Kongsberg Defence & Aerospace then positioned itself to win contracts as a subcontractor for the party awarded the frigate contract. In September, the company signed a letter of intention with Lockheed Martin regarding the delivery of parts of the weapons control system for the Norwegian frigates. The agreement also embraces export opportunities. The final contract will be signed once the Royal Norwegian Navy has signed the frigate contract.

The choice of Bazan of Spain to supply the frigates led to the signing of a co-operation contract between Kongsberg Defence & Aerospace and Bazan in February 2000 and the negotiation of contracts for the delivery of Penguin missiles, NASAM air defence systems and a preliminary study of fire control systems for the new Spanish submarines.

- Kongsberg Defence & Aerospace has signed a contract to acquire Ericsson's stake in Kongsberg Ericsson Communications ANS.

Command and weapons control systems

Kongsberg Defence & Aerospace is the Norwegian Armed Forces' primary supplier of command and weapons control systems. These are computer-controlled support systems designed to enhance the use of weapons systems. Modern computer and sensor technology facilitates increased defence force mobility, the deployment of troops and the control of sophisticated electronic weapon systems. Kongsberg Defence & Aerospace has developed and manufactured the command and weapons control systems the Royal Norwegian Navy has on its missile torpedo boats (MTB) and submarines. The company is co-operating with DCNI of France on developing a weapons control system for the updating programme for Hawk Class MTBs. This will also form the basis of the weapons control system for the new Skjold Class MTBs. Submarine systems made by Kongsberg Defence & Aerospace have been sold for the German submarines currently in process and for the Italian submarines scheduled for delivery from 2003 to 2005.

Air defence systems

In conjunction with the Royal Norwegian Air Force, Kongsberg Defence & Aerospace has developed a mobile air defence system. The work began in 1984 with the development of a command and weapons control system for Hawk missiles rented from the US Armed Forces. After the Norwegian Air Force purchased air-to-air AMRAAM missiles, further development efforts were invested in the weapons control system. In addition, a launcher was developed for these missiles. The Norwegian Air Force was the first to launch the AMRAAM missile from the ground. Based on contracts with the Royal Norwegian Air Force, Kongsberg Defence & Aerospace and Raytheon of the US have joined forces in respect of the product and its markets. In 1999, this collaboration resulted in a contract with the Armed Forces of Greece for an air defence system.

Missiles

The Penguin is an anti-ship missile developed in co-operation with the Norwegian Defence Research Establishment and the Norwegian Armed Forces. The missile has been upgraded continuously. Since the mid-1970s, it has been one of the Norwegian Navy's main weapons. Over the years, varieties of the Penguin have been developed for deployment on fighter craft and helicopters. Today, the systems are operative in Norway, Sweden, Turkey, Greece and the USA. Kongsberg Defence & Aerospace has signed a contract to deliver missiles to the Royal Australian Navy. The Penguin is one of few integrated missiles carried by helicopters and, through gradual upgrading, will be available for many years to come. Kongsberg Defence & Aerospace has Penguin contracts for maintenance and upgrade options until after 2020.

A contract to develop the next generation of anti-ship missile (NSM) was signed with the Royal Norwegian Navy in December 1996. The contract ensures missile activities at Kongsberg Defence & Aerospace for several years. The new missile will be equipped with a jet engine, giving it a range of more than 100 kilometres. The missile will be made of composite, a lightweight, high-strength material. The NSM will use Stealth technology to make it difficult to detect using radar. It features a highly advanced seeker function. The development phase is scheduled to last until 2004, at which time there are plans to put the missile into serial production. By virtue of an agreement with Aerospatiale Matra Missiles of France, Kongsberg Defence & Aerospace believes the missile has a strong export potential. Several countries have already indicated their interest.

THE NEW ANTISHIP MISSILE (NSM) will be in development until 2004 and is right on schedule.



NSM

Space activities

The company's space activities are a civilian, commercial spin-off of Penguin and command and weapons control systems. Kongsberg Defence & Aerospace has been developing and manufacturing structural elements and mechanisms for the Ariane-5 rocket and satellites since the late 1980s, and is now Norway's largest supplier to the European Space Agency (ESA). Through its subsidiary Kongsberg Spacetec in Tromsø, Kongsberg Defence & Aerospace has delivered equipment for downloading and processing data from satellites in polar orbit. Kongsberg Spacetec now supplies complete ground stations featuring large satellite dishes and data processing equipment. This equipment processes satellite data delivers it to the end user. Kongsberg Spacetec completed the installation of a downloading station on the archipelago of Svalbard at 78° N in collaboration with Lockheed Martin of the US. The station became operative in 1999 and offers a unique location for servicing satellites in polar orbit since all passes can be observed.

KONGSBERG SPACETEC's satellite downloading station on Svalbard was officially opened in June 1999 and is a joint venture with Lockheed Martin of the US.

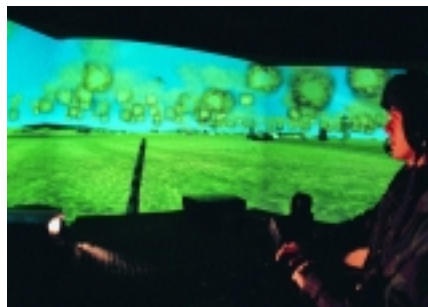


The Svalbard Station

Tactical trainers and simulators

Cutbacks in defence spending on operations increased the need for more cost-efficient training of military personnel. Since the early 1980s, Kongsberg Defence & Aerospace has been developing and manufacturing trainers for defence customers world-wide. Designed according to customer specifications to create the most authentic possible picture of any given operational realities, these trainers are used to teach personnel about communications, and tactical command and control.

THE TANK SIMULATOR developed for the Norwegian Army's new facility at Rena, Norway provides more cost-effective training at the same time as it involves less encroachment on the environment.



Communications systems

Kongsberg Defence & Aerospace's communications activities are conducted under the auspices of its subsidiary Kongsberg Ericsson Communications ANS. The company is developing a new Multi Role Radio (MRR) for the Royal Norwegian Army. The first deliveries were made in 1999. Product development has taken longer than anticipated. The Royal Norwegian Army is currently conducting a testing programme. On the tests performed thus far, the MRR has more than fulfilled all requirements and expectations.

Kongsberg Ericsson Communications ANS sells Eritak, a tactical communications system, on export markets, and supplies products and systems to several countries in the Middle East and Asia. Product development co-operation with the Norwegian Armed Forces is expected to continue in the years ahead, enhancing the company's product portfolio and export opportunities.

THE NEW MULTI ROLE RADIO (MRR) is developed for the Norwegian Army. Test results have exceeded all expectations.





"We landed the contract to deliver Penguins to Australia in open competition against some of the world's largest defence suppliers. The combination of long-term reliability, excellent references and sophisticated technology at the right price, proved yet again how competitive these missiles really are."

Helge Morsund (47)

Program Manager Australia

Kongsberg Defence & Aerospace AS - Kongsberg, Norway



DAVIS MULTI-MEDIA PROJECTORS are among the market's leading presentation systems. They are based on proprietary technology and strategic co-operation with leading international players.

The main responsibility of Business Development is to evaluate and develop new strategic opportunities outside, or in collaboration with the business areas. The unit is also in charge of developing the wholly-owned subsidiaries Kongsberg Protech and DAVIS and, through active owner involvement, promote optimal industrial and financial development in the partially owned companies Sonec, Kongsberg Fimas and Scali.

Kongsberg Protech AS

Kongsberg Protech is a contract manufacturer in the fields of mechanical processing, surface treatment, maintenance and the manufacture of custom tools for military and civilian customers. Kongsberg Protech had a turnover of MNOK 179 in 1999, and had 201 employees.

Norway's engineering industry is on the threshold of making some major changes. The changes are being driven forward by changing market conditions and the need to make better use of existing capacity and existing machinery. In addition, success will depend on having the ability and the size to make the requisite investments and take advantage of the potential synergies in co-ordinated management, marketing and procurement.

Kongsberg Protech continued to make progress in 1999, consolidating its position in the main markets: defence, offshore and aerospace. The company won important contracts on all its markets during the year under review. The company has increased the scope of its deliveries to the offshore market,

terms of the tooling of destined for subsea well system collaboration with Vinghøgs Verksted, a contract was awarded to the Norwegian Army for the delivery of developed weapons stations for deep-sea mining operations, among

leading company in the development and marketing of multi-robotic systems based on advanced technology. The products are based on proprietary technology and in close cooperation with leading industrial players. The company has production facilities in Drammen, Norway and activities in Norway, Sweden, and the USA. Davis has 74 employees. Exports accounted for approximately 80 per cent of the company's revenues of MNOK 384 in

strengthened its market position and profitability during the year 1997. The re-organisation implemented in 1998 continued in 1999. Main elements of the process included targeting presentation to the corporate market and the media market. A number of products were launched during the

Sales activities under the auspices of Davis' own companies, distributors and OEM customers have been augmented and more focused. The company has consolidated its market position in Europe and terminated its loss activities in the USA.

Organisational measures have been implemented to improve the company's ability to handle international marketing, sales and product development.

Sonec ASA

Sonec ASA is a contract manufacturer of electronics and systems for civilian and military applications. With a stake of 37 per cent, Kongsberg Gruppen is the largest single shareholder in Sonec ASA. Sonec ASA has 640 employees.

It was decided in January 2000, to investigate the feasibility of a merger between Kitron ASA and Sonec ASA. As a result of a merger, Kongsberg Gruppen's would be reduced proportionate to the conversion ratio.

Scali AS

Scali was founded in 1997 based on a development project within Kongsberg Gruppen. The company develops software for the clustering of standard PC's and work stations. This is the software used for scalable application servers, database applications and Internet service providers. Co-operation agree-

Kongsberg Fimas AS

Kongsberg Fimas AS provides services relating to environmental chemistry and materials technology as well as mechanical and electrical calibration.

The amalgamation of Fimas and Kongsberg Laboratorietjenester made Kongsberg Fimas one of Norway's leading calibration companies in environmental technology etc. Changes are expected in the areas of calibration and materials technology. It is expected that the outsourcing of these services will increase. Several facilities have developed in-depth and comprehensive

Kongsberg Gruppen owns 50 per cent of Kongsberg Fimas. The company will contribute actively to the company's pursuit of industrial development. Kongsberg Fimas had 68 employees and a turnover of MNOK 53 in

Property



Kongsberg Næringseiendom AS and Kongsberg Næringspark AS handle Kongsberg Gruppen's real estate activities in Norway.

Kongsberg Næringseiendom AS

At 31 December 1999, Kongsberg Gruppen owned a total of approximately 125 000 m² of floor space, including offices and production facilities. The company has completed several large construction projects covering a total area of 9 000 m². There is a strong demand for commercial premises in Kongsberg. The average remaining terms on leases is 8.3 years, and 54 per cent of the space is leased to tenants outside Kongsberg Gruppen. The occupancy rate has been high throughout the year and was 99 per cent at year end.

A large part (corresponding to 27 per cent of rental income) of the floor space not used by members of the Kongsberg Gruppen family was sold during the year for a package price of MNOK 350, resulting in a sales gain of MNOK 149. The properties have been leased back for a period of 15 years.

Rental income totalled MNOK 108 in 1999, compared with MNOK 100 a year earlier.

The outlook is good for 2000. There are plans to start construction on a new building for Kongsberg Simrad AS in Kongsberg. The building is scheduled to be completed in spring 2001. The Kongsberg industrial park is being re-zoned to improve access to public roads and ensure future development in the area.

Kongsberg Næringspark AS

The company possesses technical expertise in a wide variety of disciplines in order to provide service and professional property management. Common procurement of energy and communications at the industrial park in Kongsberg and at other locations in Norway helps keep tenants' costs down. Security services and local safety measures contribute to tenant safety and constitute an important part of the company's routine service operations. The company has procured permits for local operations, maintenance and construction of high voltage and district heating plants in Kongsberg, in addition to a sales permit for the sale of electrical power.

Further emphasis was attached to energy conservation efforts in 1999, and measures will continue to be implemented in the years ahead. The sorting of refuse has been introduced at the industrial park, and it has helped reduce costs for tenants.



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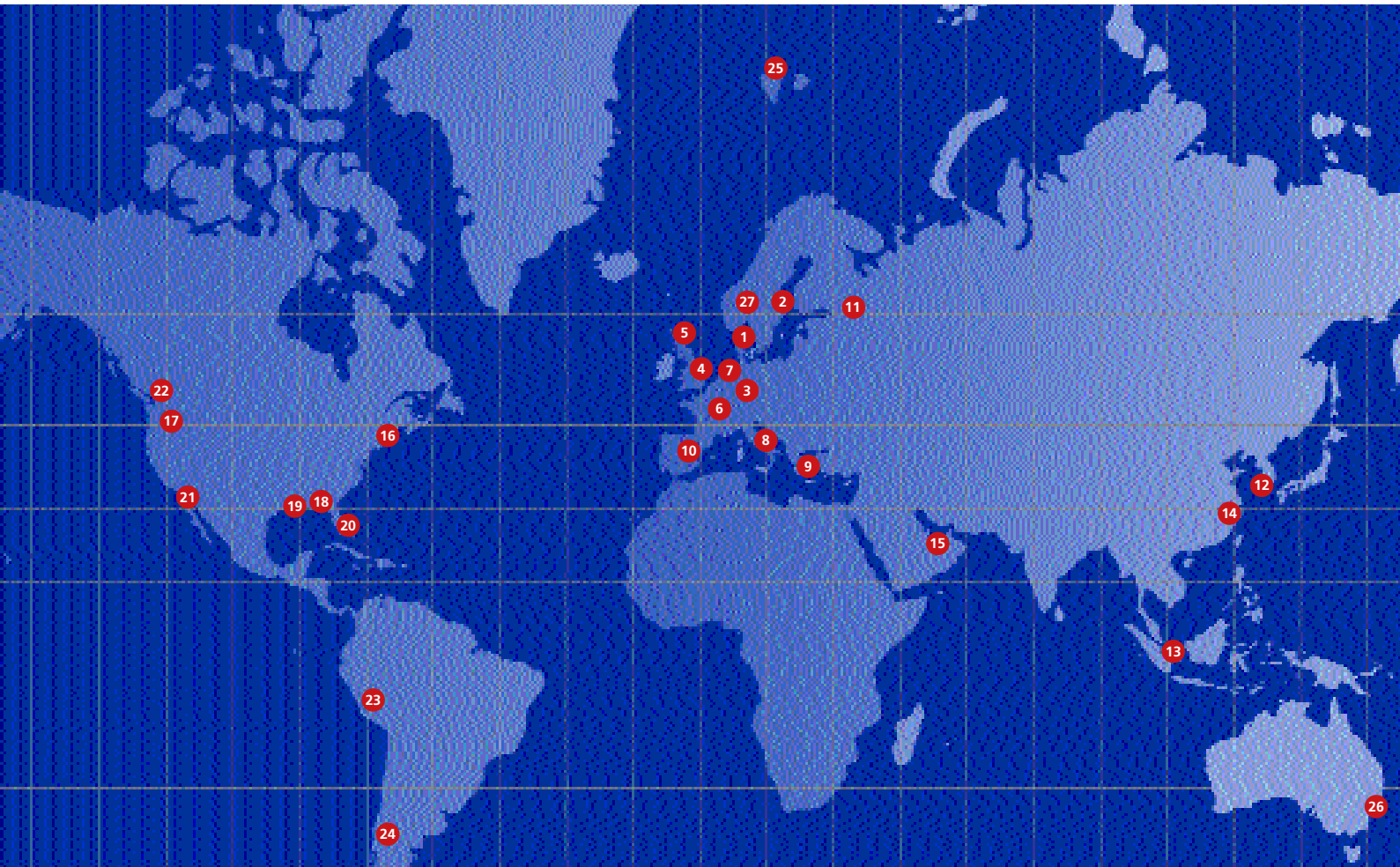
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Kongsberg world-wide locations



Kongsberg Gruppen has approximately 800 employees outside Norway, stationed in nearly 30 different locations in more than 20 countries/states.

- | | | |
|--------------------|--------------------------|---|
| 1. Denmark | 15. United Arab Emirates | 27. Norway
<i>Kongsberg
Horten
Egersund
Bergen
Stjørdal
Tromsø
Drammen
Asker</i> |
| 2. Sweden | 16. Connecticut | |
| 3. Germany | 17. Washington | |
| 4. England | 18. Louisiana | |
| 5. Scotland | 19. Texas | |
| 6. France | 20. Florida | |
| 7. The Netherlands | 21. California | |
| 8. Italy | 22. Canada | |
| 9. Greece | 23. Peru | |
| 10. Spain | 24. Chile | |
| 11. Russia | 25. Svalbard | |
| 12. South Korea | 26. Australia | |
| 13. Singapore | | |
| 14. China | | |

Financial Calendar

Annual General Assembly:

The ordinary Annual General Meeting will be held at 1 p.m. on Friday, 5 May 2000, in the Conference Centre at Kongsberg Næringspark in Kongsberg.

Payment of dividends:

Dividends will be paid on Tuesday, 23 May 2000, to those listed as shareholders in the company's official register of shareholders as of 5 May.

Publication of the quarterly results in 2000:

First quarter 28 April

Second quarter 7 August

Third quarter 24 October



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Kongsberg Gruppen

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