



KONGSBERG

Annual Report 2009



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KONGSBERG ANNUAL REPORT 2009

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Kongsberg Gruppen has chosen to distribute an annual report for 2009 that meets statutory requirements. For more details about KONGSBERG's business and the Sustainability Report, please see:

www.kongsberg.com



NORMANO SKIPPER

Kongsberg Gruppen (KONGSBERG) is an international, knowledge-based group that supplies high-technology systems and solutions to customers engaged in the oil and gas industry, the merchant marine, and the defence and aerospace industries. In 2009, KONGSBERG had a turnover of NOK 13.8 billion and 5 423 employees in more than 25 countries.

Main figures 2009

2009 was an eventful year with growth and good results for KONGSBERG.

OPERATIONS

<i>Amounts in MNOK</i>	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Operating revenues	13 816	11 056	8 306	6 720	5 791	5 901	6 651	6 980	6 176	5 296
- Operating revenues, outside Norway	% 80	77	71	72	67	69	76	72	74	74
- Operating revenues, civilian	% 52	62	62	57	59	54	54	58	63	64
Earnings before interest, tax and amortisation (EBITA)	1 376	1 122	796	464	378	239	383	485	437	287
EBITA margin	% 10.0	10.1	9.6	6.9	6.5	4.1	5.8	6.9	7.1	5.4
Earnings before tax (EBT)	1 169	861	685	390	314	180	190	291	191	188
Profit for the year	828	587	490	252	262	118	125	216	123	(56)
Backlog of orders	19 892	16 692	12 646	6 472	5 416	5 425	5 913	5 143	6 401	6 610
Employees	5 423	5 243	4 205	3 650	3 372	3 495	4 176	4 208	4 012	3 765

OWNERS' VALUES

Market capitalisation	10 590	9 840	10 170	5 250	3 720	2 970	3 180	2 715	2 895	2 550
Earnings per share after tax in NOK	6.83	4.86	4.04	2.08	1.80	0.92	1.06	1.80	1.05	(0.47)
P/E	12.92	16.87	20.96	21.08	17.24	27.62	25.06	12.55	23.09	-
Equity ratio	% 30	15	30	23	23	26	30	31	27	26
Equity	3 726	1 894	2 758	1 684	1 505	1 626	1 830	1 741	1 538	1 406
Dividend per share in NOK	2.00	1.38	1.25	0.63	0.54	0.50	0.33	0.53	-	-

OPERATIONS

Amounts in MEUR (NOK/EUR = 8.289)

Operating revenues	1 667	1 334	1 002	811	699	712	802	842	745	639
Earnings before interest, tax and amortisation (EBITA)	166	135	96	56	46	29	46	59	53	35
Earnings before tax (EBT)	141	104	83	47	38	22	23	35	23	23
Owner's values										
Earnings per share after tax in EUR	0.82	0.59	0.49	0.25	0.22	0.11	0.13	0.22	0.13	(0.06)

KEY FIGURES BY BUSINESS AREA

<i>Amounts in MNOK</i>	OPERATING REVENUES			EARNINGS BEFORE INTEREST, TAXES AND AMORTISATION (EBITA)		
	2009	2008	2007	2009	2008	2007
Kongsberg Maritime	6 657	6 029	4 850	831	722	506
Kongsberg Defence Systems	2 734	2 054	2 087	144	115	44
Kongsberg Protech Systems	4 123	2 399	1 251	442	301	229
Other/elimination	302	574	118	(41)	(16)	17
Group	13 816	11 056	8 306	1 376	1 122	796

Another good year of growth and financial strength

Dear fellow shareholder,

KONGSBERG enters 2010 even stronger than at the outset of 2009. It is a pleasure to report that our initiatives aimed at the market, product development and cost cutting worked as intended, paving the way for this good trend. KONGSBERG is still growing strong. The Group's financial strength has also improved. We have healthy market positions and a strong competence base. In a nutshell, we have further bolstered our position as a leading industrial technology enterprise.

At the end of 2009, the Group reports 25 per cent growth in operating revenues and an EBITA margin that remained above 10 per cent. The cash flow was good in 2009, NOK 2.7 billion, which carried us into 2010 with net cash reserves of MNOK 634. This strong cash flow is due not only to good results, but also to KONGSBERG's intent focus on reducing tied-up capital and capital expenditure. Our total order backlog for delivery over the years ahead is now valued at nearly NOK 20 billion. In addition, after-sales business continues to grow, giving us a sound platform for the years ahead.

The share price ended 2009 at NOK 88.25 generating an annual return of about seven per cent. This trend approximates the Oslo Stock Exchange's industrial index, but is somewhat behind the benchmark OBX index. The Board has proposed a dividend of NOK 2.00 per share, i.e. an increase of about 45 per cent from 2008.

A year ago, we clarified our business focus by organising the Group into four BAs. This generated energy and has enhanced our capacity for making breakthroughs in the individual segments. In 2009, we saw that our presence in relatively unrelated market segments kept us well anchored when storms set in. We will also benefit from this in the time ahead.

KONGSBERG is a corporation characterised by enthusiasm, expertise and high levels of energy. We have always had strong faith in our ability to succeed, as evidenced by the saying that "there is no problem that we cannot solve". We have set ambitious targets for the Group's further growth. This is not something to be taken lightly, given today's world and market situations. We nevertheless feel that with our excellent point of departure, this is possible, correct and necessary. Further growth is a prerequisite for taking advantage of the market opportunities we already have, and for further developing leading expertise and products.

I am very pleased with the Group's performance in 2009. We have increased our order backlog yet again, and at the same time grown the business. The ratio between new orders and sales was no less than 1.27 for the year as a whole. We have done a good job increasing the cash flow in the Group. At the end of Q3 2009, KONGSBERG was debt-free, and by year end, the Group had strong net cash reserves. This gives us the financial strength to invest even more in industrial and technological development in the years ahead.

During the year under review, we moved into new geographical areas, establishing contractual bridgeheads. In so doing, we strengthened our market position. This refers to new geographical ventures in the maritime segment and to several major contracts with significant growth potential on the defence side.

KONGSBERG has become a more closely knit corporation in 2009. One of our competitive edges is that our business areas (BAs) have considerable autonomy and a strong sense of ownership to their spheres of activity. With the growth we have had and see ahead of us, however, it is essential to maintain closer control of some key corporate processes and topics. This refers, for example, to business development, risk management, Human Resources/ leadership development, compliance and corporate communications.

Although KONGSBERG operates in many market segments, there is an Ariadne's thread running through most of our expertise and technology. One important common denominator for our products and services is that we supply decision-support in complex systems. We combine advanced sensor technology with user-friendly software, thus enabling operators to make the right decisions. Such expertise and technology are part and parcel of KONGSBERG's deliveries, regardless of which market segment we serve.

In 2009, we continued to invest heavily in the development of new products and technologies. In fact, we spent roughly 10 per cent of our sales revenues on this, and that is a considerable sum.



This has been and will continue to be one of our most important competitive advantages. We have demonstrated that we can develop leading products capable of international market breakthroughs, and that we can do so quickly and more efficiently than many of our competitors.

In 2009, we devoted considerable attention to updating our policies and procedures in important areas such as ethics, anti-corruption and corporate social responsibility. We have established a common regulatory framework through our Code of Business Conduct and Compliance. In that connection, we have conducted courses for about 300 managers and key personnel, supplemented by e-learning courses for more than 4800 co-workers the world over.

At the outset of 2010, we are well positioned in our high-priority markets. The Group is progressing well and there is every indication that we will continue this buoyant trend. The general financial situation seems brighter today than it did a year ago.

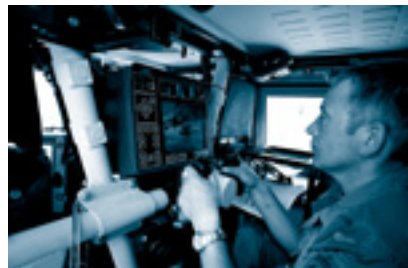
However, the overall picture is still not clear, and the trend in our markets calls for continued vigilance on all fronts. We are prepared for this. We will continue to lean into the wind and be proactive. We will continue to provide high quality and to invest in new products and areas. Our competence base and dynamic corporate culture are our greatest advantages now as the competition grows ever keener.

A good 2009 is behind us. It is now time, first and foremost, to thank all our customers for the confidence they have placed in us, and our more than 5400 employees for the absolutely fantastic work they have done. We also extend our gratitude to our many suppliers and partners in the worlds of technology, government and finance. Well done!

We embark on 2010 with our heads held high!

Walter Qvam, CEO

“One important common denominator for our products and services is that we supply decision-support in complex systems.”



Directors' Report





Directors' Report

2009 was an eventful year of growth and good results for KONGSBERG. Revenues increased by 25 per cent to MNOK 13 816, the order backlog rose by 19 per cent to MNOK 19 892, and the EBITA was up by 23 per cent to MNOK 1 376. This translates into an annual return of approx. 10 per cent (10.1). Earnings per share were NOK 6.83 (NOK 4.86). The Board is satisfied with the trend and proposes a dividend of NOK 2.00 per share (NOK 1.375), in line with the Group's dividend policy.

GENERAL REVIEW OF 2009

Kongsberg Maritime, Kongsberg Defence Systems and Kongsberg Protech Systems have all reported higher operating revenues and operating profits in 2009 than in 2008. New orders have been especially strong in the two defence-related business areas (BAs), but Kongsberg Maritime's new orders are also considered satisfactory, given current markets.

2009 was characterised by uncertainty in the world economy, and Kongsberg Maritime's markets were particularly affected by this uncertainty. The global shipyard industry saw a steep decline in new orders, in addition to cancellations and postponements of projects. Despite the market situation, Kongsberg Maritime

had a good year. The BA's diversified product portfolio, very large order backlog and strong position in the commercial vessel and offshore markets have contributed to this. Accordingly, the BA maintained a very high level of activity in 2009. Kongsberg Maritime has equipment installed on more than 17 000 vessels, a figure that has grown rapidly in recent years. This has led to a surge in business related to after-sales and customer support, a trend expected to continue.

Kongsberg Defence Systems had an eventful year. 2009 brought important contracts, including a major air defence contract with Finland and the development contract with the Norwegian Defence Logistics Organisation for the new Joint Strike Missile (JSM). Several large-scale projects are also just starting the delivery phase, ensuring a sound platform for the years ahead. The new composite plant at Kongsberg is now online and the first parts for the US F-35 Lightning II (Joint Strike Fighter) have been qualified and delivered.

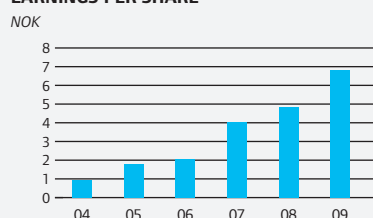
Kongsberg Protech Systems showed robust growth in 2009. More Protector weapon control systems were delivered in 2009 than have been delivered collectively in all previous years since the system was

introduced. The plant in Johnstown, Pennsylvania, is running at high capacity and demand is strong. The CROWS II Framework Agreement that KONGSBERG landed with the US Army in August 2007 was almost fully subscribed at year-end 2009. In late December, the framework agreement was therefore expanded from 6 500 to 10 349 systems.

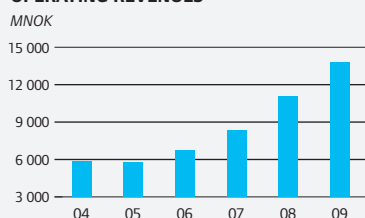
KONGSBERG SHARES AND SHAREHOLDERS

KONGSBERG's share price advanced from NOK 82 at year-end 2008 to NOK 88.25 at year-end 2009. This translated into market capitalisation of MNOK 10 590 at the end of 2009. Including a dividend of NOK 1.375 per share, the return on investments in 2009 was 9.3 per cent. During the same period, the All-Share Index (the Oslo Stock Exchange Benchmark Index) had a yield of 55.3 per cent. In sum, for the years 2008 and 2009 the return on KONGSBERG's shares was 4 per cent compared with minus 24 per cent for the OSEBX. At 31 December 2009, KONGSBERG had 6 525 shareholders, an increase of 477 from 2008. The share had 508 foreign owners who collectively held 4.94 per cent of the shares (5.79 per cent). The State as represented by the Ministry of Trade and Industry is the Group's largest owner, with a 50.001 per cent stake.

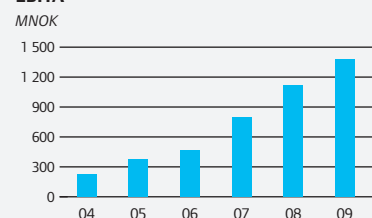
EARNINGS PER SHARE



OPERATING REVENUES



EBITA



At year end, the 10 largest owners collectively held 83.29 per cent (82.21) of the shares.

KONGSBERG has paid dividends to its shareholders every year since its listing in 1993, except for in 2000 and 2001. At the AGM on 7 May 2009, it was decided to pay a dividend of NOK 1.375 per share for 2008. It has been proposed that the AGM scheduled for 11 May 2010 adopt a dividend of NOK 2.00 per share.

In 2009, about 12 million (about 12.2 million) KONGSBERG shares were traded, divided among 9 220 (14 703) transactions. The share's liquidity continues to be low, and the company is actively seeking to promote interest in the share by addressing the investor market. KONGSBERG is regularly represented at road shows, meetings and conferences both in Norway and abroad. One goal for 2010 is to increase the frequency of these activities. Investor presentations are held quarterly, as well as at our annual Capital Markets Day. More analysts have been covering the company in recent years. At year end, eight securities houses have active coverage of the share. To increase liquidity, on 7 May 2009, the AGM voted to split the share in a ratio of one to four. The number of shares outstanding is now 120 million, each with a nominal value of NOK 1.25.

The Board is in favour of employee ownership. At 31 December 2009, more than 1 500 employees owned a total of about 3 000 000 shares in KONGSBERG. This corresponds to roughly 2.5 per cent of the shares. The Group's annual employee share programme was conducted for the 12th time in the summer of 2009. A total of 566 286 (534 448) shares were sold at a price of NOK 62.50 (20 per cent under the market price). 1 323 (1 441) employees took advantage of the offer.

MARKET CONDITIONS AND OPERATING PARAMETERS

Kongsberg Maritime

Kongsberg Maritime has maintained its robust market positions. A key element of the BA's strategy for improving efficiency is to develop delivery models in which some value is created close to important customer clusters. In 2009, Kongsberg Maritime set up an office in Brazil, an increasingly important market for KONGSBERG. At year end 2009/2010, the Group had 761 employees in Asia. This means we are well prepared to meet the increasing competition from local competitors.

Orders for new vessels were extremely low in 2009. Nonetheless, the shipyards have strong order books for delivery in 2010 and later. Kongsberg Maritime also has a good order backlog and business is expected to remain at a high level in 2010, although slightly lower than in 2009. Towards the end of 2008, many shipyards experienced delays and cancellations. The number of cancelled contracts was relatively low for Kongsberg Maritime, representing a total value of MNOK 355.

Norway's maritime industry has a strong position, and it is crucial to the export industry. The Board therefore underlines the need for an industrial policy that will promote growth and development in this sector.

Kongsberg Defence Systems

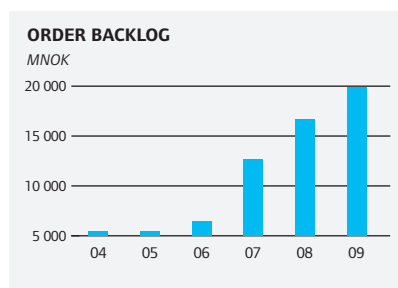
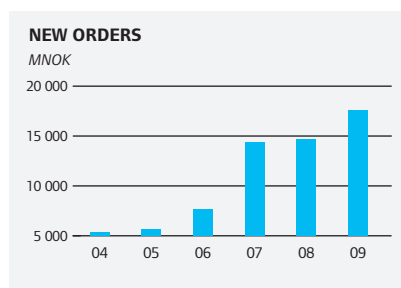
In collaboration with KONGSBERG, the Norwegian Armed Forces have developed solutions that have proven highly competitive on the international market over time. It is of great importance to the Group that this national collaboration continues. Cooperation gives the Norwegian Armed Forces a chance to develop and use technology which is especially appropriate for conditions in Norway, and which can come up a winner against international competition.

The air defence contract won in Finland strengthened the BA's market position. There are several new contract opportunities in this field. The growth potential for missiles and aircraft components is also good.

The Norwegian defence industry depends on achieving favourable offset agreements in connection with the purchase of defence materiel from abroad. This is a practice which, with few exceptions, applies in all countries. When the Armed Forces decides to make major investments with foreign suppliers, large parts of Norway's defence budget become tied up, limiting investments with national suppliers as a result. Norwegian participation through offset agreements ensures defence deliveries that are well adapted to conditions in Norway and for maintaining a viable and competitive Norwegian defence industry. Favourable offset agreements facilitate this. The Norwegian Government and the Storting (parliament) have both underlined the importance of offset agreements that are in keeping with international practice. For KONGSBERG, offset agreements also mean more business for many of the BA's nearly 1 500 Norwegian subcontractors. Predictability in the export regulations for defence materiel and the practice of this are also important operating parameters for KONGSBERG.

Kongsberg Protech Systems

With the Protector weapons control system, the BA has multiplied its business many times over recently, becoming the leading supplier of this type of systems. About 6 000 units have been supplied to 17 countries and there are more countries interested in the system. The USA, both directly with the US Army and through vehicle suppliers, is the largest customer.



In August 2007, KONGSBERG won the CROWS II framework contract with the US Army, valued at NOK 8 billion. The framework was expanded from 6 500 to 10 349 systems in December 2009.

About 95 per cent of the original framework has been converted to contracts for deliveries. The expansion confirms the quality of the system and countries' need to protect their own troops. The customer is now initiating a call for applications for a new framework agreement.

Although the time frame has not yet been announced, KONGSBERG has started positioning itself for the competition.

Kongsberg Protech Systems is expected to grow further in future. There are many new opportunities in the weapon systems market with a view to existing as well as new customers.

Other activities

The item 'Other activities' mainly consists of Kongsberg Oil & Gas Technologies, external sales related to the property business and the elimination of intra-Group sales.

Kongsberg Oil & Gas Technologies is a target area for KONGSBERG. The BA is currently under development and involves several high-technology niche products that address the oil and gas market. In 2009, this market was characterised by a 'wait-and-see' attitude, as new projects were postponed. Kongsberg Oil & Gas Technologies has largely maintained its positions in the market and improved its position for supplying software for real-time drilling operations. In 2009, the spotlight was on the development of LedaFlow, the multiphase process simulation tool, and the further development of K-Spice, the dynamic process simulator.

COMMENTS ON THE 2009 RESULT

Operating revenues

The Group's operating revenues were 25 per cent higher in 2009 than in 2008 and all BAs showed growth. In recent years, KONGSBERG had built up a substantial backlog of orders that are now being delivered. Sales growth was ascribable to increased market shares as well as new product launches.

EBITA development

KONGSBERG maintained a two-digit EBITA margin, 10.0 per cent in 2009 (10.1 per cent). There has been a lot of attention devoted to efficiency and performance throughout the organisation, a fact reflected in the results. Kongsberg Maritime raised its EBITA margin from 12.0 to 12.5 per cent in 2009, while the EBITA margin dipped slightly in both defence segments. For Kongsberg Protech Systems, this was generally due to a different project mix from last year. At Kongsberg Defence Systems, 2009 was a year for start up of several major projects, and opening the new composite plant. The BA also earned losses on certain projects, which had a negative impact on performance.

Results

Earnings before tax came to MNOK 1 169 (MNOK 861). The profit after tax was MNOK 828, an improvement of MNOK 241. Earnings per share were NOK 6.83 (NOK 4.86).

FINANCIAL SITUATION AND CAPITAL STRUCTURE

Cash flow from operating activities

EBITDA (earnings before interest, tax, depreciation and amortisation) was MNOK 1 619, and net current assets were reduced by MNOK 1 050 in 2009. This gives a net cash flow from operating activities of MNOK 2 669 in 2009 (down MNOK 26).

The Group had a project to free up capital in 2008, which brought results in 2009. Parts of KONGSBERG's operations consist of delivery contracts featuring milestone payments, meaning that the cash flow from operating activities will vary from year to year.

Cash flow from investing activities

The cash flow from investing activities was MNOK -332 (MNOK -1 484) in 2009. Of this, investments in buildings and tangible fixed assets added up to net MNOK 451. KONGSBERG sold 37 609 060 shares in Roxar for NOK 5.20 per share, which generated proceeds of MNOK 195.6.

Cash flow from financing activities

In 2009, repayments on loans came to MNOK 1 393, and the Group issued a new bond loan with a five-year term to maturity worth MNOK 500. The total cash flow from financing activities ended at MNOK -1 091 (MNOK 813).

The Group's net cash reserves increased by MNOK 2 073 in 2009, ending at MNOK 634.

Currency

Many of the Group's customers are non-Norwegian, so large parts of our revenues are in foreign currencies. This means the Group's revenues are impacted by fluctuations in the exchange rates between NOK and other currencies. The Group tries to limit foreign currency risk by pursuing an established foreign exchange (F/X) policy.

KONGSBERG's foreign exchange policy assumes that all contractual currency flows will be hedged by forward F/X contracts (project hedges). In addition, some anticipated new orders are hedged according to established rules (hedges of forecasted sale). The rules govern the percentage of anticipated new orders to be

	<i>Kongsberg Gruppen ASA</i>	<i>Kongsberg Maritime</i>	<i>Kongsberg Defence Systems</i>	<i>Kongsberg Protech Systems</i>
Revenues				
2008	11 056	6 029	2 054	2 399
2009	13 816	6 657	2 734	4 123
Percentage change	25 %	10 %	33 %	72 %
EBITA				
2008	1 122	722	115	301
2009	1 376	831	144	442
Percentage change	23 %	15 %	25 %	47 %

hedged, depending on the time until the new orders are expected to be placed and the price level. This way the Group tries to mitigate the effects of currency fluctuations on a two-year horizon.

At year-end 2009, the portfolio of forward F/X contracts linked to the hedging of project contracts amounted to MNOK 6 608, measured at agreed exchange rates. At the same date, these forward F/X contracts had an added value of MNOK 183. The Group also had MNOK 6 589 in hedges of forecasted sale measured at agreed rates, consisting of futures agreements worth MNOK 6 318, and the rest options. At 31 December 2009, these hedges of forecasted sale had a net added value of MNOK 357. At 31 December 2008, hedges of forecasted sale had a net deficit value of MNOK 1 454. The change in the fair value of hedges of forecasted sale is primarily attributable to large fluctuations in the exchange rates between NOK and USD/EUR in 2009.

Capital structure

At 31 December 2009, consolidated equity came to MNOK 3 726, or 30.1 per cent of total assets. Equity capital increased by MNOK 1 832 as a result of good results during the year and a rise in the fair value of forward F/X contracts and the options used for hedges of forecasted sale.

The Group's net cash reserves at 31 December 2009 were MNOK 634, compared with net interest-bearing liabilities a year earlier of MNOK 1 439. Consolidated gross liabilities mainly consist of two bond loans totalling MNOK 800. The Group also has an undrawn credit facility of MNOK 1 000 that extends until 31 December 2013. The loans require that net interest-bearing liabilities not exceed three times EBITDA, although they can be up to 3.5 times EBITDA for a maximum of three quarters.

KONGSBERG's operations reflect a long-term perspective as regards both performance and strategy. This requires predictable access to capital over time. The Group therefore aspires to maintain a good credit rating with its lenders and investors.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

The development of advanced technology solutions for national and international markets accounts for a large part of KONGSBERG's added value. Comprehensive expertise and knowledge-sharing are crucial for competitiveness. KONGSBERG's extensive knowledge of dynamic positioning is based on expertise developed in connection with guidance systems for submarines and missiles. The Group's systems and products generally revolve around four core competencies: signal processing, systems integration, engineering cybernetics and software development. KONGSBERG focuses on product development continuously through both equity-financed and customer-financed programmes and, over time, the Group spends the equivalent of about 10 per cent of its operating revenues on product development

OPERATING CONDITIONS IN THE BUSINESS AREAS

Kongsberg Maritime

	2009	2008
Operating revenues	6 657	6 029
EBITA	831	722
EBITA margin	12.5 %	12.0 %

The BA enjoys smooth operations and earns robust results in a competitive market. Profitability improvements have largely been accomplished by concentrating on efficiency, not least by moving more value creation closer to customers. The backlog of orders is still regarded as reasonably satisfactory, but delays in delivery times and further cancellations can affect the scope of delivery adversely in the time

ahead. Market trends are being followed closely, and risk-reduction measures were instituted in 2008 and 2009. New orders aggregated MNOK 5 476 in 2009, down NOK 1.9 billion from 2008. The backlog of orders aggregated MNOK 5 087 at year-end 2009, a reduction of MNOK 1 888 during the year.

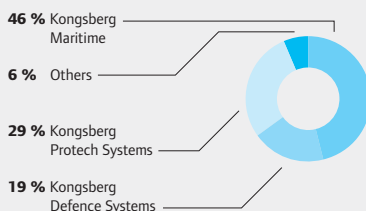
The subsea segment saw an increase in new orders for products for the surveying and fisheries markets. Products have been launched that demonstrate new dimensions in performance and reliability. In the surveying market, this refers to multibeam echosounder systems for seabed surveying at great depths. In 2009, there was more focus on and demand for instrumentation and positioning for trawler systems in the fisheries segment to protect the environment and gear. Offshore & Marine also launched several new products in 2009. One important launch is the new E-bird, a concept for positioning seismic streamers. Another new product is K-Master, an integrated work station that combines navigation, control, manoeuvring and machinery automation functions all in one solution.

Kongsberg Defence Systems

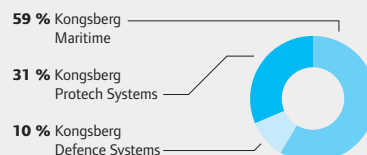
	2009	2008
Operating revenues	2 734	2 054
EBITA	144	115
EBITA margin	5.3 %	5.6 %

The BA booked new orders worth MNOK 5 725 in 2009 (MNOK 2 788). In spring 2009, KONGSBERG was chosen to supply a new air defence system to Finland, and awarded a contract worth NOK 3 billion. This is the largest single contract the Group has ever landed. The contract was won against strong competition and consolidates KONGSBERG's position as one of the world's leading suppliers of air defence. In April, a development contract was signed with the Norwegian Defence Logistics Organisation for development of

DISTRIBUTION OF REVENUES



DISTRIBUTION OF EBITA



a new missile, i.e. the Joint Strike Missile (JSM). The plan is to integrate the JSM for deployment on the US F-35 Lightning II – Joint Strike Fighter. The missile is believed to have a huge market potential. At year-end 2009, Kongsberg Defence Systems' backlog of orders amounted to MNOK 8 465 (MNOK 5 358).

In November 2008, the Ministry of Defence decided to replace its F-16s with the new F-35 Lightning II - Joint Strike Fighter (JSF).

In autumn 2008, KONGSBERG opened a new composite plant in Kongsberg to make aircraft components from composite and titanium for Norway's upcoming fighter craft. The initial contract was signed with Lockheed Martin in July 2008 for the production of components for the first F-35 aircraft. That contract has been followed by others and the facility is now manufacturing aircraft components.

KONGSBERG was chosen as subcontractor by both Lockheed Martin and Northrop Grumman to make parts for the new fighter craft. Norway's choice of fighter craft made it likely that the volumes produced by the new composite plant will increase significantly in the years to come, while securing composite production in Kongsberg for several decades.

Kongsberg Protech Systems

	2009	2008
Operating revenues	4 123	2 399
EBITA	442	301
EBITA margin	10,7 %	12,5 %

The BA booked new orders worth MNOK 6 196 (MNOK 4 050). Orders under the CROWS II Framework Agreement totalled MNOK 5 168 in 2009, of which MNOK 950 was associated with the expansion of the framework in December 2009. At year-end 2009, Kongsberg Protech Systems' backlog of orders amounted to

MNOK 6 345 (MNOK 4 271). Production capacity for the Protector Remote Weapon Station (RWS) was expanded substantially in 2008 and early 2009. Expansion has generally taken place in the USA. More systems were delivered in 2009 than have been delivered altogether since the product was introduced. A great deal of good work has been invested in increasing capacity as well as in building up a network of stable subcontractors of good quality, which is a critical factor for success, not merely in Kongsberg Protech Systems, but throughout the Group.

Other activities

- Kongsberg Oil & Gas Technologies

In 2009, Kongsberg Oil & Gas Technologies felt the unrest in financial markets, especially outside Norway. However, the BA booked 18.5 per cent more new orders than in 2008. To optimise operating activities and be able to win market shares, the BA was restructured in 2009.

There is strong focus on the development of new products and further development of existing products for multiphase simulation and 3D well simulation. Several of the BA's products are currently under development or in an early life-cycle phase.

Havtroll AS and Havtroll Teknikk A/S were acquired in 2009 to broaden the scope of the BA's engineering expertise in subsea oil and gas activities in Norway and abroad. Havtroll Teknikk A/S has a portfolio of special products that are a good fit for Kongsberg Oil & Gas Technologies' further focus on upstream oil and gas technology. Kongsberg Oil & Gas Technologies and Havtroll AS also act as agents, providing engineering expertise to oil companies and the supply industry.

RISK FACTORS AND RISK MANAGEMENT

The Group is exposed to different types of risk, and the Board monitors trends in the various risk areas closely. The Board has

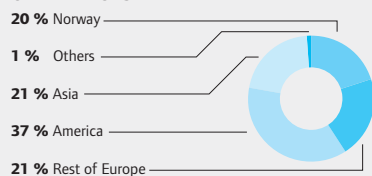
set up an Audit Committee to help deal with accounting and relevant discretionary items, and to follow up internal control and risk management. At the minimum, the Audit Committee meets in connection with the presentation of the annual and quarterly financial statements. The Board reviews operational reports on a monthly basis, and management draws up quarterly risk reports. The Board is of the opinion that there is a good balance between the overall risk and the Group's capacity to deal with risk. Besides routine risk management, the Board and management run risk analyses in connection with major investments, bids, initiatives and acquisitions.

Financial risk

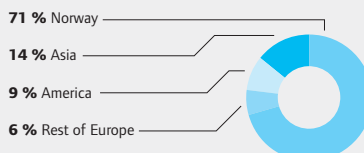
KONGSBERG has centralised management of financial risk. The Board has adopted guidelines for the Group's financial risk management, as embodied in the Group's financial policy. KONGSBERG aspires to limit financial risk and increase predictability while exploiting financing as a competitive factor. KONGSBERG is vulnerable to financial risk attached to credit risk, liquidity and refinancing risk, currency risk, interest rate risk and market risk.

Credit risk is the risk of loss if a party to a contract fails to fulfil its contractual obligations. The customer base is well diversified and consists mainly of public institutions and large private sector companies. Historically, the Group has incurred relatively modest losses on bad debts. The trend in the world economy in general and in the shipyard and shipping industry in particular has, however, increased our credit risk. Since the risk level is higher, initiatives have been initiated to limit risk exposure, and loss provisions have risen from MNOK 40 to MNOK 209 in the past two years.

GEOGRAPHICAL DISTRIBUTION OF REVENUES



GEOGRAPHICAL DISTRIBUTION OF EMPLOYEES



Liquidity and refinancing risk refers to the risk that KONGSBERG will not be able to fulfil its financial obligations as they fall due. KONGSBERG's goal is to have an average term to maturity on its long-term credit facilities of more than two years.

At 31 December 2009, the Group had an undrawn syndicated credit facility of NOK 1 billion, which will mature in 2013.

The Group also has two bond loans of MNOK 300 and MNOK 500, which will mature on 30 March 2012 and 14 April 2014, respectively. At 31 December 2009, KONGSBERG had net cash reserves of MNOK 634.

Given its high export share, KONGSBERG has significant foreign currency exposure. The Group's most important trading currencies outside Norway are USD and EUR. KONGSBERG's policy is to limit foreign currency risk while actively assessing various currencies' importance as competitive parameters. All contractual currency flows are hedged, and hedges are also made for parts of the Group's anticipated new orders.

For more details about the Group's financial policy risk management, see Note 5 "Management of capital and financial risk".

Operational risk

The Group's added value mainly consists of systems of great technological complexity. Deliveries are generally organised as projects. Effective project management is a crucial factor for reducing operational risk. KONGSBERG has established a project management process based on internal and external best practice. All project managers go through an internal training programme on the project management process. Projects' earnings are contractualised, meaning that any uncertainty is attached to assessments of remaining costs and the accrual of the projects' earnings. Principles have been established for categorising projects in terms of technological complexity and development content. This forms the basis for assessments of 'profit at risk' and taking to account the profits from the projects. 'Profit at risk' refers to the profit retained in the projects until the uncertainty has been clarified.

Uncertainty in the shipyard industry, the risk of cancellations and postponements of deliveries continue. The situation is monitored closely, and initiatives have been taken to reduce the Group's exposure in connection with any cancellations.

Risk related to non-compliance with non-financial conditions

A regulatory framework and follow-up system were set up for dealing with risks related to non-financial conditions such as anti-corruption, competition regulations, health, safety and the environment, etc. in 2009. On 1 January 2009, the Group established a corporate compliance function, which bears the main responsibility for further developing and following up compliance and reporting systems.

The Group's compliance system is to ensure compliance with relevant rules and regulations, KONGSBERG's corporate Code of Ethics and the Group's governance documents. The Board of Directors bears the ultimate responsibility for the Group having a good compliance system.

The responsibility for instruction and training as well as for routine compliance with legislation, guidelines and governance documents is vested in line management. The CEO is responsible for seeing that the Group is organised in a manner that makes this possible.

Market risk

Business risk is contingent on market conditions, competitors and other general business conditions prevailing in the markets in which we operate.

KONGSBERG has good positions in the shipping, offshore and defence markets, and has a strong order backlog. In the short term, the Group's results are therefore not expected to be seriously affected by the downturn in the world economy. Cancellations in the shipyard industry, cutbacks in defence spending in several countries, and the general, long-term economic downturn have increased the Group's risk and may eventually impact the level of activity. The Group operates in several markets that are generally influenced by independent drivers. General cyclical economic trends will impact these markets to different extents and at different times.

CORPORATE SOCIAL RESPONSIBILITY AND THE ENVIRONMENT

The Board emphasises that KONGSBERG is to operate in an ethical, environment-friendly and socially responsible manner. KONGSBERG aspires to achieve sustainable development, i.e. to strike a good balance between financial results and corporate social and environmental responsibility.

The Group has a corporate Code of Ethics that is evaluated every second year. This is done to keep the Code up-to-date with the general advances in the area.

The Group's activities are only marginally affected by environmental regulations. Notwithstanding, it is important to the Board that the Group concentrates on environmental initiatives. This takes place through product development and intra-Group initiatives. For a more detailed description of the Group's work with corporate social responsibility and the environment, see the Sustainability Report on the Group's website. The Group's Sustainability Report has been considered and approved by the Board.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

The Board ensures that health, safety and the environment are handled in a manner that promotes job satisfaction and a good working environment. One basic principle is that HSE work should be preventative. HSE work is done in the individual BAs, while the responsibility for actually doing HSE work rests with the local managers.

The Board follows up HSE work closely, reviewing the HSE reports every quarter. In 2009, the Group continued to devote special attention to HSE training for line supervisors, and to continuously improving routines for reporting incidents in the BAs. Compliance training has been completed throughout the organisation in Norway and abroad. Reporting routines from the foreign subsidiaries have gradually improved, and the figures on absence due to illness and on-the-job accidents from the international offices are a natural part of the HSE report.

There were 54 work-related accidents in the Group in 2009. Of that number, 13 were minor accidents that required no treatment or follow up, 21 were accidents

that required medical attention, and 20 were near-accidents that called for follow up. No work-related fatalities were recorded in 2009. Total absence due to illness increased from 2.4 per cent in 2008 to 2.6 per cent in 2009.

All employees in Norway have access to company health services. Access varies depending on local practices and legislation for our foreign business activities. KONGSBERG has many employees outside Norway and the number is on the rise. This requires added attention to and insight into HSE issues in the countries in which we operate.

PERSONNEL AND ORGANISATION

Continuous efforts are made to adapt the organisation to KONGSBERG's markets. The Group is working hard to take advantage of its new ventures outside Norway. This is cost effective and helps us fit into the local communities. One of the Group's goals is for the companies outside Norway to be staffed by local employees insofar as possible.

An important prerequisite for long-term success is that KONGSBERG manages employees' expertise in a satisfactory manner. To enhance the Group's ability to revitalise and improve decision-making processes, the goal is to cultivate diversity so that people of different backgrounds, cultures, educations and ways of thinking are represented.

Pro-active efforts are made to exchange expertise and employees between the BAs. Good work processes and development opportunities are also important instruments for recruiting and retaining good co-workers.

KONGSBERG attaches a great deal of importance to building skills, and works continuously to further develop and coordinate training initiatives for our employees.

KONGSBERG invests in leadership development. Comprehensive expertise and capacity among the Group's managers are among the most instrumental elements for bringing KONGSBERG's strategy to fruition. A new corporate leadership development scheme was therefore introduced in 2009

Cooperation is good with the trade unions through the established cooperation and co-determination schemes, making constructive contributions to the development of the individual companies and the Group as a whole.

The Board of Directors would like to thank all employees for their strong efforts that generated such good progress in results for the Group in 2009. In the light of the good results through 2009, the Board has decided to pay bonuses on a par with last year's to all employees.

GENDER EQUALITY

KONGSBERG has a personnel policy to ensure equal opportunities and rights, and to prevent discrimination based on ethnicity, age, national origins, skin colour, language, religion or philosophy of life. Women account for 18.8 per cent of the employees, and two of five shareholder-elected directors are women.

Insofar as possible, KONGSBERG seeks to adapt working conditions so that individuals with diminished functional abilities can work for the company. Some of KONGSBERG's operations involve projects that are linked to deliveries that call for special security clearance of employees. In certain cases, this can have an impact on who can be hired.

CORPORATE GOVERNANCE

KONGSBERG's paramount objective is to protect and enhance stakeholder value by engaging in profitable, growth-oriented industrial development in a long-term, international perspective. Good corporate governance and management will ensure the greatest possible value creation, at the same time as the Group's resources will be used in an efficient, sustainable manner. The value added should benefit shareholders, employees and society-at-large.

The Board attaches importance to reviewing the Group's corporate governance documents annually and updating them to optimise compliance with the "Norwegian Code of Practice for Corporate Governance".

The description on pages 69-75 is based on the latest revised version (21 August 2009) of the Norwegian Code of Practice for Corporate Governance.

For a discussion of compensation paid to the directors and the CEO, see Note 28 to the consolidated financial statements.

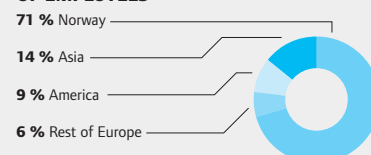
Two new Board members were elected in 2009. Anne-Lise Aukner replaced Siri Hatlen and Helge Lintvedt replaced Audun Solås as one of three employee representatives. The Board wishes to thank the former Board members for their efforts.

SALARIES AND OTHER COMPENSATION TO EXECUTIVE MANAGEMENT

The Board has a special Compensation Committee that deals with all important matters associated with salaries and other compensation to executive management prior to formal Board treatment and decisions. In compliance with Norwegian securities legislation, the Board has drawn up a declaration on the stipulation of salaries and other benefits to executive management, see Note 28 to the accounts.

<i>Number of employees</i>	<i>31 Dec 09</i>	<i>31 Dec 08</i>
Kongsberg Maritime	3 113	3 068
Kongsberg Defence Systems	1 406	1 298
Kongsberg Protech Systems	568	533
Kongsberg Oil & Gas Technologies	231	241
The corporate services centre	48	45
Kongsberg Technology Park	58	58
Total for the Group	5 423	5 243
Percentage outside Norway	29 %	28 %

GEOGRAPHICAL DISTRIBUTION OF EMPLOYEES



NET PROFIT AND ALLOCATIONS

The parent company Kongsberg Gruppen ASA posted a net profit of MNOK 314 in 2009. The Board of Directors proposes the following allocations for Kongsberg Gruppen ASA:

- Dividends MNOK 240
- Transferred to other equity MNOK 74
- Total allocations MNOK 314

The proposed dividends are equivalent to about 30 per cent of the Group's profit for the year, in keeping with the Company's dividend policy. At 31 December 2009, distributable reserves totalled MNOK 1 037.

PROSPECTS FOR 2010

Kongsberg Maritime's markets are strongly impacted by world trade trends and the demand for energy. There may be more cancellations and postponements in respect of existing contracts. The slow pace of contracting new vessels at the shipyards is expected to continue. Kongsberg Maritime is expected to maintain its good market positions in the offshore industry and the maritime segment in 2010. The strength-

ening of global after-sales and customer support is having positive results. The Board expects the workload to be slightly less in 2010 than in 2009. Trends are followed closely and initiatives are being taken to adapt capacity and reduce risk.

Kongsberg Defence Systems still expects good and rising levels of activity. Several major delivery programmes are in the ramp-up phase. The focus on advanced composite components for the aviation industry continues, and significant efforts are being made to market and further develop missiles.

Kongsberg Protech Systems is expected to grow further in 2010. There are many new opportunities arising in the weapon systems market with respect to existing and new customers.

The NOK/USD and NOK/EUR exchange rates are of great importance to the Group. Initiatives are being taken continuously to reduce the Group's foreign exchange exposure. Besides hedging all signed contracts, the Group hedges a percentage of anticipated new orders.

All in all, KONGSBERG has good positions in the shipping, offshore and the defence markets, and a high order backlog; this provides a good platform for operations and profitability in 2010. The general economic situation is, however, uncertain and a setback could, over time, have a negative impact on the Group's level of activity.

STATEMENT FROM THE DIRECTORS AND THE CEO

We confirm that, to the best of our knowledge, the financial statements for the period from 1 January to 31 December 2009 have been prepared in compliance with applicable financial reporting standards and that the disclosures in the accounts give a true and fair view of the Company's and the Group's assets, liabilities, financial position and results of operations as a whole, and that the Directors' Report gives a fair review of the development, profit/loss and position of the Company and the Group, along with a description of the main risk and uncertainty factors facing the Company.

Kongsberg, 24 March, 2010

Finn Jebsen
Chair

Benedicte Berg Schilbred
Deputy chair

Erik Must
Director

Anne-Lise Aukner
Director

John Giverholt
Director

Roar Marthinussen
Director

Helge Lintvedt
Director

Kai Johansen
Director

Walter Qvam
CEO

Financial Statements





Consolidated income statement for the year ended 31 December

Kongsberg Gruppen (Group)

<i>Amounts in MNOK</i>	<i>Note</i>	<i>2009</i>	<i>2008</i>
Revenues	6	13 816	11 056
Total revenues		13 816	11 056
Raw materials and consumables		(6 235)	(4 822)
Personnel expenses	8, 9	(3 787)	(3 365)
Other operating expenses	10	(2 175)	(1 550)
Earnings before interest taxes, depreciation and amortisation (EBITDA)		1 619	1 319
Depreciation	11	(243)	(197)
Earnings before interest taxes and amortisation (EBITA)		1 376	1 122
Amortisation	12	(113)	(84)
Earnings before interest and taxes (EBIT)		1 263	1 038
Net financial income/(expenses)	14, 17	(94)	(177)
Profit before taxes		1 169	861
Income tax expense	15	(341)	(274)
Profit for the year		828	587
<i>Attributable to:</i>			
Equity holders of the parent		820	583
Non-controlling interests		8	4
<i>Earnings per share in NOK</i>			
- profit for the year/profit for the year, diluted	16	6.83	4.86

Statement of comprehensive income for the period 1 January - 31 December

Kongsberg Gruppen (Group)


<i>Amounts in MNOK</i>	<i>Note</i>	<i>2009</i>	<i>2008</i>
Profit/loss for the year		828	587
<i>Change in fair value:</i>			
- Hedges of forecasted sale, currency	14, 21	1 811	(1 728)
- Interest swap agreements	14, 21	3	(4)
- Available-for-sale shares	17	32	(66)
Unrecognised actuarial gains/losses on pension expenses	9	(107)	(112)
Translation differences, currency		(101)	92
Taxes on items recognised in statement of comprehensive income		(478)	516
Comprehensive income for the period		1 988	(715)
<i>Of which:</i>			
Equity holders of the parent		1 980	(719)
Non-controlling interests		8	4

Consolidated balance sheet at 31 December


Kongsberg Gruppen (Group)

<i>Amounts in MNOK</i>	<i>Note</i>	<i>31 Dec 09</i>	<i>31 Dec 08</i>
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	11	2 029	1 863
Goodwill	12, 13	1 665	1 737
Other intangible assets	12, 13	544	642
Available-for-sale shares	17	171	260
Other non-current assets	18	55	161
Total non-current assets		4 464	4 663
<i>Current assets</i>			
Inventories	7	2 587	2 693
Receivables	19	1 648	2 515
Projects in progress	20	1 071	1 610
Project accruals, assets	20	393	560
Derivatives	21	740	126
Cash and short-term deposits	22	1 463	283
Total current assets		7 902	7 787
Total assets		12 366	12 450
Equity, liabilities and provisions			
<i>Equity</i>			
Paid-in capital		982	982
Other reserves		336	(901)
Retained earnings		2 386	1 797
		3 704	1 878
Non-controlling interests		22	16
Total equity		3 726	1 894
<i>Non-current liabilities and provisions</i>			
Long-term interest-bearing loans	21	829	1 722
Pension liabilities	9	340	323
Derivatives	21	9	13
Provisions	24	128	102
Deferred tax liability	15	590	332
Other non-current liabilities		25	60
Total non-current liabilities and provisions		1 921	2 552
<i>Current liabilities and provisions</i>			
Prepayments from customers	20	2 116	900
Project accruals, liabilities	20	1 299	1 228
Derivatives	21	200	2 903
Provisions	24	564	415
Other current liabilities	25	2 540	2 558
Total current liabilities and provisions		6 719	8 004
Total liabilities and provisions		8 640	10 556
Total equity, liabilities and provisions		12 366	12 450

Kongsberg 24 March, 2010


Finn Jøbsen
Chair


Benedicte Berg Schillbred
Deputy chair


Erik Must
Director


Anne-Lise Aukner
Director


John Giverholt
Director


Roar Marthinussen
Director


Helge Lintvedt
Director


Kai Johansen
Director


Walter Qvam
CEO

Statement of changes in equity

1 January - 31 December

Kongsberg Gruppen (Group)

<i>Amounts in MNOK</i>	<i>Equity holders of the parent</i>					<i>Retained earnings</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total Equity</i>
	<i>Paid-in capital</i>		<i>Other reserves</i>						
	<i>Share capital</i>	<i>Other paid-in equity</i>	<i>Hedge reserve</i>	<i>Shares fair value</i>	<i>Translation difference, foreign exchange</i>				
Equity at 1 Jan. 2008	150	832	284	90	(54)	1 445	2 747	11	2 758
Comprehensive income			(1 247)	(66)	92	502	(719)	4	(715)
Dividends	-	-				(150)	(150)	-	(150)
Change, non-controlling interests	-	-				-	-	1	1
Equity at 31 Dec. 2008	150	832	(963)	24	38	1 797	1 878	16	1 894
Equity at 1 Jan. 2009	150	832	(963)	24	38	1 797	1 878	16	1 894
Comprehensive income			1 306	32	(101)	743	1 980	8	1 988
Treasury shares	-	-				11	11	-	11
Dividends	-	-				(165)	(165)	-	(165)
Change, non-controlling interests	-	-				-	-	(2)	(2)
Equity at 31 Dec. 2009	150	832	343	56	(63)	2 386	3 704	22	3 726

Consolidated cash flow statement for the year ended 31 December

Kongsberg Gruppen (Group)

<i>Amounts in MNOK</i>	<i>Note</i>	<i>2009</i>	<i>2008</i>
Profit for the year		828	587
Depreciation on property, plant and equipment		243	197
Amortisation on intangible assets		113	84
Net financial income/(expenses)		94	177
Income tax expense		341	274
Earnings before tax, depreciation, amortisation and non-recurring items		1 619	1 319
<i>Adjusted for:</i>			
Changes in prepayments from customers		413	150
Changes in project accruals		491	233
Changes in other current liabilities		(423)	917
Changes in inventories		106	(1 159)
Changes in receivables		659	(617)
Changes in projects in progress		92	(245)
Change in other accrual items		(114)	(475)
Income tax paid		(174)	(149)
Net cash flow from operating activities		2 669	(26)
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	11	10	5
Purchase of property, plant and equipment	11	(461)	(816)
Capitalised proprietary intangible assets	12	(54)	(55)
Acquisition of subsidiaries and minority		(33)	(544)
Net payment of loans and acquisition of shares	17, 21	206	(74)
Net cash flow from investing activities		(332)	(1 484)
Cash flow from financing activities			
Proceeds from loan	23 d	500	1 017
Prepayment of loans		(1 393)	-
Interest received		61	80
Interest paid		(105)	(120)
Net payments for the purchase/sale of treasury shares		11	(14)
Dividends paid to equity holders of the parent		(165)	(150)
Net cash flows used in financing activities		(1 091)	813
Effect of changes in exchange rates on cash and short-term deposits		(66)	33
Net change in cash and short-term deposits		1 180	(664)
Cash and short-term deposits at 1 Jan.		283	947
Cash and short-term deposits at 31 Dec.		1 463	283

Notes

Kongsberg Gruppen (Group)

1. GENERAL INFORMATION

Kongsberg Gruppen ASA (KONGSBERG) is a public limited liability company headquartered in Kongsberg, Norway. The company's shares are traded on the Oslo Stock Exchange. The Board of Directors adopted KONGSBERG's consolidated financial statements for the year ended at 31 December 2009 at its meeting on 24 March 2010. The consolidated accounts for 2009 include the parent company and subsidiaries (collectively referred to as "KONGSBERG" or "the Group"), as well as the Group's stakes in associates and jointly controlled entities.

2. BASIS FOR THE PREPARATION OF THE CONSOLIDATED ACCOUNTS

The financial statements are presented in Norwegian kroner (NOK), and all figures have been rounded off to the nearest million, unless otherwise specified.

The consolidated financial statements have been prepared in accordance with the EU-approved International Financial Reporting Standards (IFRS) and the appurtenant interpretations as at 31 December 2009, as well as the Norwegian disclosure requirements ensuing from the Accounting Act applicable at 31 December 2009.

The consolidated financial statements have been prepared on an historical cost basis except for the following assets and liabilities:

- Financial derivatives (forward foreign exchange contracts ("forward contracts"), currency options and interest swap agreements), measured at fair value
- Financial available-for-sale assets, measured at fair value
- Financial instruments which did not qualify for hedging, and which are measured at fair value, and changes in fair value are recognised on the income statement.

Uncertainty associated with estimates and the evaluation of the accounting policy

During the preparation of the financial statements, the company's management has applied its best estimates and assumptions considered to be realistic based on historical experience. The estimates are reviewed on an ongoing basis. Situations can arise which alter the estimates and assumptions, and which will in turn affect the company's assets, liabilities, revenues and expenses. Modified estimates are recognised in the period in which the estimates are changed and in future periods where relevant.

For more detailed information about uncertainty associated with estimates, which could have a significant impact on amounts recognised in the next financial year, please see the following notes:

- Revenue recognition, estimates of progress and contract profit in connection with construction contracts, cf. Note 3 c) "Summary of significant accounting policies – Revenue recognition" and Note 20 "Projects in progress".

- Estimates of whether equity-financed research and development will generate future financial benefits, cf. Note 3 f) "Summary of significant accounting policies – Intangible assets" and Note 12 "Intangible assets"
- Impairment test of goodwill and of intangible assets other than goodwill, including the calculation of recoverable amounts from cash generating units, cf. Note 13 "Impairment test of goodwill and intangible assets"
- Estimates related to pension liabilities, cf. Note 9 "Pensions and other long-term employee benefits"
- Estimates related to impairment on trade receivables, cf. Note 19 "Accounts receivable and credit risk"
- Estimates related to impairment losses on the carrying amount of projects in progress related to the risk of cancellation, cf. Note 20 "Projects in progress"
- Estimates related to future warranty commitments, cf. Note 24 "Provisions".

For more details about significant areas requiring discretionary judgement relating to the applications of accounting policy that have the most significant effect on the amounts recognised in the consolidated financial statements, reference is made to the following notes:

- Revenue recognition of construction contracts, cf. Note 3 c) "Summary of significant accounting policies – Revenue recognition"
- The application of the principles for capitalising expenses related to research and development, cf. Note 3 f) "Summary of significant accounting policies – Intangible assets"
- Financial instruments, including hedge accounting (fair value or cash flow hedges), cf. Note 3 j) "Summary of significant accounting policies – Financial instruments" and Note 21 "Financial instruments"
- Sale and leaseback attached to property, assessment of operational versus financial leases, cf. Note 3 h) "Summary of significant accounting policies – Leases, Sale and leaseback" and Note 27 "Sale and leaseback"

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group applied the same principles as for previous years when preparing the consolidated accounts for 2009.

A) Basis for consolidation

Subsidiaries

The companies in which KONGSBERG has control are recognised in the consolidated financial statements as subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is usually achieved when the Group, directly or indirectly, owns more than 50 per cent of the shares in the entity, or when the Group is able to exert control over the entity through agreements or statutes. In assessing control, account is taken of potential votes that can immediately be exercised or are convertible.

New subsidiaries are recognised at their fair value on the date of acquisition. Fair value is allocated to identified assets and liabilities. Excess value that cannot be allocated to specific assets is classified as goodwill. New subsidiaries are included in the consolidated accounts from the date of acquisition.

The date of acquisition is the date on which KONGSBERG obtains control of the acquired company. Ordinarily, control will be achieved when all the terms of the agreement are satisfied. A lack of satisfaction will result in the cancellation of the agreement. Examples can be the approval of the Board of Directors, the general meeting or the competition authorities. For business combinations achieved in stages, the financial statements are based on the values at the time the Group obtained control. Excess value in the form of goodwill is calculated on each individual acquisition. Entities that constitute the Group are listed in Note 30 "List of Group companies".

Elimination of transactions

Intra-Group balances and unrealised gains and losses that arise between Group entities are eliminated upon consolidation. Unrealised gains from transactions with associates are eliminated proportionally against the investment. Unrealised losses are eliminated correspondingly, unless they are related to impairment. All intra-Group transactions are eliminated in the consolidation process.

Non-controlling interests

Non-controlling interests are included in consolidated equity as a separate line item. The minority share of the profit/(loss) is included in the profit for the year. Non-controlling interests include the minority's share of the carrying amount of subsidiaries, including a percentage of identified excess value on the date of acquisition. Losses in a consolidated subsidiary that can be attributed to a non-controlling interest cannot exceed the minority's share of equity in the consolidated subsidiary. Excess losses are recognised directly in the equity holders of the parent in the subsidiary to the extent that the non-controlling interest is not obligated and can cover its share of the loss. If the subsidiary starts making a profit, the equity holders of the parent share of the subsidiary's equity will be adjusted until the non-controlling interest's share of past losses are covered.

B) Foreign currency

The consolidated accounts are presented in NOK (Norwegian kroner), which is also the parent company's functional currency. Each entity in the Group decides which functional currency to use, and every transaction in the accounts of the individual units is measured in its functional currency. Upon initial recognition, foreign currency transactions are measured in the functional currency on the date of the transaction. Trade receivables, other receivables, accounts payable and other financial liabilities in foreign currency are translated at the rate on the balance sheet date, and the translation differences are recognised in the profit/(loss). Differences that arise from the restatement of cash flow hedges, and which satisfy the criteria for hedge accounting, are recognised in the statement of comprehensive income. Gains and losses related to foreign exchange items in the normal operating cycle are classified as operating revenues and expenses. Other gains and losses related to items in foreign currency are classified as financial income or expenses.

Translation – foreign subsidiaries

Assets and liabilities in foreign business activities, including goodwill and adjustments to fair value in connection with acquisitions, are translated to NOK using the exchange rate on the date of balance sheet recognition. Revenues and expenses in foreign currencies are translated to NOK using the exchange rate at the time of the transaction. Since KONGSBERG has no seasonal variations or large individual transactions in foreign currencies, revenues and expenses in foreign currencies are translated at average rates for the whole year. Foreign currency translation differences are recognised in the statement of comprehensive income. Upon the disposal of all or part of a foreign entity, the accumulated translation differences are reversed at the same time in the statement of comprehensive income.

C) Revenue recognition

In connection with revenue recognition, KONGSBERG distinguishes between construction contracts, goods/standard production/services and licensing with related services.

Construction contracts/system deliveries

KONGSBERG's operations consist mainly of developing and manufacturing products and systems based on orders received.

A construction contract is a contract negotiated for the construction of an asset or a combination of assets that are closely related or interdependent. KONGSBERG has laid down the following criteria to define a construction contract:

1. A binding contract negotiated individually which takes a customer's special requirements into account;
2. Construction based on the customer's specifications which entail individual design and/or development;
3. The contract is enforceable and cancellation will require the customer to cover the expenses incurred in connection with construction at the very least;
4. Construction takes place over several accounting periods;
5. The various elements/components/services in the contracts cannot be sold separately.

The value of the work in progress is recognised as operating revenue. Uninvoiced work in progress is reported on the balance sheet under "Projects in progress". Work in progress is stipulated as incurred production costs plus a proportional share of the estimated contract profit. Production costs include direct wages, direct materials and a proportional share of the individual business areas' indirect costs, distributable by projects, while general development costs, sales costs and common administrative costs are not included in production costs.

Accrued contract profit includes the interest income on prepayments from customers that exceeds the capital tied up in the individual projects. The estimated accrued contract profit shall not exceed a proportional share of the estimated total contract profit. The proportional share of the contract profit is based on the degree of completion of the individual project, which is largely determined by the costs incurred as a ratio of the expected overall costs at the time of measurement. If the profit on a contract cannot be estimated with a reasonable degree of certainty, the project will be recognised without a profit until the uncertainty is manageable. All projects are followed up on an ongoing basis with project costings. Where a costing anticipates a loss on the remainder of a project, the loss will be expensed immediately in its entirety.

The Group reports gross balance sheet values related to long-term construction contracts as separate line items on the balance sheet. Gross amounts due from customers for contract work (projects in progress) are classified as assets, and gross amounts due to customers for contract work (prepayments from customers) and accrued project costs are classified as assets or liabilities. Gross amounts due from customers are the net amount of accumulated earned operating revenues less accumulated invoicing for all current contracts, where accumulated operating revenues exceed accumulated invoicing. Gross amounts due to customers are the net amount of accumulated earned operating revenues less accumulated invoicing for all current contracts, where accumulated operating revenues exceed accumulated invoicing. Project accrual assets are the net amount of accumulated variable expenses accrued on the basis of the project's degree of completion less accumulated direct costs recognised on the project, for all contracts on which the accumulated direct costs exceed accumulated variable expenses. Project accrual liabilities are the net amount of accumulated variable expenses accrued on the basis of the project's degree of completion less accumulated direct costs recognised on the project, for all contracts on which the accumulated variable costs exceed accumulated variable expenses.

Change orders are defined as an extension of existing delivery contracts. Change orders are recognised when the probability of customer acceptance of the change order can be ascertained with a high degree of certainty. Additional contractual services and estimated additional costs are included in the original project costings and recognised as revenue to the stage of completion of the overall project.

Series deliveries are considered a series of similar deliveries covered by a single contract, or several contracts with the same buyer at the same time, and where the individual deliveries could not have been negotiated separately on the same terms. Series deliveries are recognised as income with a shared profit on the contract and the same degree of completion.

In special cases, work on projects will commence and expenses will be incurred before a customer places a formal order. This is based on the assumption that there is a very strong probability of customer acceptance.

Goods/standard production/services

The ordinary sale of goods and standard production not covered by a construction contract are usually recognised at a pace commensurate with earnings, which is usually upon delivery. Delivery is considered complete when the customer takes over the most significant risks and rewards for a delivered product.

In addition to assuming the risks and rewards, the following criteria must be satisfied for recognition:

- It is probable that the consideration can be collected
- The income can be measured reliably

The amount recognised is measured as the fair value of the consideration or receivable. Services that are delivered but are not part of a construction contract or licensed sales are recognised as revenue incrementally as the service is provided, as described under construction contracts.

Licence revenues

The Group also sells licences for the use of software systems. Licence revenues are normally recognised as revenue at a pace commensurate with earnings, which is usually when the system is delivered to the buyer. The date of delivery is defined as the date on which the risk and rewards are transferred to the customer, see the description under "goods/standard production/ services" above. If the sale of the licence depends on customer acceptance, licence revenues will not be recognised until the customer has accepted. In cases that involve adaptations or additional work, the total contract amount, including consideration for the licences, is recognised as revenue at the same stage of completion as deliveries, as described under "construction contracts/system deliveries". Maintenance and service/support are recognised as revenue incrementally as the service is performed or on a straight-line basis during the period in which the service is performed.

Combined deliveries of goods, services and license sales

The recognition criteria are applied separately for each transaction. Where there are combined deliveries with different recognition criteria, the various elements must be identified and recognised as income separately. As regards the sale of goods accompanied by maintenance services, the goods are recognised as income upon delivery, while the maintenance services are considered deferred income and recognised as income over the period in which the service is performed.

When the prices of the various elements for delivery are stipulated in a contract, the income will be based on these prices and the stipulated price of the licence will be recognised upon delivery. For service and maintenance, the stipulated price of the service will be deferred and recognised on a straight-line basis over the period in which service and maintenance are performed.

Upon the sale of different elements covered by a single fixed price contract, KONGSBERG has the following principles for the recognition and measurement of income:

- Identification of the various elements for delivery, e.g. licence, service, maintenance and consultancy services.
- Projected costs are estimated for each element, e.g. service, maintenance and consultancy services. Further, a reasonable profit margin is estimated on the various elements, e.g. service, maintenance and consultancy services. The method and the assumptions for estimation are consistent from one period to the next.
- The estimated cost plus the profit margin will be deferred income and recognised on a straight-line basis throughout the period in which the services are performed.
- The remainder of the contract amount, less estimated income from the above-mentioned elements, is estimated as licence income and recognised upon delivery.

D) Taxes

Income tax expenses on the financial statements include tax payable and the change in deferred tax for the period. The change in deferred tax reflects future tax payable resulting from the current year's activities. Deferred tax is based on accumulated profit, but it will fall due in subsequent accounting periods. Deferred tax is calculated on net tax-increasing temporary differences between the balance sheet items used for accounting purposes and those used for taxation purposes, adjusted for deductible temporary tax differences and tax losses carried forward according to the liability method.

Income from long-term construction contracts where KONGSBERG is responsible for performance is not recognised for tax purposes until the risk and responsibility has been transferred to the customer. Owing to KONGSBERG's volume of large, long-term contracts, there are therefore considerable taxable temporary differences.

Deferred tax assets are only capitalised to the extent that it is probable that there will be future taxable income available for reducing the difference. Deferred tax assets are assessed for each period and will be reversed if it is no longer probable that the deferred tax asset will be applied.

E) Financial income and financial expenses

Financial income consists of interest income, dividends, foreign currency gains, changes in the value of assets to fair value through the profit and loss, and gains on the disposal of available-for-sale assets where the changes in value are recognised directly to equity. Interest income is recognised as it accrues using the effective interest method, while dividends are recognised on the date on which the annual general meeting adopts the dividends.

Financial expenses consist of interest expenses, foreign currency losses, impairments on available-for-sale shares, changes in the value of assets to fair value through profit or loss, and losses on the sale of assets available for sale where the changes in value are recognised directly in the statement of comprehensive income. Interest expenses are recognised gradually as they accrue using the effective interest method.

F) Intangible assets

Goodwill

Goodwill arises in connection with the acquisition of a business activity (business combination) if the consideration exceeds the value of identifiable assets and liabilities. Goodwill is recognised on the balance sheet at cost less any accumulated impairment loss. Goodwill is allocated to cash-generating units that are expected to gain financial benefits from the synergies that arise from the business combination. A cash-generating unit is the smallest identifiable group that generates cash inflows that are largely independent from other assets or groups. Goodwill is non-depreciable, but tested for impairment annually in Q4, and whenever there are indications of impairment on the balance sheet date. Impairment is calculated by comparing the recoverable amount with the individual cash-generating unit's carrying amount. The recoverable amount is the value in use or net realisable value, whichever is higher. In estimating value in use, expected future cash flows are discounted to net present value using a discount rate before tax that reflects today's market assessments of the time value and the specific risk attached to the asset. Goodwill is described in Note 13 "Impairment test of goodwill and intangible assets". See also description 3 i) "Summary of significant accounting policies - Impairment of non-financial assets".

Research

Expenses for research activities, including development projects in the research phase, are recognised as they are incurred. Research refers to original, planned investigations performed to gain new scientific or technical knowledge and understanding. Examples include the search for new knowledge, or the search for alternative materials, devices, products, processes, systems or services.

Development

Expenses related to development activities, including projects in the development phase, are capitalised if the development activities or project meet the defined criteria for capitalisation. Development comprises activities related to plans or designs for the production of new or significantly improved materials, devices, products, processes, systems or services before the start of commercial production or use. In the assessment of whether a project involves the development of a new system, functionality or module, what is being developed must be able to operate independently of existing systems/products that are sold.

KONGSBERG has considered the criteria for significant improvements to be an increase of more than 20 per cent in value from before development or in relation to the replacement cost of the system. The capitalisation of development costs requires that those costs can be measured reliably, that the product or process is technically and commercially feasible, that future financial benefits are probable and that KONGSBERG intends to and has sufficient resources to complete development, and to use or sell the

asset. Other development costs are expensed as they are incurred. When the criteria for balance sheet recognition are met, accrued expenses will be recognised on the balance sheet. Costs include the cost of materials, direct payroll expenses and a percentage of directly attributable joint expenses. Capitalised development costs are recognised on the balance sheet at acquisition cost less accumulated amortisation and impairment loss. Amortisation is based on expected useful life, based on total production units or the number of years. The remaining expected useful life and expected residual value are reviewed annually.

The estimation of financial benefits is based on the same principles and methods as impairment testing. This rests on long-term budgets approved by the Board. For more details about estimation, see Note 12 "Intangible assets".

Assessments of the fulfilment of the criteria for capitalising development costs take place at a pace commensurate with the progress of the ongoing development projects. Based on technical success and market assessments, a decision is made during the development phase about whether to complete development and begin capitalisation.

Maintenance

Maintenance is the day-to-day work that must be performed on products or systems to ensure their expected useful life. If a significant improvement is made on the product or system that leads, for example, to a prolongation of the life cycle, or to the customer being willing to pay more for the improvement, this can be considered development costs. Expenses related to maintenance are expensed as they are incurred.

Technology and other intangible assets

Technology and other intangible assets that are acquired and have a finite useful life are measured at cost less accumulated amortisation, as well as accumulated earlier impairment loss. Amortisation is based on expected useful life based on total production units or number of years. Estimated useful life and the stipulation of the amortisation rate are reviewed during each period.

G) Property, plant and equipment

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment loss. Cost includes expenses that are directly attributable to the acquisition of the assets. Property, plant and equipment are depreciated on a straight-line basis over their expected useful life. When individual parts of a property, a plant or equipment have different useful lives, and the cost is significant in relation to total cost, these are depreciated separately. Expected residual value is taken into account when stipulating the depreciation schedule. The remaining expected useful life and expected residual value are reviewed annually. Gains or losses on the sale of property, plant and equipment are stipulated as the difference between the sales price and the carrying amount of the unit, and recognised net as other income in the profit/loss. Expenses incurred after the production equipment is in use, e.g. day-to-day maintenance, are expensed as they are incurred, but other expenses which are expected to offer future financial benefits and can be measured reliably, are capitalised.

H) Leases, sale and leaseback

Leases or sales with leaseback where KONGSBERG generally takes over all risk and all benefits related to ownership, are classified as financial leases. In connection with first-time recognition, the asset is measured at fair value or at the net present value of the agreed minimum rent, whichever is lower. After first-time recognition, the same accounting policies are used as are used for the corresponding asset. Other leases are operational leasing agreements and are not recognised on the Group's balance sheet. KONGSBERG's sale and leaseback agreements are considered to satisfy the criteria for operational leasing agreements. Where a sale and leaseback agreement is defined as a loss-making contract according to International Accounting Standards (IAS) 37, the present value is added into the expected loss.

I) Impairment of non-financial assets

All non-financial assets, with the exception of inventories and deferred tax assets, are reviewed for each reporting period to determine whether there are indications of impairment. Where indications of impairment exist, recoverable amounts are calculated. For goodwill, the recoverable amount per cash-generating unit is estimated every year at the same time. Impairment testing is described in Note 13 "Impairment test of goodwill and intangible assets".

The recoverable amount of an asset or cash-generating unit is its value in use or fair value less costs to sell, whichever is higher. Value in use is calculated as the net present value of future cash flows. The calculation of net present value uses a discount rate that is before tax and reflects current market assessments of the time value of money and the risks specific to the asset. The value in use is calculated on the basis of the estimated future cash flow based on the Group's budget and plans for the upcoming five-year planning period, as well as estimated nominal growth beyond this period. The budget has been approved by KONGSBERG's management and Board of Directors.

Impairment is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group that generates a cash inflow that is largely independent of other assets or groups. Impairment related to cash-generating units is intended first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rated basis. These assets will normally be property, plant and equipment, and other intangible assets.

Impairment of goodwill cannot be reversed. Other assets which have been subject to impairment losses are reviewed during each period to determine whether there are indications that the impairment loss has been reduced or no longer exists. Reversals of earlier impairments are made only to the extent of the carrying amount the assets would have had after depreciation and amortisation, had no impairment loss been recognised.

J) Financial instruments

Financial assets and liabilities

Financial assets and liabilities consist of derivatives, investments in shares, accounts receivable and other receivables, cash and cash equivalents, loans, accounts payable and other liabilities. A financial instrument is recognised when the Group becomes party to the instrument's contractual provisions. Upon initial recognition, financial assets and liabilities are assessed at fair value plus directly attributable expenses. The exception is financial instruments, where changes in fair value are recognised through profit or loss, and directly attributable costs are expensed. An ordinary purchase or sale of financial assets is recognised or derecognised from the time an agreement is signed. Financial assets are derecognised when the Group's contractual rights to receive cash flows from the assets expire, or when the Group transfers the asset to another party and does not retain control, or transfers practically all risks and rewards associated with the asset. Financial liabilities are derecognised when the Group's contractual obligation has been satisfied, discharged or cancelled.

Classification

The Group classifies financial assets and liabilities in the following categories:

- i) fair value with changes in the value through the profit or loss (held for trading);
- ii) financial liabilities and loans held to maturity;
- iii) available-for-sale financial assets; and
- iv) other financial liabilities.

Receivables and liabilities related to operations are measured at their amortised cost, which in practice implies their nominal value with any impairment for expected losses. The Group's borrowings are considered financial liabilities held to maturity. These are recognised at amortised cost using the effective interest rate method.

Except for shares in subsidiaries or jointly controlled entities on the date of balance sheet recognition, all shares are defined as financial instruments available for sale. Available-for-sale financial assets are measured at fair value on the balance sheet date. Changes in the value of available-for-sale financial assets are recognised in the statement of comprehensive income, except for write-downs, which are recognised through profit or loss. See Note 4 "Fair value" for a more detailed description of how fair value is measured for financial assets and liabilities.

Write-downs on financial assets

Where there is objective evidence that a financial asset's value is lower than its cost, the asset will be impaired through profit or loss. Impairment in the value of assets measured at amortised cost is calculated by taking the difference between the carrying amount and the net present value of the estimated future cash flow discounted by the original effective interest rate. As regards available-for-sale assets, an asset is impaired when its present fair value is lower than its cost and the impairment is regarded as significant or to be a prolonged decline. Ordinarily, KONGSBERG would assume that an impairment of more than 20 per cent of

the cost is significant and that a prolonged decline in value is one lasting for more than nine months and not of a temporary nature.

Accumulated losses recognised in the statement of comprehensive income will also be transferred through profit or loss on the impaired assets. Impairment can be reversed if the reversal can be related to a significant rise in the value after the impairment was recognised.

For financial assets measured at their amortised cost and available-for-sale bonds, any reversal will be recognised through profit or loss. Upon the reversal of financial assets that are investments in equity instruments, the change in value will be recognised in the statement of comprehensive income.

Derivatives

For KONGSBERG, derivatives encompass forward foreign exchange contracts, currency options and interest swap agreements. Upon initial recognition, derivatives are measured at fair value, and identifiable transaction costs are recognised in profit or loss as they are incurred. Changes in the fair value of derivatives are recognised through the profit and loss, unless they qualify for hedge accounting.

Hedging

Before a hedge transaction is conducted, the Group determines whether a derivative (or another financial instrument) should be used to:

- i) hedge the fair value of a recognised asset or liability or a firm commitment (project hedges).
- ii) hedge a future cash flow from a recognised asset or liability, or an identified highly probable future transaction (hedges of forecasted sale and interest hedges).

(i) Fair value hedges (project hedges)

KONGSBERG has a policy of hedging all contractual currency flows. Derivatives classified as hedge instruments are valued at fair value and changes in fair value are taken gross to the balance, with a corresponding adjustment of the hedged item. Hedge accounting ceases in the event:

- (a) the hedging instrument expires, or is terminated, exercised or sold;
- (b) the hedge no longer satisfies the above-mentioned hedge accounting criteria; or
- (c) the Group decides to discontinue hedge accounting for other reasons.

(ii) Cash flow hedges (hedges of forecasted sales and interest hedges)

KONGSBERG's policy is to limit foreign currency risk while actively assessing various currencies' importance as competitive parameters. Parts of future anticipated currency flows are hedged in accordance with an established strategy (hedges of forecasted sales). KONGSBERG hedges parts of its loans using interest swap agreements (interest hedges). The effective share of the changes in the fair value of a hedging instrument is recognised in the statement of comprehensive income.

When a hedged transaction takes place, the accumulated change in value of the hedge instrument is recognised out of equity on the statement of comprehensive income and recognised to the profit or loss.

If hedging an expected transaction subsequently leads to the recognition of a financial asset or liability, the resultant gain or loss to equity will be reclassified on the income statement during the same period(s) in which the asset or liability influences the result. For example, the gain/loss upon redemption/rollover of the currency futures is capitalised as long as the hedge applies.

The gain/loss is recognised in profit or loss at a pace commensurate with the project's progress. The term "rollover" refers to the situation when existing currency futures are redeemed and new currency futures are signed.

If a hedge instrument expires without being rolled over or if the hedge relationship is discontinued, the accumulated gains and losses recognised directly in the statement of comprehensive income up to that date will remain in equity and be recognised in the income statement in accordance with the above-mentioned guidelines when the transaction occurs.

If the hedged transaction is no longer expected to take place, the accumulated unrealised gains or losses on the hedge instrument previously recognised against equity are recognised directly to the profit or loss immediately.

Follow up of hedging effectiveness

Forward foreign exchange contracts are expected to be effective throughout the entire period. KONGSBERG rolls over forward foreign exchange contracts from prognoses for project hedging upon the formation of contracts. Moreover, currency futures (project hedges) are rolled over in cases in which payments/ disbursements take place later than originally anticipated. KONGSBERG also uses bank accounts in foreign currency if payments occur prior to the due date, so that the exchange of foreign currency from the foreign currency account falls within the same period as any due date of the forward contract. Hedging effectiveness will therefore be high throughout the period.

K) Classification

Assets related to normal operating cycles or that fall due within 12 months are classified as current assets. Other assets are classified as non-current. Similarly, liabilities related to normal operating cycles or that fall due within 12 months are classified as current liabilities. Other liabilities are classified as non-current.

L) Inventories

Inventories are valued at the lowest of cost or net realisable value. For raw materials and work in progress, net realisable value is calculated as the estimated selling price in ordinary operations of finished products less remaining production costs and the costs of the sale. For finished products, net realisable value is the estimated selling price in ordinary operations less expenses for the cost of the sale. For work in progress and finished products, the acquisition cost is calculated as direct and indirect costs. Inventories are assessed using the average acquisition cost.

M) Receivables

Trade receivables and other receivables are financial assets with regular or specific payments that are not traded in an active market. They are estimated at the amortised cost using the effective interest method, but due to the brief term to maturity, accounts receivable and other receivables will in actual practice be recognised at their nominal values less any impairment loss. Accounts receivable in foreign currencies are recognised at the exchange rates on the balance sheet date.

N) Cash and short-term deposits

Cash includes cash-in-hand, bank deposits and short-term liquid investments that can be immediately converted into a given sum of money, with a maximum maturity of three months.

O) Equity

(i) Treasury shares

When buying back treasury shares, the acquisition price, including directly identifiable expenses, is recognised as a change in equity. Treasury shares are presented as a reduction in equity. Losses or gains on transactions involving treasury shares are not recognised on the income statement.

(ii) Costs related to equity transactions

Transaction costs directly linked to an equity transaction and to the cash effect on the equity transaction are recognised directly in the statement of comprehensive income less tax.

(iii) Hedge reserves

Hedge reserves include accumulated net changes in fair value for financial instruments used as cash flow hedges (hedges of forecasted sales and interest hedges), which are recognised to the statement of comprehensive income on an ongoing basis.

(iv) Fair value of shares

The fair value of shares includes aggregate net changes in fair value for financial instruments classified as available for sale, until the investment is disposed of or it has been determined that the investment has no value.

(v) Foreign currency translation differences

Foreign currency translation differences are recognised in the statement of comprehensive income. Upon the disposal of all or part of a foreign entity, the accumulated translation differences are recognised, including reversal in the statement of comprehensive income. See also Note 3 b) "Summary of significant accounting policies – Foreign currency".

P) Provisions

Provisions are recognised when the Group has an obligation as a result of a past event, and when it is probable that there will be a financial settlement as a result of this obligation and the amount can be measured reliably. Generally speaking, provisions are based on historical data and a weighting of possible outcomes against the probability they will occur. If the time value is significant, the provision is calculated at the net present value of the liability.

Warranty provisions

Provisions for warranty costs are recognised when the underlying products or services are sold. Warranty provisions are based on historical data on warranty expenses and a weighting of possible outcomes against the probability they will occur. Warranty expenses are expensed on an ongoing basis based on the degree of completion of the projects, and reclassified as provisions for warranties upon delivery.

Restructuring

Provisions for restructuring are recognised when the Group has approved a detailed, formal restructuring plan, and restructuring has either started or been announced publicly among the parties involved.

Onerous (loss-making) contracts

Provisions for onerous contracts are recognised when KONGSBERG's expected benefits from a contract are lower than the unavoidable expenses of meeting its obligations under the contract. KONGSBERG has signed sale and leaseback agreements on several pieces of real estate. Beyond the rental period, the Group carries no risk and enjoys no benefits related to the ownership of the buildings sold. The leasing situation is therefore considered to refer to operational leases. Rent is expensed on a straight-line basis over the term of the lease. In connection with the sale and leaseback, subleases were signed at a lower rent than indicated on the agreement. In addition, the Group has undertaken operational and maintenance responsibilities for subleased buildings. This net loss is considered a loss contract according to IAS 37 and the net current value of future losses is provided for in the accounts. The remaining need for provisions is considered each year.

Q) Employee benefits

Defined contribution pension plans

The Group introduced a defined contribution pension scheme for all employees in Norway under age 52 as from 1 January 2008. Employees with defined benefit plans, aged 52 and older at the time of the transition, stayed with that scheme. Most of KONGSBERG's companies abroad have defined contribution pension plans. The premiums are expensed as they accrue and are shown as payroll expenses in the income statement.

Defined benefit pension plans

Pension benefits depend on the individual employee's number of years of service and salary level upon reaching retirement age. There are also early retirement plans for some executives. To ensure uniform calculation of KONGSBERG's pension liabilities, all corporate entities have used the same actuary. In the income statement, the year's net pension expenses, after a deduction for the expected return on pension plan assets, have been recorded as "personnel expenses". The balance sheet shows net pension liabilities incl. social security contributions. The financial and actuarial assumptions are subject to annual review. The discount rate is based on the long-term government bond interest rate, plus a supplement that reflects the duration of the pension liability. Actuarial gains or losses attached to changes in the basis data, estimates and changes in assumptions are recognised in the statement of comprehensive income. The Group's legal liability is not affected by the treatment of pensions for accounting purposes.

Share transactions with employees

For a number of years, the Group has been conducting a share programme for all employees, i.e. offering shares at a discount. Discounts on the sale of shares are expensed as payroll expenses.

R) Earnings per share

The Group presents ordinary earnings per share and earnings per share after dilution. Ordinary earnings per share are calculated as the ratio between the net profit/ (loss) for the year that accrues to the ordinary shareholders and the weighted average number of ordinary shares outstanding. The figure for diluted earnings per share is the result that accrues to the ordinary shareholders, and the number of weighted number of shares outstanding, adjusted for all diluting effects related to share options.

S) New, improved standards and interpretations

Standards that have been implemented and have an impact on financial accounting:

- IAS 1 - Presentation of Financial Statements (revised in 2007).
The revised standard requires that income and expense items previously recognised directly to equity now be presented in the statement of comprehensive income. The presentation of equity shows transactions with the owners and income and expense items separately. The change affects the presentation only and not earnings per share.
- IFRS 8 – Operating Segments.
The new standard calls for the use of a management approach in which segmental information is presented in the same way as for internal reporting. This has not led to changes in reportable segments, but rather to some new disclosures in the notes.

The other standards and interpretations whose application is required for 2009 have not had a significant impact on the consolidated financial statements for 2009.

T) Interpretations of IFRS and IFRIC that have not yet been implemented

In the annual financial statements for 2010 and later, the following standards, amendments to and interpretations of existing standards will be obligatory. The Group has not opted for early application. The date of entry into force is specified as the date of entry into force in the EU to the extent that it differs from the IASB's date of entry into force.

- IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions, effective: 1 January 2010.
- IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended), effective: 1 July 2009.
- IFRS 9 Financial Instruments, effective: 1 January 2013.
- IAS 24 Related parties – (Revised): date of entry into force 1 January 2011.
- IAS 32 Financial instruments – Puttable financial instruments and obligations arising on liquidation, effective: 1 February 2010.

- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items, effective: 1 July 2009.
- IFRIC 12 Service Concession Arrangements, effective: 29 March 2009.
- IFRIC 14 Amendment – Prepayments of a Minimum Funding Requirement, effective: 1 January 2011.
- IFRIC 15 Agreements for the Construction of Real Estate, effective: 1 January 2010.
- IFRIC 16 – Hedges of a Net Investment in a Foreign Operation, effective: 1 July 2009.
- IFRIC 17 Distribution of Non-cash Assets to Owners, effective: 1 November 2009.
- IFRIC 18 Transfers of Assets from Customers, effective: 1 July 2009.
- IFRIC 19 Extinguishing Financial Liabilities Equity Instruments, effective: 1 July 2010
- Improvements to IFRS (April 2009), 15 amendments to 12 standards. The dates for entry into force vary, but are generally 1 July 2009 and 1 January 2010. It is assumed that none of the amendments will lead to significant changes in the Group's application of accounting policies or disclosure of information in the notes.

4. FAIR VALUE

KONGSBERG's consolidated accounting principles and disclosures require the measurement of fair value on financial and non-financial assets and liabilities. For both measurement and disclosure purposes, fair value has been estimated as described below in the disclosures. Where relevant, further disclosures will be provided in the notes about the assumptions used to calculate fair value on the individual assets and liabilities.

Intangible assets

The fair value of intangible assets, e.g. technology, software and customer relations acquired in connection with acquisitions, is calculated at the net present value of the estimated future cash flow from the asset, discounted by a risk-adjusted required rate of return. Brand names are calculated at the net present value of the estimated savings on royalty costs of using the brand name. The fair value of customer relations is based on the discounted net excess earnings on the related asset.

Property, plant and equipment

In connection with acquisitions, KONGSBERG recognises property, plant and equipment at fair value. The fair value is equivalent to its market value. The market value of property is based on what the property could be sold for on the day of valuation between a willing buyer and a willing seller in an "arm's length transaction". The market value of plant and equipment is based on appraisals obtained from independent appraisers. For smaller scale equipment and plant, an assumption is made upon acquisition that the carrying amount is an estimate of market value.

Inventories

The fair value of inventories acquired through acquisitions is estimated based on the expected selling price for ordinary operations less selling costs and a reasonable profit for the sales efforts.

Investments in equity instruments

The fair value of available-for-sale financial assets is measured using the final price listed on the date of balance sheet recognition. Listed shares consist either of those listed on the Oslo Stock Exchange or on the Norwegian Securities Dealers Association's OTC list. Where there has been no trading in shares for a longer period of time, the most recent share price will be used to estimate fair value. The alternative is to use the last traded share price and adjust it for significant events during the period from the last transaction and up to the balance sheet date. For unlisted investments, the most recent price of a share transaction or share issue will be used to estimate fair value. Where there have not been transactions, the discounted cash flow on the share is used. For investments not of significant value, acquisition cost is used to estimate fair value, unless there are indications of impairment.

Derivatives

The fair value of "forward contracts" is based on listed market value, if available. KONGSBERG uses Reuters' prices for the different foreign exchange forwards. Reuters' prices are based on several market players. Where no listed price is available, fair value is calculated by discounting the difference between the agreed forward contract price and the current forward contract for the remainder of the contract using the risk-free interest rate based on government bonds. The fair values of interest swap agreements and currency options have been obtained from banks that are contracting parties. KONGSBERG has a centralised financial affairs function that is in charge of the Group's financing, currency risk, interest rate risk, credit risk and liquidity management. Group subsidiaries have limited opportunities to arrange independent financing.

5. MANAGEMENT OF CAPITAL AND FINANCIAL RISK

Capital management

KONGSBERG's operations are characterised by a long-term perspective, not least because they include defence projects that extend from three to five years, and all business areas have a long-term market strategy. This calls for guaranteed access to capital over time, so KONGSBERG aspires to maintain a good credit rating (investments grade) with its lenders and investors. KONGSBERG's policy is for 30 per cent of the Group's annual profit from ordinary operations after tax to be returned to the shareholders as dividends over time.

KONGSBERG emphasises financial flexibility, and manages its capital structure carefully to balance liquidity and refinancing risk. Loans are to be renegotiated well in advance of their maturity dates, and the average term to maturity for current loans is to be at least two years.

KONGSBERG aspires to have a diversified range of funding sources. This means using banks through syndicated credit facilities and issuing debt instruments in the Norwegian capital market. The Group has satisfactory access to capital in NOK in the market and has thus concluded that there is no need to be subject to public rating. The Group is nevertheless rated by its lenders, and has a BBB rating.

Amounts in MNOK	Total at 31					
	Dec. 2009	< 1 yrs.	2-3 yrs.	3-4 yrs.	4-yrs.	> yrs.
Interest-bearing debt (bond loans):	800	-	300	500	-	-

At 31 Dec. 2009, KONGSBERG had a syndicated credit facility of MNOK 1 000 which was undrawn and will fall due in 2013.

Pursuant to covenants on existing loans, KONGSBERG is to have a moderate gearing ratio (net interest-bearing liabilities/EBITDA). Net interest-bearing liabilities shall not exceed three times the EBITDA, although they can be up to 3.5 times the EBITDA for three consecutive quarters at most. KONGSBERG is not subject to covenants, other than the gearing ratio, in its loan contracts.

Liquidity risk

To KONGSBERG, managing liquidity risk means ensuring that the Group has financial parameters and liquidity appropriate to the Group's operating and investment programmes at all times. KONGSBERG has a centralised financial affairs function that bears the ultimate responsibility for managing the Group's liquidity risk.

The Group's Financial Policy specifies requirements for liquidity reserves which guarantee that the Group can always meet its contractual payment commitments.

KONGSBERG uses credit facilities, short-term certificate loans and the corporate bank account system to cover short-term liquidity needs. Short-term loans should not exceed the available borrowing facilities by more than one year. KONGSBERG has a Group bank account system that basically covers all subsidiaries. The corporate bank account system optimises availability and flexibility in terms of liquidity management.

The Group's liquidity trend is routinely monitored through monthly rolling liquidity prognoses from the largest units, as well as budgets and reporting by segment for major investments.

Currency risk

A large proportion of KONGSBERG's revenues are derived from export contracts, and they feature a relatively small percentage of procurements in the same currency. This means that KONGSBERG has significant foreign exchange exposure. The business areas disclose the exposure. The centralised financial function provides instruments to mitigate currency risk. KONGSBERG has a policy of hedging all contractual currency flows (project hedges).

The Group also has a foreign exchange policy in which anticipated new orders are hedged (hedges of forecasted sale), based on a matrix. The matrix is designed so that the Group hedges a combination of larger volumes further ahead in time at higher rates and lesser volumes with a shorter time frame at lower rates. This way the Group tries to mitigate the effects of currency fluctuations for up to two years in advance.

The Group generally uses forward foreign exchange contracts as hedging instruments. It does not use options to any great extent. In addition, currency accounts are used in the corporate bank account system to hedge small amounts with short terms to maturity.

Besides financial instruments, operational measures are used to reduce foreign currency exposure. KONGSBERG has established a financial system that handles all foreign exchange transactions. The Group has also set up a special risk management position, with responsibility for supervising all financial transactions. Reference is made to Note 21 "Financial instruments – Foreign currency risk and hedging of foreign currency" for further information.

Interest rate risk

At 31 Dec. 2009, KONGSBERG had two bond loans totalling MNOK 800 and a syndicated credit facility of MNOK 1 000, which was undrawn at 31 Dec. 2009. Parts of the floating interest rate exposure associated with the bond loans were secured by an interest rate swap agreement until 16 July 2009.

KONGSBERG's policy is to emphasise predictability with a view to interest expenses at times when changes in the interest level have a significant influence on the consolidated profit. A financing plan, including an assessment of interest rate exposure, is submitted to the Board each year. Reference is made to Note 21 "Financial instruments – Interest rate risk associated with loans" for further information.

Credit risk

Credit risk is understood as the risk of that the Group's contractual counterpart cannot fulfil its obligations to KONGSBERG. The business areas disclose the risk. The centralised financial function provides instruments to mitigate credit risk. Credit risk is related to trade receivables, forward currency and interest rate contracts as well as monetary investments.

The Group's Financial Policy requires financial institutions to have a certain credit rating before KONGSBERG can engage in financial contracts with them.

KONGSBERG had MNOK 1 857 in gross accounts receivable at year-end 2009, of which MNOK 1 637 were trade receivables. These receivables carry varying degrees of risk, depending on the customer, term to maturity and whether any payment guarantees or the like have been furnished.

Historically, KONGSBERG has incurred relatively modest losses on bad debts. For the most part, Kongsberg Defence & Aerospace has state customers, so it is not exposed to much credit risk. Kongsberg Maritime generally has customers from the private sector and is more exposed to credit risk. Unrest in the world economy in general and in the shipyard and shipping industry in particular, has led to additional credit risk in the markets addressed by Kongsberg Maritime. Kongsberg Maritime increased its provisions to take the increased credit risk into account. Kongsberg Maritime has implemented operational initiatives to reduce its credit exposure.

6. INFORMATION BY OPERATING SEGMENT

For management purposes, the Group is organised into business areas based on the industries in which the Group operates. It consists of the following three reportable operating segments:

Kongsberg Maritime delivers products and systems for dynamic positioning, navigation and automation for commercial vessels and offshore installations, as well as products and systems for seabed surveys, surveillance, training simulators and for fishing vessels and fisheries research. The BA is a market leader in these fields. Countries with major offshore operations and shipbuilding industries are important markets.

Kongsberg Defence Systems is Norway's premier supplier of defence and space-related systems. Norway's Armed Forces is the single most important customer. Solutions developed in collaboration with the Norwegian Armed Forces are competitive on the international arena and have achieved considerable exports in recent years. All defence product exports are subject to the approval of the Norwegian authorities. One key element of the marketing strategy involves forming alliances with major international defence suppliers. Kongsberg Defence Systems supplies systems for command and control, weapons control, communications solutions and missiles.

Kongsberg Protech Systems' main product is the Protector Remote Weapon Station (RWS) developed to protect military personnel in armoured vehicles. KONGSBERG is by far the largest player on this market. The system has been sold to many countries. The RWS is a product that is in demand for a growing range of military vehicles.

Credit insurance is not used to any great extent, but is considered in certain cases.

The Group has a policy decision stating that there should be a responsible balance between increasing sales at good margins and interest expenses and the risk of losses. Further, large parts of the Group operate using tailor-made credit manuals, accompanied by procedures for debt collection.

With a view to counterparty risk, KONGSBERG has set strict requirements for creditworthiness and limits aggregate credit exposure. Reference is made to Note 19 "Accounts receivable and credit risk" for further information.

Market risk attached to financial investments

KONGSBERG's investments in other companies are based on strategic considerations. The Group's financial investments are vulnerable to fluctuations in the equity market. Investments are evaluated and followed up centrally. The Group requires regular reports on trends in the value of financial assets. Reference is made to Note 17 "Available-for-sale shares" for further information.

The remaining corporate activities are shown in the column: "Other activities/elimination", which includes earnings, expenses, assets, commitments and other elements that cannot rationally be attributed to the segments. On the profit/loss side, this generally refers to shareholder costs, certain overheads and effects on the profit/loss associated with real estate used by enterprises other than the Group's own entities, as well as Kongsberg Oil & Gas Technologies, which is currently of a limited scope in relation to the Group's overall business activities. On the balance sheet side, besides what is mentioned regarding the profit/loss elements, this includes taxes, cash and short-term deposits, interest-bearing liabilities, and excess value on financial instruments and derivatives.

Management monitors the operating segments' EBITAs on a regular basis and uses this information to undertake analyses of the various operating segments' performance and to make decisions about resource allocation. The operating segments' performance is assessed on the basis of the operating profit and the yield on employed capital.

Information about the Group's reportable operating segments is presented below. Amounts for 2008 have been restated to comply with IFRS 8.

Business segment data

Amounts in MNOK	Kongsberg Maritime		Kongsberg Defence Systems		Kongsberg Protech Systems		Non-allocated/ Other activities		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from external customers	6 592	5 992	2 491	2 029	4 123	2 399	610	636	13 816	11 056
Intra-Group transactions	65	37	243	25	-	-	(308)	(62)	-	-
Total revenues	6 657	6 029	2 734	2 054	4 123	2 399	302	574	13 816	11 056
Earnings before interest, taxes, depreciation and amortisation (EBITDA)¹⁾	936	824	223	178	493	328	(33)	(11)	1 619	1 319
Depreciation	(105)	(102)	(79)	(63)	(51)	(27)	(8)	(5)	(243)	(197)
Earnings before tax prior to amortisation (EBITA)	831	722	144	115	442	301	(41)	(16)	1 376	1 122
Amortisation	(33)	(16)	(51)	(40)	(1)	(1)	(28)	(27)	(113)	(84)
Segment performance (EBIT)	798	706	93	75	441	300	(69)	(43)	1 263	1 038
Assets	5 511	6 313	2 851	2 825	1 315	1 401	2 690	1 910	12 366	12 450
Investments	104	690	255	595	107	78	30	22	496	1 385
Commitments and provisions	2 881	3 037	2 376	1 458	790	948	2 593	5 113	8 640	10 556

1. There are no differences between the methods for measuring used at the segment level and for the consolidated financial statements.
2. Intra-Group transactions are eliminated upon consolidation. Transactions between the segments are based on market prices.
3. The different operating segments EBITAs include revenues and expenses from transactions with other operating segments in the Group.
4. Segment assets do not include available-for-sale shares, other non-current assets, derivatives, fair value adjustments associated with financial instruments or cash and short-term deposits, since these assets are managed on a corporate basis. These amounts are included in the column "Other/elimination".
5. Segment commitments do not include deferred tax liability, taxes payable, interest-bearing liabilities, other long-term liabilities and provisions, derivatives and fair value adjustments associated with financial instruments, as this type of commitments are managed on a corporate basis. These amounts are included in the column "Other/elimination".
6. Investments consist of additions of property, plant and equipment, intangible assets and goodwill.

Geographical segments

In the presentation of information about geographical areas, segment revenues is distributed based on the customers' geographical location, while for fixed assets, it is the physical location or affiliation through acquisition that is applied. The Group's activities are generally divided into Norway, Rest of Europe, America and Asia. Tangible fixed assets include property, plant and equipment, intangible assets and goodwill (excl. financial instruments, deferred tax asset, pension plan assets and rights ensuing from insurance agreements).

Geographical segment Amounts in MNOK	Norway		Rest of Europe		America		Asia		Other		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Revenue from external customers	2 783	2 570	2 873	2 483	5 160	3 403	2 852	2 479	148	121	13 816	11 056
Revenue as a %-age of total	20 %	23 %	21 %	22 %	37 %	31 %	21 %	22 %	1 %	1 %	-	-
Tangible fixed assets	3 440	3 263	77	76	629	819	91	83	1	1	4 238	4 241

7. INVENTORIES

The Group's total inventories are distributed as follows:

Amounts in MNOK	31 Dec 09	31 Dec 08
Raw materials	1 478	1 716
Work in progress	662	625
Finished products	447	352
Total	2 587	2 693
Impairment on inventories during the period	67	54

8. PERSONNEL EXPENSES

Personnel expenses refer to all the expenses associated with the remuneration of personnel employed by the Group.

<i>Amounts in MNOK</i>	2009	2008
Salaries	2 921	2 561
Performance-based salary component	82	88
Social security tax	449	397
Pension expenses, defined benefit plans (Note 9)	78	84
Pension expenses, defined contribution pension plans (Note 9)	147	138
Other benefits	110	97
Total personnel expenses	3 787	3 365
For a more detailed description of the performance-based component of salaries for executive management, see Note 28 "Related parties".		
<i>Average no. of FTEs (full-time equivalents)</i>	2009	2008
Total	5 236	4 622

9. PENSIONS AND OTHER LONG-TERM EMPLOYEE BENEFITS

Kongsberg has a service pension scheme which satisfies statutory requirements and consists of a defined contribution plan and a defined benefit plan. The service pension scheme applies all the Group's employees in Norway. At 31 December 2009, the schemes covered 3 798 employees in Norway. KONGSBERG strives to ensure that as many employees as possible outside Norway are also covered by service pension plans.

The defined contribution plan

The Group introduced a defined contribution pension scheme in 2007 for all employees under age 52 as at 1 January 2008. The contribution rate is 0 per cent of the wage base up to 1G, 5 per cent of the wage base between 1 and 6 G, and 8 per cent of the wage base from 6G up to 12 G. The employees can influence the management of the funds by making three investment choices, i.e. 30, 50 and 80 per cent, respectively, of shares in the portfolio. The Group also has a collective, operations-based contribution scheme for salaries between 12 and 15G. The enterprise's deposit in this scheme is 18 per cent of the share of the wage base that exceeds 12G, up to a ceiling of 15G. The employees must make the same investment choice in the supplementary scheme as in the main scheme. Employees who were aged 52 and older at the time of the transition, stayed with the defined benefit plan. KONGSBERG's companies abroad generally have defined contribution plans. At 31 December 2009, 2 933 employees in Norway and most of the 1 586 employees abroad were covered by these plans. The premiums are expensed as they accrue.

The defined benefit plan

In connection with the transition to a defined contribution plan in 2007, employees aged 52 and older stayed with the defined benefit plan. The defined benefit plan is insured through Vital – DnB NOR. Parts of pensions are covered by payments from the National Insurance Scheme. Such payments are calculated using the National Insurance Scheme's base amount (G), which is stipulated annually by the Norwegian parliament. Pension benefits from the defined benefit plan are defined by the number of contribution years and the salary level of the individual employee.

Pension costs are distributed over the employee's vested period. The scheme provides 65 per cent of the final salary, including National Insurance benefits, until the age of 77, when the service pension level is reduced by 50 per cent.

The Group also has a collective, operations-based defined benefit plan for salaries between 12 and 15 G. The benefit are equivalent to 65 per cent of the part of the wage base in excess of 12G up to age 77, then the benefits are reduced to 50 per cent of the part of the wage in excess of 12G. This supplementary scheme was closed in connection with the transition to defined contribution pension plans in 2007.

In 2008, the Group introduced new rules for early retirement for new members of corporate management. The rules imply early retirement not later than from age 65, but with the reciprocal right for the company and the executive to call for early retirement from age 63. The benefit is 65 per cent of the executive's annual salary, with a minimum of 15 years' accrual. If the employee resigns between ages 63 and 65, this will, however, reduce pensionable earnings for the defined contribution retirement pension that applies from age 67.

The calculation of future defined benefit pensions is based on the following assumptions:

<i>Financial assumptions</i>	31 Dec 09	31 Dec 08
Discount rate	4.0 %	4.0 %
Expected yield	6.0 %	6.0 %
Wage adjustment	3.5 %	3.5 %
Pension base level adjustment	3.5 %	3.5 %
Pension adjustment	1.0 %	1.0 %
<i>Demographic assumptions</i>	31 Dec 09	31 Dec 08
Mortality	K 2005	K 2005
Disability	IR 73	IR 73
Voluntary retirement	4.5 % for all ages	4.5 % for all ages
Early retirement	40 % at age 62	40 % at age 62

K2005 has been drawn up by the Norwegian Financial Services Association, and addresses the tariffs for mortality. IR73 addresses tables for estimated disability. Mortality and disability risk are based on official tables and observations regarding disability at KONGSBERG. The probability that an employee in a given age group will become disabled or die within one year and life expectancy are as follows:

Age	Disability rate		Mortality rate		Estimated life expectancy	
	Male	Female	Male	Female	Male	Female
20	0.1	0.2	-	-	80	84
40	0.3	0.4	0.1	0.1	80	84
60	1.4	1.8	0.6	0.5	82	85
80	-	-	6.2	4.5	87	89

The disability rate in IR 73 was chosen because it offers the best approach to KONGSBERG's disability statistics. This is based on KONGSBERG's history, where approx. 25 per cent of retirement due to disability has been reimbursed through an international pool.

The year's pension costs were calculated as follows:

Amounts in MNOK	2009	2008
Service cost	79	67
Interest cost on accrued pension liabilities	56	60
Estimated return on pension plan assets	(68)	(56)
Amortisation, plan changes	1	3
Accrued social security expenses	10	10
Total net pension expenses	78	84
Expenses related to defined contribution pension plans, Norway	130	123
Expenses related to defined contribution pension plans, abroad	17	15

Change in net pension liabilities recognised on the balance sheet

Amounts in MNOK	2009			2008		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Changes in gross pension liabilities						
Gross pension liabilities, 1 Jan.	1 211	243	1 454	1 058	231	1 289
Net change in social security expenses	-	3	3	(2)	-	(2)
Plan changes	-	-	-	-	2	2
Net current value of accruals for the year	58	21	79	55	12	67
Interest expenses on pension liabilities	48	8	56	51	9	60
Actuarial losses/gains	97	1	98	84	5	89
Payments of pensions/paid-up policies	(47)	(15)	(62)	(35)	(16)	(51)
Gross pension liabilities, 31 Dec.	1 367	261	1 628	1 211	243	1 454
Change in gross pension funds						
Fair value, pension plan assets, 1 Jan.	1 129	-	1 129	950	-	950
Anticipated rate of return on pension funds	68	-	68	56	-	56
Actuarial losses / gains	4	-	4	(9)	-	(9)
Premium payments	133	-	133	167	-	167
Payments of pensions / paid up policies	(47)	-	(47)	(35)	-	(35)
Fair value, pension plan assets, 31 Dec.	1 287	-	1 287	1 129	-	1 129
Net pension liabilities	(80)	(261)	(341)	(82)	(243)	(325)
Not recognised plan changes	-	1	1	-	2	2
Net capitalised pension liabilities, 31 Dec.	(80)	(260)	(340)	(82)	(241)	(323)

The percentage distribution of pension plan assets by investment categories at 31 December 2009 and earlier was:

	2009	2008	2007	2006	2005
Long-term bonds	36 %	29 %	28 %	30 %	27 %
Money market	8 %	14 %	7 %	5 %	17 %
Short-term bond loans	23 %	30 %	21 %	20 %	18 %
Shares	14 %	4 %	25 %	30 %	23 %
Property	17 %	17 %	16 %	13 %	12 %
Other	2 %	6 %	3 %	2 %	3 %
Actual investment performance, pension plan assets	4.7 %	1.9 %	11.8 %	7.5 %	70.3 %

<i>Amounts in MNOK</i>	2009	2008	2007	2006	2005
Net liabilities, 1 Jan.	(323)	(336)	(747)	(665)	(456)
Net change in social security expenses	(3)	2	50	(11)	(26)
Recognised pension expenses	(68)	(74)	(132)	(112)	(87)
Settlement, pension plan	-	-	299	-	-
Premium payments	133	167	160	129	150
Premium payments, plan changes	-	-	-	14	-
Disbursements, early retirement	15	16	10	7	7
Cutbacks in the workforce	-	-	-	-	3
Purchase(s)/sale(s)	-	-	-	(3)	16
Transition to proportionate consolidation method	-	-	1	-	(9)
Actuarial losses/gains	(94)	(98)	23	(106)	(263)
Net capitalised pension liability, 31 Dec.	(340)	(323)	(336)	(747)	(665)

Actuarial losses/gains are recognised in the statement of comprehensive income.

Historical information

<i>Amounts in MNOK</i>	2009	2008	2007	2006	2005	2004
Gross pension liabilities, 31 Dec.	1 628	1 454	1 289	1 799	1 674	1 328
Fair value, pension plan assets, 31 Dec.	1 287	1 129	950	1 049	1 005	868
Net pension liabilities, 31 Dec.	(341)	(325)	(339)	(750)	(669)	(460)
Actuarial gain/losses on pension liabilities, 31 Dec.	98	89	8	76	234	77
Actuarial gains/losses on pension plan assets, 31 Dec.	4	(9)	31	(30)	(29)	4
Actuarial losses/gains are recognised in the statement of comprehensive income	(370)	(293)	(210)	(230)	(136)	(58)

The age limit for early retirement pension (AFP) is 62. The Group's extended pension liabilities are included in the accounts in accordance with actuarial standards based on a lower ordinary retirement age, 40 per cent signing propensity, 25 per cent 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 liabilities.

Pension expenses for the year are estimated based on the financial and actuarial assumptions that apply at the beginning of the year. Gross pension liabilities are calculated on the basis of the financial and actuarial assumptions made at year end. The calculation of the gross value of pension fund assets assumes an annual return of 6 per cent, which was the expectation at 31 December 2009.

The actual yield was 5.4%, but that was not taken into account until 2010. Pension premiums for contribution schemes are expected to total NOK 130 in 2010. Pension benefits are based on the number of years of accrual and salary upon retirement. Net pension liabilities are determined on the basis of actuarial calculations, which rest on assumptions related to the discount rate, future wage growth, pension adjustments, expected yield on pension fund assets and employee turnover. These assumptions are updated annually. The discount rate is generally stipulated on the basis of long-term government-bond interest rate, which reflects the time frame for settling the pension liability for the defined benefit plan. The balance sheet shows net pension commitments, including employer's social security contribution.

Sensitivity analysis of pension calculations

The following estimates are based on the facts and circumstances that applied on 31 December 2009, given that all other parameters remain constant. The actual results may differ significantly from these estimates.

<i>Changes in % are percentage points</i>	<i>Discount rate</i>		<i>Annual wage growth/ Basic amount</i>		<i>Annual adjustment of pension expenses</i>		<i>Retirement rate</i>	
	1 %	-1 %	1 %	-1 %	1 %	-1 %	1 %	-1 %

Changes in pension:

Projected benefit obligation (PBO)	20 - 22 %	20 - 22 %	10 - 12 %	10 - 12 %	15 - 17 %	15 - 17 %	2-3 %	2-3 %
Net pension expenses during the period	22 - 24 %	22 - 24 %	18 - 20 %	18 - 20 %	10 - 12 %	10 - 12 %	2-3 %	2-3 %

10. AUDITOR'S FEES

Amounts in NOK 1000	2009				2008			
	Parent company	Subsidiaries in Norway	Subsidiaries abroad	Total 2009	Parent company	Subsidiaries in Norway	Subsidiaries abroad	Total 2008
Corporate auditor Ernst & Young								
Statutory audits	900	5 980	1 415	8 295	890	6 284	727	7 901
Other assurance services	-	413	-	413	55	301	-	356
Tax consultancy	-	202	49	49	-	390	147	537
Other services	-	-	69	69	316	-	-	316
Total fees, Ernst & Young	900	6 595	1 533	9 028	1 261	6 975	874	9 110
Other auditors								
Estimated auditing fees		300	726	1 026		242	610	852

11. PROPERTY, PLANT AND EQUIPMENT

Amounts in MNOK	Machinery	Equipment	Land, building and other property	Total
<i>Cost of acquisition</i>				
1 Jan. 2008	409	1 002	1 081	2 492
Additions	230	228	358	816
Disposals	(7)	(5)	(1)	(13)
Additions through acquisitions of businesses	8	1	-	9
Translation differences	3	15	26	44
31 Dec. 2008	643	1 241	1 464	3 348
Additions	139	196	103	438
Disposals	(5)	(5)	(10)	(20)
Additions through acquisitions of businesses	-	-	16	16
Translation differences	(11)	(21)	(34)	(66)
31 Dec. 2009	766	1 411	1 539	3 716
<i>Accumulated depreciation and impairment losses</i>				
1 Jan. 2008	252	727	307	1 286
Depreciation for the year	31	129	37	197
Disposals	(2)	(5)	(1)	(8)
Translation differences	-	6	4	10
31 Dec. 2008	281	857	347	1 485
Depreciation for the year	36	146	61	243
Disposals	(4)	(4)	(2)	(10)
Translation differences	(7)	(12)	(12)	(31)
31 Dec. 2009	306	987	394	1 687
Carrying amount 31 Dec. 2008	362	384	1 117	1 863
Carrying amount 31 Dec. 2009	460	424	1 145	2 029
Useful life	3 - 10 years	3 - 10 years	10 - 33 years	-
Annual rent from off-balance sheet property, plant and equipment	6	2	163	171

¹⁾ The land owned by the Group has unlimited life, so it is not depreciated.

12. INTANGIBLE ASSETS

<i>Amounts in MNOK</i>	<i>Goodwill</i>	<i>Technology</i>	<i>Capitalised proprietary development</i>	<i>Other intangible assets</i>	<i>Total</i>
Cost price					
1 Jan. 2008	1 784	345	97	32	2 258
Translation differences	87	58	-	3	148
Additions	-	-	55	-	55
Acquisition of businesses	286	202	-	17	505
21 Dec. 2008	2 157	605	152	52	2 966
1 Jan. 2009	2 157	605	152	52	2 966
Translation differences	(61)	(46)	-	2	(105)
Additions	-	-	54	-	54
Acquisition of businesses ¹	(12)	-	-	-	(12)
Disposals	-	-	-	(16)	-
31 Dec. 2009	2 084	559	206	38	2 887
Accumulated amortisation and impairment losses					
1 Jan. 2008	420	68	2	7	497
Translation differences	-	5	-	1	6
Amortisation and impairment losses	-	55	24	5	84
31 Dec. 2008	420	128	26	13	587
1 Jan. 2009	420	128	26	13	587
Translation differences	(1)	(5)	-	-	(6)
Amortisation and impairment losses	-	62	36	15	113
Disposals	-	-	-	(16)	-
31 Dec. 2009	419	185	62	12	678
Carrying amount 31 Dec. 2008	1 737	477	126	39	2 379
Carrying amount 31 Dec. 2009	1 665	374	144	26	2 209
Useful life	-	8-10 years	5 years	8-10 years	-
Remaining useful life	-	1-9 years	3-5 years	4-9 years	-

¹ Consists of goodwill reduced by MNOK 31 due to changes in settlements for earlier acquisitions, as well as the acquisition of the companies Havtroll AS and Havtroll Teknikk AS. With the exception of goodwill, which cannot be amortised, the amortisation of intangible assets is either linear over the useful life or based on the number of units produced.

Research and development cost recognised in profit and loss

<i>Amounts in MNOK</i>	<i>2009</i>			<i>2008</i>		
	<i>Product maintenance</i>	<i>Development costs</i>	<i>Total</i>	<i>Product maintenance</i>	<i>Development costs</i>	<i>Total</i>
Kongsberg Maritime	93	378	471	98	329	427
Kongsberg Defence Systems	9	69	78	3	71	74
Kongsberg Protech Systems	15	45	60	25	40	65
Others	4	28	32	1	24	25
Total	121	520	641	127	464	591

Capitalisation of proprietary development

Development projects financed by customers are not capitalised, but KONGSBERG seeks to obtain ownership rights to the developed product. For proprietary products, there is ongoing assessment of whether the criteria for capitalising equity-financed development costs have been fulfilled. Based on technical success and market assessments, during the development phase, the decision is taken on whether to complete development and begin capitalising the remaining development costs. The capitalisations are related to the development of radio line communications at Kongsberg Defence Systems and further development of the

Protector weapons control system at Kongsberg Protech Systems. The remaining equity-financed development projects at Kongsberg Maritime generally consist of many projects of a limited overall scope. These development projects are not considered to meet the rigorous criteria for capitalising development. Many of the projects also entail considerable uncertainty about whether they are technologically feasible and how the final solution will turn out. As long as there is uncertainty about the final technological solution, it is difficult to estimate market value. Accordingly, the criteria for capitalisation will not be satisfied until fairly late in the development project. Remaining expenses will often be insignificant.

13. IMPAIRMENT TEST OF GOODWILL AND INTANGIBLE ASSETS

A) Impairment test of goodwill

Goodwill obtained through acquisitions has been allocated to the business areas. KONGSBERG has conducted testing by impairment in Q4 2009 on the business areas, which are also classified as cash flow-generating entities. Kongsberg Maritime and Kongsberg Defence Systems are reportable segments, and are presented in Note 6 "Information by operating segments".

Carrying amount, goodwill

Amounts in MNOK	31 Dec 09	31 Dec 08
Kongsberg Maritime	1 287	1 377
Kongsberg Defence Systems	134	135
Other activities	244	225
Total capitalised goodwill	1 665	1 737

Goodwill from other activities is associated with Kongsberg Oil & Gas Technologies.

Value in use and important assumptions

The Group's goodwill is largely ascribable to Kongsberg Maritime. Tests indicate that recognised values are significantly lower than values in use, and thus not very sensitive to changes in the calculation assumptions. The following is a simplified description of the assumptions for the calculations.

Impairment testing on goodwill is based on the business areas value in use. The discounted cash flow method is used to determine value in use. The projected cash flow is based on the business areas budgets and long-term plans, which are subject to the approval of the Board and corporate management. Long-term plans cover a period of five years. Ordinarily, the cash flow used for impairment testing on goodwill is adjusted somewhat lower than the long-term plans, since the accounting rules require that future improvements to products and new developments cannot be reflected in the future cash flow. After five years of planning, a terminal value is calculated on the basis of a constant growth rate.

Assumptions used as the basis for the calculations

Discount rate	A discount rate of 11 per cent before tax is used for the calculation
Gross profit	Profit margins are based on historic levels, adjusted for future expectations
Market shares	For those entities that operate in markets in which it is relevant to measure market shares, it is expected that established positions will generally be maintained, but that there may be increases and decreases in individual areas.
Terminal value	A constant growth rate of 2 per cent has been applied to extrapolate the terminal value.

Uncertainty associated with estimates

Kongsberg Maritime and Kongsberg Oil & Gas Technologies address markets that are strongly impacted by world trade trends and the demand for energy. The slow pace of contracting new vessels at the shipyards is expected to continue.

Sensitivity

Even with a reasonable potential change in the assumptions, sensitivity calculations on the estimates do not indicate significant impairment losses.

B) Testing of impairment on intangible assets with a specific useful life

KONGSBERG has MNOK 544 in other intangible assets with a specific useful life. A significant share of this has been obtained through acquisitions. KONGSBERG makes quarterly assessments of whether there are indications of impairment on other intangible assets. If there are indications of impairment, impairment testing is performed.

Gallium Visual Systems Inc., subsidiary of Kongsberg Defence & Aerospace AS

The Canadian subsidiary Gallium Visual Systems Inc. has MCAD 14 (MNOK 77) in recognised intangible assets which are linked to technology. The company made a loss in 2009, so an impairment test was run on the intangible assets in Q4 2009. The test led to no change in the carrying amount.

Impairment testing on intangible assets is based on the company's value in use. The discounted cash flow method is used to determine value in use. The projected cash flow is a product of the company's budgets and long-term plans, as approved by the Board and corporate management.

The company's operating revenues are based on expected trends in the markets in which the company operates. It is expected that the company's positions will be maintained.

The calculation applies a discount rate of 11 per cent before tax, which is the Group's WACC, adjusted for company-specific risk.

Sensitivity - Gallium Visual Systems Inc.

Changes can be made to the basic assumptions applied, and that this can cause the carrying amounts listed for the intangible assets in the company to exceed their value in use. The value in use exceeds the carrying amounts by CAD 5.5 (MNOK 30), based on the basic assumptions.

The markets in which the company operates can be influenced by a prolonged economic downturn, which can lead to that the unit's planned growth being lower than anticipated.

The company's contribution margin ratio is influenced by changes in volume. If the actual growth is lower than anticipated as a result of a prolonged economic downturn, this will in turn have an adverse impact on the company's contribution margin ratio.

Without growth in the first five years, or with a drop in the average profitability margin of 4 percentage points will lead to a reduction in the value in use of CAD 5.5 (MNOK 30).

14. FINANCIAL INCOME AND FINANCIAL EXPENSES

<i>Amounts in MNOK</i>	2009	2008
Interest income	61	56
Foreign currency gain	-	15
Other financial income	9	-
Financial income	70	71
Gains on the sale of shares	76	-
Losses and impairment on financial assets	83	138
Net losses on financial assets	7	138
Interest expenses	115	93
Foreign currency loss	12	-
Unwinding of discount on provisions	4	12
Other financial expenses	26	5
Financial expenses	157	110
Net financial items recognised to the profit or loss	(94)	(177)

Gains on the sale of shares are related to the sale of shares in Roxar ASA. Losses and impairment on financial assets are primarily associated with the writing down of loans granted in connection with the sale of yachting activities in 2005.

15. TAXES

Taxes		
<i>Amounts in MNOK</i>	2009	2008
Payable tax	561	201
Change in deferred tax	(220)	73
Taxes	341	274

Reconciliation from nominal to effective tax rate

<i>Amounts in MNOK</i>	2009	2008
EBT	1 169	861
Estimated tax based on a tax rate of 28 per cent of the profit before tax	327	241
Effect of tax-rate difference and not recognised tax assets abroad	12	9
Tax impact on profit/loss on the sale of shares and the impairment for shares	(3)	22
Other permanent differences	5	2
Taxes	341	274
Effective tax rate	29 %	32 %

For long-term production contracts, it is assumed that tax-related income will be recognised upon delivery. Payable tax will vary over time as a result of this.

Deferred tax assets and deferred tax liabilities

<i>Amounts in MNOK</i>	31 Dec 09	31 Dec 08
Deferred tax asset		
Pensions	95	90
Provisions	477	270
Net derivatives	-	781
Deferred tax assets - gross	572	1 141
Deferred tax liabilities		
Goodwill, property, plant and equipment	253	222
Projects in progress	760	1 251
Net derivatives	149	-
Deferred tax liabilities - gross	1 162	1 473
Net recognised deferred tax liabilities	(590)	(332)

Changes in deferred tax recognised in the statement of comprehensive income are as follows:

<i>Amounts in MNOK</i>	31 Dec 09	31 Dec 08
Pensions	(30)	(31)
Cash flow hedges	508	(485)
Total	478	(516)
Access to deferred tax upon acquisition	-	4

The payment of dividends to the parent company's shareholders has no impact on the company's payable or deferred tax.

16. EARNINGS PER SHARE

<i>Amounts in MNOK</i>	2009	2008
Net profit for the year accruing to owners of shares		
Profit from continuing operations, net after tax	828	587
Minority share of the profit	8	4
Net profit for the year/diluted profit accruing to owners of ordinary shares	820	583
Average weighted number of shares outstanding at 31 December in millions of shares (Note 23 "Share capital and share premium")		
<i>Number of shares</i>		
Average weighted number of shares outstanding 1 Jan.	120.00	120.00
Effect of treasury shares	0.00	(0,01)
Average weighted number of shares at 31 Dec.	120.00	11.99
Average weighted number of shares at 31 Dec., diluted	120.00	119.99
<i>Amounts in NOK</i>		
Earnings per share for the year	6.83	4.86
Earnings per share for the year, diluted	6.83	4.86

17. AVAILABLE-FOR-SALE SHARES

Available-for-sale shares at 31 Dec. 2009

Amounts in MNOK	31 Dec 09	31 Dec 08
Listed shares	126	214
Unlisted shares (OTC list)	5	8
Other shares	40	38
Available-for-sale shares	171	260

Available-for-sale shares are booked at fair value. Listed shares at 31 Dec. 2009 consist of shares in Kitron ASA (19 per cent stake). The shares are recognised at their trading price. Shares quoted on the OTC list consist of Remora ASA. As a percentage of total market value, listed and unlisted (OTC) shares accounted for 77 per cent of the available-for-sale shares.

Changes in the fair value of shares that is not impairment, are recognised on the statement of comprehensive income. Impairment is recognised through the profit or loss. In 2009, MNOK 12 in impairment was recognised through the profit or loss. The fair value of listed stocks increased by MNOK 44 in 2009.

As regards the 19 per cent stake in Kitron, KONGSBERG has considered whether or not significant influence exists even though its stake is below the 20 per cent limit. The assumption is that such influence exists with a stake of 20 per cent or more. Where significant influence exists, the investment is to be recognised as an associate based on the equity method. Although KONGSBERG has a seat on the Kitron Board and Kitron is one of KONGSBERG's suppliers, this is not considered sufficient to demonstrate clearly that significant influence exists.

Fair value of shares

The shares are to be measured at fair value on the date of balance sheet recognition.

1. Latest traded price on the stock exchange or final traded price on the OTC list (the Norwegian Securities Dealers Association's Over The Counter list);
2. For unlisted shares, the price of the most recent share transaction for the sale/purchase or issue;
3. Valuation based on discounted cash flow;
4. Acquisition cost as an estimate of fair value. This refers to investments that are not of significant value.

Sensitivity analysis on investments in shares

A 10 per cent change in the market prices of the listed shares and the OTC-listed shares would lead to an increase/(decrease) in excess value of MNOK 13, which was recognised in the statement of comprehensive income at 31 Dec. 2009, (MNOK 22 based on balance sheet values at 31 Dec. 2009)

Stakes of more than 10 per cent that are not consolidated

At year end, KONGSBERG owned shares and units in the following companies in which its stake was more greater than 10 per cent or the investment accounted for more than 50 per cent of book equity, and where these were not consolidated or included in accordance with the equity method:

31 Dec. 2009

Available-for-sale shares at 31 Dec. 2009

Amounts in MNOK	Stake	Carrying amount	Market value
Kitron ASA	19 %	126	126
Atash Norcontrol	49 %	20	20
Kongsberg Terotech AS	50 %	3	3
Kongsberg Technology			
Training Center AS	40 %	5	5

18. OTHER NON-CURRENT ASSETS

Amounts in MNOK	31 Dec 09	31 Dec 08
Loans to employees	29	29
Other non-current assets	26	132
Total other non-current assets	55	161

19. ACCOUNTS RECEIVABLE AND CREDIT RISK

Amounts in MNOK	31 Dec 09	31 Dec 08
Gross trade receivables	1 637	2 241
Provisions for bad debts	(209)	(144)
Net trade receivables	1 428	2 097
Other receivables	186	249
Prepayments to suppliers	34	169
Total receivables	1 648	2 515

Exposure to credit risk

For information about KONGSBERG's credit risk and how it is handled, see Note 5 "Management of capital and financial risk". The carrying amount for financial assets represents the Group's maximum credit exposure:

<i>Amounts in MNOK</i>	<i>Note</i>	<i>31 Dec 09</i>	<i>31 Dec 08</i>
Gross receivables	19	1 857	2 659
Other long-term assets	18	55	160
Cash and short-term deposits	22	1 463	283
Forward foreign exchange contracts and interest swap agreements used as hedges	21	740	126
Total exposure to credit risk		4 115	3 228

Gross trade receivables, by region:

<i>Amounts in MNOK</i>	<i>31 Dec 09</i>	<i>31 Dec 08</i>
Norway	224	252
Rest of Europe	421	727
America	607	699
Asia	311	417
Other countries	74	146
Total	1 637	2 241

Gross trade receivables, by type of customer:

<i>Amounts in MNOK</i>	<i>31 Dec 09</i>	<i>31 Dec 08</i>
Public institutions	528	877
Private companies	1 109	1 364
Total	1 637	2 241

20. PROJECTS IN PROGRESS

About half the Group's business consists of the development and production of products and systems based on signed orders. The Group reports balance sheet values related to long-term contract work at gross values. Gross amounts due from customers for contract work (projects in progress) are classified as assets, and gross amounts due to customers for contract work (prepayments from customers) and accrued project costs are classified as assets or liabilities.

Projects in progress are the net amount of accumulated earned operating revenues less accumulated invoicing for all current contracts in which accumulated operating revenues exceed accumulated invoicing. Prepayments from customers are the net amount of accumulated operating revenues less accumulated invoicing for all current contracts, in which accumulated invoicing exceeds accumulated operating revenues.

Accrued project costs are the net amount of variable costs accrued as a percentage of the project's degree of completion less accumulated direct costs incurred on the project.

Impairment

Age distribution, trade receivables and provisions for losses on trade receivables:

<i>Amounts in MNOK</i>	<i>31 Dec 09</i>		<i>31 Dec 08</i>	
	<i>Gross</i>	<i>Provisions for losses on trade receivables</i>	<i>Gross</i>	<i>Provisions for losses on trade receivables</i>
Not yet due	866	-	1 287	-
1-30 days past due	332	(1)	405	(7)
31-90 days past due	206	(36)	211	(9)
91-180 days past due	62	(53)	143	(46)
Past due for more than 180 days	171	(119)	195	(82)
Total	1 637	(209)	2 241	(144)

Historically, the Group has incurred a relatively modest percentage of bad debts, and its credit risk has traditionally been deemed low. However, the turmoil in the global economy has increased the risk of bad debts. For further information about the Group's credit risk, see Note 5 "Management of capital and financial risk".

The global credit crunch and the risk that customers will not be able to service their debt may call for further provisions.

Change in provisions for losses on trade receivables:

<i>Amounts in MNOK</i>	<i>2009</i>	<i>2008</i>
Provisions 1 Jan.	(144)	(40)
Actual losses	22	3
Provisions	(108)	(106)
Dissolved	29	9
Translation differences	(8)	(10)
Provisions, 31 Dec.	(209)	(144)

<i>Amounts in MNOK</i>	<i>31 Dec 09</i>	<i>31 Dec 08</i>
Projects in progress	1 071	1 610
Prepayments from customers	(2 116)	(900)
Accrued project costs	(906)	(668)
Net projects in progress	(1 951)	42

The Group has long-term production contracts in the business areas Kongsberg Maritime and Kongsberg Defence Systems. Most of Kongsberg Maritime's projects have a term of less than two years, and earnings on individual projects account for a limited share of overall earnings. The projects performed by Kongsberg Defence Systems are of longer duration, and the overall earnings from each individual project make a significant contribution to the Group's operations. In the light of the uncertainty that prevails in the shipyard industry, projects in progress at Kongsberg Maritime have been reviewed with a view to the risk of cancellation. Based on this review, we have identified projects in which the probability of cancellation is deemed high. In consequence, impairment has been taken on the carrying amount of projects in progress.

Summary of important contract data below:

<i>Amounts in MNOK</i>	2009	2008
Total orders	29 273	24 923
Operating revenues for the year	6 091	5 201
Accumulated operating revenues	17 842	15 832
Accumulated variable expenses	12 502	12 187
Remaining operating revenues	11 430	9 091
Prepayments received	2 116	1 320
Remaining variable expenses on loss-making projects	55	139

Uncertainty associated with estimates

Revenue recognition on contracts is based on estimated progress, which is usually calculated as accrued production costs as a percentage of total expected production costs. In certain cases, progress is calculated as a function of accrued hourly costs, or based on milestones. Revenues are agreed by contract. Total anticipated production costs are estimated based on a combina-

tion of historical figures, systematic estimation procedures, the follow up of efficiency targets and best estimates. Ordinarily, the number of remaining hours employees must use to develop or complete the project will constitute a large part of total production costs. The uncertainty of the estimates is influenced by the project's duration and technical complexity. Principles have been established for categorising projects in terms of technological complexity and development content. This forms the basis for risk assessments and taking to account the profits from these projects. Projects are reviewed on a quarterly basis at minimum.

The uncertainty in the shipyard industry, the risk of cancellation and the customer's inability to perform the contract, may entail further needs for depreciation. The contracts and jurisprudence ensure that claims can be filed for incurred costs if customers choose to cancel contracts.

21. FINANCIAL INSTRUMENTS**A) Derivatives**

<i>Amounts in MNOK</i>	31 Dec 09	31 Dec 08
Current assets		
Excess value "forward contracts", hedges of forecasted sale	427	15
Excess value currency options, hedges of forecasted sale	2	-
Excess value "forward contracts", project hedges	308	108
Excess value loan hedges	3	3
Total derivatives, current assets	740	126
Non-current liabilities		
Interest swap agreements attached to sale and lease-back	9	13
Total derivatives, non-current liabilities	9	13
Current liabilities		
Negative value "forward contracts", hedges of forecasted sale	72	1 388
Negative value "forward contracts", project hedges	125	1 403
Negative value currency options, hedges of forecasted sale	-	81
"Forward contracts" that do not satisfy the hedging criteria	-	28
Interest rate swap agreement and loan hedges	3	3
Total derivatives, current liabilities	200	2 903

B) Foreign currency risk and hedging of foreign currency

For information about KONGSBERG's currency risk and how it is handled, see Note 5 "Management of capital and financial risk". KONGSBERG's exposure to currency risk related to the carrying amount of accounts receivable and accounts payable in US Dollars (USD) and Euros (EUR) was as follows, based on nominal amounts:

<i>Beløp i mill.</i>	USD 31 Dec 09	EUR	USD 31 Dec 08	EUR
Accounts receivable	167	77	389	74
Accounts payable	(18)	(5)	(26)	(13)
Net exposure before currency hedging	149	72	363	61
Forward foreign exchange contracts project hedges	568	397	912	350

The specified forward currency contracts mentioned above are to hedge all contractual currency flows. This means that in addition to hedging capitalised trade receivables in foreign currency, currency forwards are also to be used to hedge amounts outstanding on signed contracts. KONGSBERG is also exposed to other currencies, but these are insignificant compared with the Group's credit exposure in USD and EUR.

Significant foreign exchange rates applied to the consolidated financial statements for the year:

	<i>Average exchange rates</i>		<i>Spot rate at 31 Dec.</i>	
	2009	2008	2009	2008
USD	6.29	5.60	5.75	7.00
EUR	8.74	8.21	8.29	9.87

Currency hedging

At 31 December, the Group had the following foreign currency hedges, by hedge category:

Amounts in MNOK	31 Dec based			Average hedged			31 Dec based			Average hedged		
	Gross value in NOK at on agreed exchange rate	Net excess (+) / negative (-) in NOK at 31 Dec 09	Total hedged amount in USD 2009	exchange rate in USD at 31 Dec 09	Total hedged amount in EUR at 31 Dec 09	exchange rate in EUR at 31 Dec 09	Gross value in NOK at on agreed exchange rate	Net excess (+) / negative (-) in NOK at 31 Dec 08	Total hedged amount in USD 2008	exchange rate in USD at 31 Dec 08	Total hedged amount in EUR at 31 Dec 08	exchange rate in EUR at 31 Dec 08
Hedge category												
Futures agreements, hedges of forecasted sales ¹⁾	6 318	355	645	6.32	259	8.63	10 275	(1 373)	810	6.39	600	8.49
Currency options, hedges of forecasted sale ²⁾	271	2	45		-	-	535	(81)	45		30	-
Total hedges of forecasted sale	6 589	357	690		259		10 810	(1 454)	855		630	
Project hedges (fair value hedges)	6 608	183	568	5.96	397	8.70	8 602	(1 308)	912	6.02	350	8.71
Loan hedges (fair value hedges) ³⁾	634	3	83	5.80	1	8.40	756	-	81	7.07	1	9.83
Total	13 831	543	1 341		657		20 168	(2 762)	1 848		981	

¹⁾ Excess/negative value attached to effective hedges of forecasted sale (futures agreements and currency options) are recognised directly in the statement of comprehensive income. The part that is not effective as a hedge is recognised through the profit or loss.

²⁾ Currency options are tunnel options ("risk reversal"), involving KONGSBERG purchasing put options in USD at an average exchange rate of NOK 5.81 and selling call options at an average exchange rate of about NOK 6.22. The total value of these options will be positive when the USD exchange rate declines, and negative when it rises.

³⁾ Loan hedges are currency hedges related to foreign currency loans. Associated with value based on agreed exchange rates and net excess/negative values, the figures specified in the table include a CAD/NOK and a GBP/NOK derivative in addition to the specified USD/NOK and EUR/NOK hedges.

In addition to the exchange rate on 31 Dec., the fair value of currency futures is affected by future interest points. Future interest points in the different time intervals are received from Reuters which, in turn, retrieves data from different market players. Reference is otherwise made to Note 4 "Fair value" and Note 21 g "Assessment of fair value".

Sensitivity analysis

A 20 per cent strengthening of NOK against USD and EUR per 31 December 2009 would have increased equity by the amount mentioned below. The analysis assumes that other variables remain constant. Since KONGSBERG has a hedging strategy which generally hedges all contractual currency flows and receivables in foreign currency, foreign exchange fluctuations will not impact the profitability of existing contracts. Any changes in the value of the currency options have not been taken into account in the table below.

Estimated effect on other comprehensive income (after tax)

Amounts in MNOK	31 Dec 09	31 Dec 08
USD	537	816
EUR	310	852
Total	847	1 669

A corresponding weakening of NOK against the above-mentioned currencies would have had the same outcome, but with signs inverted, all other variables being equal.

C) Cash flow hedges

List of the periods in which cash flows related to derivatives that are cash flow hedges (hedges of forecasted sales and interest hedges) are expected to arise:

	31 Dec 09						31 Dec 08					
	Recognised amount	Projected cash flow	2010	2011	2012		Recognised amount	Projected cash flow	2009	2010	2011	
Interest swap agreements:												
Liabilities	-	-	-	-	-	-	(3)	(3)	(3)	-	-	-
Forward foreign exchange contracts:												
Assets	427	440	265	175	-	-	15	15	6	6	3	-
Liabilities	(72)	(74)	(56)	(18)	-	-	(1 388)	(1 438)	(721)	(449)	(268)	-
Currency options:												
Assets	2	2	2	-	-	-	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-	(81)	(81)	(60)	(21)	-	-
Total	357	368	211	157	-	-	(1 457)	(1 507)	(778)	(443)	(286)	-

List of the periods in which cash flows related to derivatives that are cash flow hedges (hedges of forecasted sales and interest hedges) are expected to arise:

Amounts in MNOK	31 Dec. 09				31 Dec. 08			
	Recognised amount	Projected cash flow	2010	2011 and later	Recognised amount	Projected cash flow	2009	2010 and later
Interest swap agreements:								
Assets	-	-	-	-	-	-	-	-
Liabilities	-	-	-	-	(3)	(3)	(3)	-
Forward foreign exchange contracts								
Assets	427	440	232	208	15	15	3	12
Liabilities	(72)	(74)	(39)	(35)	(1 388)	(1 438)	(389)	(1 049)
Currency options								
Assets	2	2	2	-	-	-	-	-
Liabilities	-	-	-	-	(81)	(81)	(60)	(21)
Total	357	368	195	173	(1 457)	(1 507)	(449)	(1 058)

The projected cash flow is the undiscounted value of the currency futures for 2008.

D) Interest rate risk on loans

Long-term interest-bearing loans and borrowing facilities at 31 December:

Amounts in MNOK	2009					2008				
	Due date	Nominal interest rate 2009	To maturity 2009	Nominal amount	Carrying amount	Due date	Nominal interest rate 2008	To maturity 2008	Nominal amount	Carrying value
Bond issue KOG 05	14 Apr 14	5.9 %	4.4	500	500					
Bond issue KOG 04	30 Mar 12	2.7 %	2.25	300	300	30 Mar 12	6.4 %	3.3	300	300
Bond issue						10 Jun 09	6.8 %	0.4	400	400
Other loans				29	29				22	22
Credit facility						1 Jul 13	3.8-6.3 %	4.5	1 000	1 000
Total loans			3.5	829	829			3.3	1 722	1 722
Credit facility (undrawn borrowing limit)	1 Jul 13			1 000	-	19 Dec 10		2.0	800	-

At 31 Dec. 2009, the borrowing limit is a syndicated credit facility totalling MNOK 1 000. The agreement was signed with four banks: DnB NOR, Nordea, SEB and Fokus Bank. The agreement was made through Norsk Tillitsmann (Norwegian Trustee) and will run until 2013. The interest rates is 3 months NIBOR + margin as depends on the ratio between net interest-bearing liabilities loan/EBITDA and can be from 0.20 % to 0.575 %.

The credit facilities require that net interest-bearing liabilities not exceed three times the EBITDA, but they can be up to 3.5 times the EBITDA for a maximum of three quarters. The covenants in the loan agreements are satisfied.

Interest rate swaps (floating to fixed interest):

Amounts in MNOK	Due date	Interest rate	Amount 2009	Excess (+)/negative value (-) 31 Dec 09	Amount 2008	Excess (+)/negative value (-) 31 Dec 08
Interest rate swaps ¹⁾	2 Nov 11	6.3 %	150	(9)	150	(13)
Interest rate swaps, expired on 16 July 2009 ²⁾		5.4 %	-	-	300	(3)
Total interest rate swaps			150	(9)	400	(16)

¹⁾ KONGSBERG has signed interest rate swaps from floating to fixed interest for a nominal amount of MNOK 150. The agreements were signed in conjunction with leases for sale and leaseback agreements, as mentioned in Note 27 "Sale and leaseback". The change in value of the interest rate swap is recognised over the profit and loss.

²⁾ The interest rate swap that expired in June 2009 covered a bond issue with floating interest, and was recognised as a cash flow hedge in which excess/negative values were recognised in comprehensive income.

The certificate loans were issued in NOK and are listed on the Oslo Stock Exchange. The interest terms are 3-month NIBOR + 3.75 % for loans with a nominal value of MNOK 500, and the 3-month NIBOR + 0.50 % for bond issues with a nominal value of MNOK 300. The loans are capitalised at their amortised cost using the effective interest method.

Other loans comprise minor debts incurred directly by individual subsidiaries with local banks.

Sensitivity analysis of cash flow for instruments with variable interest rates:

A change in interest of 50 basis points (bp) on the date of balance sheet recognition would have increased (reduced) equity and the profit or loss by the amounts shown below. The analysis assumes that the other variables remain constant. The analysis was performed on the same basis as in 2008.

Effect of an interest rate increase of 50 bp:

Amounts in MNOK	31 Dec 09		31 Dec 08	
	Result	Equity	Result	Equity
Investments with floating interest rates	4	-	1	-
Loans with variable interest rates	(4)	-	(9)	-
Interest swap agreements	2	-	1	1
Cash flow sensitivity (net)	2	-	(7)	1

E) Liquidity risk

Due dates under the terms of contract for financial liabilities, including interest payments. Liabilities such as public levies and duties and are not financial liabilities and are therefore not included. The same applies to pre-payments from customers and the accrual of projects in progress.

31 Dec 09:

Amounts in MNOK	Recognised amount	Contractual flows	2010	2011	2012	2013	2014
Financial liabilities that are not derivatives							
Unsecured bond loans	800	(945)	(38)	(38)	332	(30)	(508)
Other loans and nont current liabilities	29	(29)	(29)				
Accounts payable	665	(665)	(665)				
Financial liabilities that are derivatives							
Currency derivatives	200	(206)	(123)	(83)			
Interest swap agreement	9	(9)	(5)	(4)			
Total	1 703	(1 854)	(860)	(125)	332	(30)	(508)

31 Dec 08:

Amounts in MNOK	Recognised amount	Contractual flows	2009	2010	2011	2012	2013
Financial liabilities that are not derivatives							
Credit facility 1	1 000	(1 210)	(52)	(52)	(52)	(52)	(1 026)
Unsecured bond loans	700	(831)	(435)	(14)	(14)	(303)	-
Other loans and nont current liabilities	79	(80)	(23)	(57)	-	-	-
Accounts payable	1 271	(1 271)	(1 271)	-	-	-	-
Financial obligations that are derivatives							
Currency derivatives	2 819	(2 888)	(1 757)	(723)	(346)	(34)	(28)
Currency options	81	(81)	(60)	(21)	-	-	-
Interest swap agreement	16	(16)	(8)	(5)	(3)		
Total	5 966	(6 361)	(3 598)	(846)	(412)	(389)	(1 054)

F) Summary of financial assets and liabilities

2009:

<i>Amounts in MNOK</i>	<i>Derivatives used for hedging</i>	<i>Derivatives not qualified for hedging</i>	<i>Loans and receivables</i>	<i>Available for sale</i>	<i>Other financial liabilities</i>	<i>Total</i>	<i>Fair value</i>
Assets - tangible fixed assets							
Investment in available-for-sale shares	-	-	-	171	-	171	171
Other non-current assets	-	-	55	-	-	55	55
Assets current assets							
Derivatives	740	-	-	-	-	740	740
Receivables	-	-	1 648	-	-	1 648	1 648
Cash and short-term deposits	-	-	1 463	-	-	1 463	1 463
Financial liabilities - non-current							
Interest-bearing loans	-	-	-	-	829	829	860
Derivatives	-	9	-	-	-	9	9
Other non-current liabilities	-	-	-	-	25	25	25
Financial liabilities - current							
Derivatives	200	-	-	-	-	200	200
Accounts payable	-	-	-	-	665	665	665

The fair value of interest-bearing loans is calculated on the basis of estimated interest trends, and KONGSBERG's interest margin as stipulated on the balance sheet date. The estimated cash flows are discounted with the market interest one might expect to have to pay for comparable loans on the balance sheet date. Market interest, before the mark-up on credit, is based on Norges Bank's interest trends.

2008

<i>Amounts in MNOK</i>	<i>Derivatives used for hedging</i>	<i>Derivatives not qualified for hedging</i>	<i>Loans and receivables</i>	<i>Available for sale</i>	<i>Other financial liabilities</i>	<i>Total</i>	<i>Fair value</i>
Assets - tangible fixed assets							
Investment in available-for-sale shares							
Other non-current assets							
Assets current assets							
Derivatives	126	-	-	-	-	126	126
Receivables	-	-	2 346	-	-	2 515	2 515
Cash and short-term deposits	-	-	283	-	-	283	283
Financial liabilities - non-current							
Interest-bearing loans	-	-	-	-	1 722	1 722	1 635
Derivatives	-	13	-	-	-	13	13
Other non-current liabilities	-	-	-	-	57	57	57
Financial liabilities - current							
Derivatives	2 875	28	-	-	-	2 903	2 903
Accounts payable	-	-	-	-	1 124	1 124	1 124

Cash flow hedges - hedge reserve

	2009	2008
Opening balance	(963)	284
<i>Changes in excess/(negative) value during the period</i>		
- Currency futures, currency option contracts and deferred gain ¹	1 882	(1 663)
- Interest rate swaps	3	(4)
Taxes on items recognised directly in the statement of comprehensive income	(508)	485
<i>Recognised gains/losses during the period</i>		
- Currency futures, currency option contracts and deferred gain ¹	(71)	(66)
Closing balance, hedge reserve	343	(963)

¹ The deferred gain on cash flow hedges was MNOK 119 at 31 Dec. 2009 (MNOK 119 at 31 Dec. 2008) attributable to projects. The gains arise when the due dates for hedges of forecasted sale are reached and new due dates are agreed for the projects. Any gains/losses that arise are deferred and realised in step with the progress of the project.

G) Assessment of fair value

The following table shows the Group's assets and liabilities, measured at fair value at 31 December 2009

	Level 1	Level 2	Level 3
Assets			
Investments in available-for-sale shares	131	-	70
Derivative financial assets		740	-
	131	740	70
Liabilities			
Derivative financial liabilities	-	209	-
	-	209	-

The different levels have been defined as follows:

* Level 1: Fair value is measured using list prices from active markets for identical financial instruments. No adjustment is made with a view to these prices.

*Level 2: The fair value of financial instruments not traded on an active market is determined using valuation methods which maximise the use of observable data, where available, and rest as little as possible on the Group's own estimates. Classification at level 2 presupposes that all the significant data required to determine fair value are observable data.

*Level 3: Fair value is measured using significant data that are not based on observable market data.

22. CASH AND SHORT-TERM DEPOSITS

Nominal amounts in MNOK	31 Dec 09	31 Dec 08
Current money market investments	807	-
Bank deposits, operating accounts	656	283
Total	1 463	283

All liquidity management in the Group is handled by the corporate financial services unit.

23. SHARE CAPITAL AND SHARE PREMIUM

Share capital

At 31 Dec. 2009 the share capital consists of 120 000 000 shares, each with a nominal value of NOK 1.25.

Share capital trend

Type of expansion	Date	Number of shares	Nominal value	Amount in MNOK	Adjustment factor	Share capital MNOK
Stock Exchange listing	13 Dec. 93	5 850 000	20	117		117
Private placement with employees	1996	6 000 000	20	3		120
Share split	1997	24 000 000	5		1:4	120
Share issue	1999	30 000 000	5	30		150
Share split	2009	120 000 000	1.25		1:4	150

List of the largest shareholders on 31 December 2009

Shareholders	Number of shares	%-age
State repr. by the Ministry of Trade and Industry	60 001 600	50.00 %
The National Insurance Fund	12 025 420	10.02 %
Arendals Fossekompagni ASA	9 552 796	7.96 %
MP Pensjon	4 812 800	4.01 %
Skagen Vekst	3 122 000	2.60 %
Orkla ASA	3 000 660	2.50 %
Verdipapirfondet Odin Norden	2 887 868	2.41 %
Verdipapirfondet Odin Norge	2 793 355	2.33 %
Odin Offshore	997 500	0.83 %
JP Morgan Chase Bank - nominee	757 000	0.63 %
Total	99 950 999	83.29 %
Other (ownership interest < 0.63%)	20 049 001	16.71 %
Total number of shares	120 000 000	100.00 %

Shareholders, by size of holding

Number of shares	Number of owners	Number of shares	Holding %
1 - 1 000	4 779	1 794 122	0.67 %
1 001 - 10 000	1 537	4 155 042	2.46 %
10 001 - 100 000	159	4 312 591	3.17 %
100 001 - 1 000 000	42	11 541 746	8.19 %
1 000 001 - 10 000 000	6	26 169 479	13.72 %
Over 10 000 000	2	72 027 020	71.80 %
Total	6 525	120 000 000	100.00 %

Of the 6 525 shareholders at 31 Dec. 2009, 509 were non-Norwegian, and a total of 4.94 per cent of the shares were in foreign hands.

Treasury shares

At 31 Dec. 2009, KONGSBERG owned 2 590 treasury shares for use with the employee share programme. The shares were purchased using the authorisation granted by the AGM, which authorised buybacks of up to five per cent of the shares outstanding.

	<i>Number of shares</i>
Holding of treasury shares at 31 Dec. 2008	70 376
Treasury shares	498 500
Treasury shares conveyed to employees	566 286
Holding of treasury shares at 31 Dec. 2009	2 590

The disposal of treasury shares was recognised at market value on the date of disposal, but the employee discount was expensed at wages, MNOK 8.8 in 2009 and MNOK 10.4 in 2008.

<i>Dividends</i>	<i>2009</i>	<i>2008</i>
Dividend paid in MNOK	165	150
Dividend paid in NOK per share	1.38	1.25

The Board has proposed a dividend of MNOK 240 for 2009, i.e. NOK 2.00 per share.

24. PROVISIONS

Long-term provisions:

<i>Amounts in MNOK</i>	<i>Sale and leaseback</i>
1 Jan. 2009	102
Provisions	35
Effect of discounting	4
Reversed	-
Provision used	(13)
31 Dec. 2009	128

Long-term provisions

From 1999 to 2007, KONGSBERG sold properties located in the Kongsberg Technology Park. The properties have been leased back on long-term leases that expire from 2014 to 2025. In connection with sale and leaseback, subleases were signed at lower rents than the sum of the rent, maintenance and renovation costs for the subleased buildings. This net loss is considered a loss contract according to IAS 37 and the net current value of future losses is provided for in the accounts. A provision has also been set aside in the event of cessation of rent. The remaining need for provisions is considered each year. The discounting effect has been recognised as a financial expense.

Provisions for warranties

Provisions for warranties refer to warranty costs on completed deliveries. Unused provisions for warranties dissolve upon the expiry of the warranty period. Provisions for warranties are estimated on the basis of a combination of historical figures, specific calculations and best estimates. Warranty periods vary from 1 to 2 years for Kongsberg Maritime. For Kongsberg Defence Systems and Kongsberg Protech Systems, warranty periods usually extend from one to five years, but can last for up to 30 years under certain circumstances.

Current provisions:

<i>Amounts in MNOK</i>	<i>Warranty</i>	<i>Other</i>	<i>Total</i>
1 Jan. 2009	323	92	415
Provisions	274	7	281
Reversed	(3)	(30)	(33)
Provision used	(80)	(19)	(99)
31 Dec. 2009	514	50	564

Other provisions

Provisions are recognised when the Group has a commitment as a result of a past event, where it is probable that there will be a financial settlement as a result of this commitment, and the size of that amount can be measured reliably. Provisions are made when there is disagreement between the contracting parties or agents, or where there is expected to be an estimated settlement related to product liability.

25. OTHER LIABILITIES

Other current liabilities:

<i>Amounts in MNOK</i>	<i>31 Dec 09</i>	<i>31 Dec 08</i>
Accounts payable	665	1 124
Public duties payable	263	267
Payable tax	538	155
Provisions for holiday pay	281	247
Liabilities related to the sale of property in 2007	-	147
Liabilities related to the performance-based salary component	172	192
Other items	621	426
Total	2 540	2 558

26. ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Assets pledged as collateral

The Group's loan contracts, i.e. the bond loan agreements and the agreement for syndicated overdraft facilities, are based on negative pledges. The Group has furnished no assets as collateral for loans.

Prepayments and completion and guarantees

Consolidated companies have furnished guarantees for prepayments and completion in connection with projects. The guarantees are issued by Norwegian and foreign banks and insurance companies. Kongsberg Gruppen ASA is responsible for all guarantees.

<i>Amounts in MNOK</i>	<i>31.12.09</i>	<i>31.12.08</i>
Prepayments and completion guarantees in respect of customers	2 307	1 768

Kongsberg Gruppen ASA has uncommitted framework agreements for guarantees with banks and insurance companies.

27. SALE AND LEASEBACK

In the period from 1999 to 2007, Kongsberg sold some properties in the Kongsberg Teknologipark. The properties have been leased back on long-term leases that expire between 2014 and 2025. The leaseback agreements are considered operational leasing agreements. In addition to the rent, Kongsberg is responsible for certain expenses associated with the fees on and maintenance of the properties. The leases have durations ranging from three months to 15 years. With the exception of the properties sold in 2007, the properties are mainly leased to external tenants. Provisions related to this are discussed in Note 24 "Provisions".

<i>Amounts in MNOK</i>	<i>Year of sale</i>	<i>Rental 2009</i>	<i>Rental 2011 - 2015</i>	<i>Rental beyond 2015</i>	<i>Remaining term of lease</i>	<i>Rental sublease 2010</i>	<i>Weighted average sub-leasing period</i>
Agreement 1 - A total of 28 000 m ² industrial/office	1999	33	143	-	5 years	35	5 years
Agreement 2 - A total of 38 000 m ² industrial/office	2001	32	170	111	9 years	34	2 years
Agreement 3 - A total of 6 000 m ² industrial/office	2002	6	31	13	8 years	6	4 years
Agreement 4 - A total of 10 000 m ² industrial/office	2006	16	85	113	12 years	18	12 years
Agreement 5 - A total of 39 000 m ² industrial/office	2007	48	256	529	15 years	48	15 years
Total		135	685	766		141	

For agreements 1, 3 and 4, the Group has the right of first refusal based on market conditions. The Group has the right to extend all leases for five years at a time. Rent is fixed, but has a 2.5 per cent annual adjustment for contract 1, and a 2.25 per cent annual adjustment for contracts 2 and 3. Agreements 4 and 5 will be adjusted by 100 per cent of the change in the consumer price index, which continues to be 2 per cent per annum. The rent for agreement 1 is also influenced by the interest level, where 60 per cent is based on fixed interest up to 2011, and 40 per cent on

floating interest rates. The rent is adjusted annually based on the consumer price index. Agreement 5 was signed in connection with the sale of property in 2007. Kongsberg Maritime AS has signed a long-term lease for the entire period of the lease. The lease covers two buildings that were completed early in 2010. The rents are adjusted annually based on the consumer price index. The Group has the right to extend all leases for five years at a time on the existing terms.

28. RELATED PARTIES

Declaration on the stipulation of salaries and other compensation to executive management.

The Board proposes that the following guidelines be adopted for the period up until the general meeting in 2011.

The main principles of the company's executive salary policy

The principles regarding salaries for executive management are stipulated by the Board. Each year, the Board evaluates the CEO's salary and compensation, as well as the Group's performance-based scheme for executives. The Board's Compensation Committee prepares such items of business for the Board. The CEO stipulates compensation to other members of corporate management in consultation with the Chair of the Board.

Managerial salaries at Kongsberg Gruppen ASA and Group companies ('KONGSBERG') are predicated on the following main principles:

- *Managerial salaries are to be competitive, but not leading – the company aspires to attract and retain skilled leaders.*
- *Managerial salaries are to be motivational, i.e. they should be structured to motivate managers to strive to achieve constant improvements in operations and the company's results.*
- *The wage plan should be easy to understand and be acceptable inside and outside KONGSBERG.*
- *The wage plan should be flexible, allowing adjustments when needs change.*

Compensation to corporate management should reflect executives' responsibility for KONGSBERG's management, performance and sustainable development, taking account of the Group's size and complexity. The schemes should otherwise be transparent and commensurate with principles for good corporate governance.

Other companies in the Group are also to observe the main principles of the executive salary policy. We strive to coordinate salary policy and the schemes used for variable benefits throughout the Group.

Components of managerial salaries – regular salary and variable benefits

The point of departure for wage setting is the aggregate level of regular salary and benefits. Regular salary consists of basic wages, regular benefits in kind and retirement plans. Variable benefits consist of the performance-based salary and the share programme. Regular surveys will be made on relevant markets to ensure that overall compensation is competitive, but not leading.

Basic salary

The basic salary should normally be the main element of an executive's salary. It will usually be considered once a year.

Regular benefits in kind

Executive staff will ordinarily will be offered the benefits in kind that are common for comparable positions, e.g. free telephone service, free broadband service, newspapers, company car/car

scheme and parking. No particular limitations have been placed on the type of benefits in kind that can be agreed.

Pension plans

Executive personnel will normally have pension plans that guarantee them pensions that are appropriate to their salary level. This is generally accomplished through membership of KONGSBERG's main collective pension plan for salaries up to 12G.

The Group's main collective pension plan is a defined contribution plan. The contributions are 0 per cent of salary between 0 and 1G, 5 per cent of salary from 1 to 6G and 8 per cent of salary from 6 to 12G. Member have a choice between three savings alternatives, featuring 30, 50 and 80 per cent shares, respectively. This scheme was introduced on 1 January 2008. Employees who were age 52 or older on the date of conversion remained in a closed defined benefit pension plan.

Managers with basic salaries in excess of 12G also have pensionable earnings on the share that exceeds 12G through an operations-based contribution plan. The contribution is 18 per cent of the part of their basic salary that exceeds 12G, and the investment choices are the same as in the main scheme. This scheme was introduced on 1 January 2009. Members aged 52 or older on the date of conversion remained in a closed operations-based pension plan.

Four corporate management executives will continue with under the old defined benefit plan. The CEO has a special contract regarding retirement at age 67, which, including the National Insurance Scheme (based on full accrual) and KONGSBERG's Obligatory Service Pensions will result in NOK 1 200 000 per year from age 67 to age 77, and then NOK 1 000 000 per year from age 77 year and for life. The amounts are adjusted for inflation on 1 January, based on the CPI on 15 November 2007.

Early retirement agreements have been and can be signed. However, KONGSBERG wishes to limit the use of such agreements. As from 1 January 2009, KONGSBERG introduced new rules for early retirement, in keeping with the State Ownership Report. The rules imply early retirement not later than from age 65, but with the reciprocal right for the company and the executive to call for early retirement from age 63. The benefit is 65 per cent of the executive's annual salary, on the proviso of at least 15 years' accrual. If the employee resigns between ages 63 and 65, this will, however, reduce pensionable earnings in the defined contribution retirement pension that applies from age 67.

Four corporate executives are covered by older agreements that release them from the obligation to work from the age of 60. Based on a vested period of at least 10 years, the scheme pays 90 per cent of salary upon retirement from age 60, diminishing by 10 per cent per year from age 63 to age 67. Similarly, three other executive vice presidents have agreements allowing them to be released from the obligation to work from age 62.

Providing a vested period of at least 15 years, the benefit is 65 per cent of salary until age 67. These older schemes were dismantled in 2006 and 2008, respectively. The CEO has an early retirement agreement for NOK 1 400 000 per year from age 65 to age 67. Either the CEO or KONGSBERG can call for early retirement from age 63 or 64, with a salary of NOK 1 300 000 or NOK 1 350 000 per year, respectively, until age 65. The amounts are adjusted for inflation on 1 January, based on the CPI on 15 November 2007.

Performance-based salary component

KONGSBERG's top executives and most important decision-makers should have direct financial interests in KONGSBERG's progress, and have compensation arrangements that provide incentives for improvement. In 2006, the Board adopted a performance-based scheme that covers roughly 90 managers. A pilot scheme was adopted, and minor adjustments were made in 2007, 2008 and 2009. The Board intends to continue the scheme in 2010.

The performance-based scheme has three independent components - change in EBITA, actually profitability margin and personal, non-financial targets. The change in the year's EBITA, adjusted for capital expenditure, is the most important. Quantification is weighted for a manager's sphere of responsibility and higher levels. Thus accrued performance-based pay will be positive when performance improves and negative in the event of significant setbacks.

The performance-based scheme distinguishes between accrued performance-based pay (into an account) and paid performance-based pay (out of an account). The year's accrued performance-based pay, positive or negative, will be credited to an individual's performance salary account, and then 1/3 of any positive balance in the performance salary account will be paid out once the accounts have received final approval from the Board.

Annual accrual to the performance salary account can account for a maximum of 75 per cent of regular salary, while the disbursement of funds can account for a maximum of 50 per cent of basic salary. Money from the performance salary account will ordinarily not be disbursed if the executive leaves the Group prior to retirement. The performance-based scheme is designed so that managers who perform well over time will earn an additional 20 to 30 per cent of their regular salaries. Having a performance salary account will contribute to this goal by equalising varying results.

Compensation linked to shares or the share price trend

Executives can participate fully in KONGSBERG's discounted employee share programme on an equal footing with all the Group's employees. KONGSBERG has no scheme for allocating share options or other instruments associated with the company's shares. There are no plans to introduce such schemes.

Severance schemes

Severance agreements have been and can be signed to ensure that the composition of executive staff meets KONGSBERG's needs at all times. Efforts have been made to design severance schemes that are acceptable inside and outside the Group. The agreement should not give the right to salary and compensation for more than 12 months after the period of notice. Any agreements that have been signed with corporate executives are in accordance with the framework laid down in the Working Environment Act. The CEO has an agreement that protects KONGSBERG's need to be able to ask the CEO to resign immediately if that were considered to be in KONGSBERG's best interest. Beyond the 6-month reciprocal period of notice, the CEO can receive full pay until entry into a new position, up to a limit of 12 months and provided it is KONGSBERG's wish that he resign.

Review of fiscal 2009

The executive salary policy for fiscal 2009 has been practiced in keeping with the above-mentioned factors and the guidelines adopted by KONGSBERG's AGM in 2009.

Following the ordinary wage settlement on 1 July 2009, the CEO's basic salary is NOK 3 315 000 per year. In addition, he has performance-based salary as described above, which generated a payment of NOK 675 000 in 2009.

In the consolidated accounts for 2009, accrued performance-based salaries aggregated 38 (41) per cent of the salaries of the participants in the scheme, excluding social security. In 2009, MNOK 31 was disbursed (33 per cent of the salaries of the participants in the scheme), excluding social security, in performance-based salary to executive management. No new or amended agreements for compensation have been signed during the past accounting year that would have significant effects for KONGSBERG or the shareholders.

Compensation and other benefits specified by member of corporate management for 2009 and 2008

<i>Amounts in NOK 1 000</i>		<i>Year</i>	<i>Salary, including holiday pay</i>	<i>Paid performance-based component of salary¹⁾</i>	<i>Other benefits reported in the fiscal year²⁾</i>	<i>Total benefits paid</i>	<i>Option costs</i>	<i>Accrued Performance-based component of salary³⁾</i>	<i>Pensionable earnings for the year</i>
Corporate management									
Walter Qvam, CEO	2009	3 326	675	145	4 146	-	1 544	2 114	
	2008	3 033	-	177	3 210	-	2 269	1 856	
Arne Solberg, CFO	2009	1 764	717	235	2 716	-	785	265	
	2008	1 664	614	164	2 442	28	1 155	272	
Stig Trondvold, Business Development	2009	1 726	688	444	2 858	-	798	784	
	2008	1 593	586	159	2 338	28	1 114	815	
Even Aas, EVP, Public Affairs	2009	1 326	541	283	2 150	-	607	249	
	2008	1 267	465	246	1 978	22	866	190	
Total salaries and compensation to parent company executives	2009	8 142	2 621	1 107	11 870	-	3 734	3 412	
Total salaries and compensation to parent company executives	2008	7 557	1 665	746	9 968	78	5 404	3 133	
Torfinn Kildal, president, Kongsberg Maritime	2009	2 460	951	234	3 645	-	994	394	
	2008	2 285	816	147	3 248	4	1 553	419	
Harald Ånnestad, president, Kongsberg Defence Systems	2009	1 770	504	528	2 802	-	1 015	210	
Egil Haugsdal, president, Kongsberg Protech Systems	2009	1 872	605	617	3 094	-	1 352	289	
Pål Helsing, president, Kongsberg Oil & Gas Technologies ⁴⁾	2009	338	-	20	358	-	-	94	
Total salary and compensation to corporate management	2009	14 582	4 681	2 506	21 769	-	7 095	4 399	
Total salary and compensation to corporate management	2008	9 842	2 481	893	13 216	82	5 957	3 552	

The figures in the table are not comparable, since the periods of employment were unequal in 2008 and 2009.

- 1) The paid performance-based component of salary for 2009 accounts for 1/3 of the accrued performance-based component of salaries from 2006, 2007 and 2008 that have been charged against income in comparable periods. The performance-based salary component is recognised as an expense during the year in which it is incurred.
- 2) Benefits other than cash refer to expensed discounts on shares in connection with the employee share programme, the taxable portion of pensions and insurance in excess of 12G, the interest rate advantage on car loans, and the advantage of having a free car for those who do not have a car loan.
- 3) The accrued performance-based component of salary is linked to the system for performance-based salary. Accrued performance-based salary is transferred to a performance salary account, from which 1/3 is paid out. Remaining part of performance salary account is paid out in subsequent years, depending not least on future goal achievement and continued employment with the company.
- 4) Pål Helsing has worked for the company since 1 November 2009.

Other matters associated with corporate management

<i>Amounts in NOK 1 000</i>	<i>Year</i>	<i>No. of shares</i>	<i>Options redeemed</i>	<i>Strike price</i>	<i>Car loans in NOK</i>	<i>Debt instruments from</i>	<i>Instalment plan</i>	<i>Outstanding amount in NOK</i>	<i>Interest rate</i>
Corporate management									
Walter Qvam, CEO	2009	4 240			627 000	21 Jan 08	10 years	506 825	3 %
	2008	3 760	-	-	627 000	21 Jan 08	10 years	569 525	3 %
Arne Solberg, CFO	2009	30 516			547 951	18 Nov 09	10 years	543 384	3 %
	2008	30 036	125	168	572 000	20 Jan 06	10 years	400 388	3 %
Stig Trondvold, Business Development	2009	13 816			627 000	22 Dec 08	10 years	564 300	3 %
	2008	13 336	125	168	539 000	20 Apr 04	10 years	269 480	3 %
Even Aas, EVP, Public Affairs	2009	10 024							
	2008	9 544	100	168					
Total executive management of the parent company	2009	58 596	-	-	1 801 951		10 years	1 614 509	3 %
Total executive management of the parent company	2008	57 000	350	-	1 738 000		10 years	1 239 393	3 %
Torfinn Kildal, president, Kongsberg Maritime	2009	33 956							
	2008	33 476	125	168					
Harald Ånnestad, president, Kongsberg Defence Systems	2009	2 616			627 000	27 Aug 09	10 years	606 100	3 %
	2008								
Egil Haugsdal, president, Kongsberg Protech Systems	2009	6 632							
	2008								
Pål Helsing, president, Kongsberg Oil & Gas Technologies	2009	-							
	2008								
Total corporate executive management	2009	101 800	-	-	2 428 951		10 years	2 220 609	3 %
Total corporate executive management	2008	90 476	476	-	1 738 000		10 years	1 239 393	3 %

Shares owned by, and compensation to directors

<i>Board of Directors</i>	<i>År</i>	<i>No. of shares*</i>	<i>Fixed fees to directors</i>	<i>Fees for comm. meetings</i>	<i>Total comp. to directors</i>	<i>No. of Board meetings**</i>
Finn Jebsen, Chair	2009	20 000	345 333	25 533	370 866	10
	2008	20 000	330 667	36 000	366 667	9
Benedicte Berg Schilbred, Deputy chair	2009	70 000	183 500	-	183 500	10
	2008	70 000	175 667	-	175 667	8
Erik Must ¹⁾ , director	2009	524 600	164 833	21 000	185 833	10
	2008	524 600	155 000	30 000	185 000	8
John Giverholt, director	2009	3 200	164 833	34 400	199 233	9
	2008	-	155 000	64 400	219 400	9
Roar Marthiniusen, director	2009	13 400	164 833	21 000	185 833	9
	2008	13 400	155 000	30 000	185 000	9
Kai Johansen, director	2009	-	164 833	-	164 833	10
	2008	-	155 000	-	155 000	9
Anne-Lise Aukner, director as from 7 May 2009	2009	-	112 333	-	112 333	5
	2008	-	-	-	-	-
Helge Lintvedt, director as from 7 May 2009	2009	-	112 333	-	112 333	6
	2008	-	-	-	-	-
Audun Solås, director until 7 May 2009	2009	4	52 500	30 100	82 600	4
	2008	4	155 000	56 350	211 350	9
Siri Beate Hatlen, director until 7 May 2009	2008	-	52 500	22 050	74 550	4
	2008	-	155 000	49 000	204 000	9
Total compensation to the Board	2009		1 517 831	154 083	1 671 914	
Total compensation to the Board	2008		1 436 334	265 750	1 702 084	

¹⁾ Erik Must chairs the Board of Arendals Fossekompagni ASA, which owns 9 552 796 shares in Kongsberg Gruppen.

*Personally/through a company.

**The Board met 10 times in 2009 (9 times in 2008)

Expensed benefits to corporate executive management

<i>Amounts in NOK 1 000</i>	<i>2009</i>	<i>2008</i>
Short-term benefits	19 453	18 319
Pension benefits	4 399	4 806
Other long-term benefits	4 730	6 503
Share-based payment	-	138
	28 582	29 766

Other long-term benefits are 2/3 of the accrued performance-based salary component. The figures for 2008 include individuals who were not part of corporate executive management in 2009. These individuals are not included in the specified lists higher up in the note.

TRANSACTIONS WITH RELATED PARTIES

The Norwegian Government as the largest owner

The State as represented by the Ministry of Trade and Industry is KONGSBERG's largest owner (50.001 per cent of the shares in Kongsberg Gruppen ASA). The State as represented by the Ministry of Defence is an important customer for the Group. Sales to the Armed Forces are regulated by the EEA agreement and the Procurement Regulations for the Armed Forces, which guarantee equal treatment for all vendors. KONGSBERG's balance in respect of State customers was MNOK 54 at 31 December 2009, while other liabilities to State suppliers came to MNOK 0.8 at the same date. In 2009, KONGSBERG invoiced state customers MNOK 959. Goods and services acquired from State vendors accounted for MNOK 54 in 2009.

29. LIST OF CORPORATE COMPANIES

The following companies have been consolidated:

<i>Company name</i>	<i>Home country</i>	<i>Stake 31 Dec. 2009</i>	<i>Stake 31 Dec.2008</i>	<i>Company name</i>	<i>Home country</i>	<i>Stake 31 Dec. 2009</i>	<i>Stake 31 Dec.2008</i>
KONGSBERG GRUPPEN ASA	Norway	Parent	Parent	Kongsberg Maritime Ltd.	Great Britain	100	100
Kongsberg Defence & Aerospace AS	Norway	100	100	Simrad Leasing Ltd.	Great Britain	100	100
Kongsberg Spacetec AS	Norway	100	100	Kongsberg Process Simulation Ltd.	Great Britain	100	100
Kongsberg Satellite Services AS	Norway	50	50	Kongsberg Intellifield Ltd.	Great Britain	100	100
Kongsberg Oil & Gas Technologies AS (Kongsberg Procurement Center AS)	Norway	100	100	GeoAcoustics Ltd.	Great Britain	100	100
Havtroll AS	Norway	100		Gallium Visual Systems Inc.	Canada	100	100
Havtroll Teknikk AS	Norway	100		Kongsberg Maritime Simulation Ltd.	Canada	100	100
Kongsberg Teknologipark AS	Norway	100	100	Kongsberg Maritime Canada Ltd.	Canada	100	100
Kongsberg Asset Management AS	Norway	Wound up	100	Kongsberg Mesotech Ltd.	Canada	100	100
Kongsberg Næringsseidom AS	Norway	100	100	Kongsberg Maritime Simulation Inc.	USA	100	100
Kongsberg Næringsparkutvikling AS	Norway	100	100	Simrad North America Inc.	USA	100	100
Kongsberg Næringsbygg 2 AS	Norway	100	100	Kongsberg Maritime Inc.	USA	100	100
Kongsberg Næringsbygg 3 AS	Norway	100	100	Kongsberg Underwater Technology Inc.	USA	100	100
Kongsberg Næringsbygg 5 AS	Norway	100	100	Kongsberg Defense Corporation Inc.	USA	100	100
Kongsberg Næringsbygg 6 AS	Norway	100	100	Kongsberg Oil & Gas Technologies Inc. (Kongsberg Process Simulation)	USA	100	100
Kongsberg Næringsbygg 7 AS	Norway	100	100	Kongsberg Intellifield LLC	USA	Merged	100
Kongsberg Seatex AS	Norway	100	100	Geo Acoustics Inc.	USA	100	100
Vehicle Tracking and Information Systems AS	Norway	100	100	Seaflex Riser Technology Inc.	USA	100	100
Nerion AS	Norway	100	100	GlobalSim Inc.	USA	100	100
Kongsberg Maritime AS	Norway	100	100	Hydroid Inc.	USA	100	100
Kongsberg Norcontrol IT AS	Norway	100	100	Kongsberg Maritime Brasil d.o.	Brasil	80	80
SeaFlex AS	Norway	100	100	Kongsberg Asia Pacific Ltd.	China	100	100
Applied Radar Physics AS	Norway	Merged	100	Kongsberg Maritime Hoi Tung Holding Ltd.	China	90	90
Kongsberg Intellifield AS	Norway	100	100	Kongsberg Maritime China (Shanghai) Ltd.	China	100	100
Kongsberg SIM AS	Norway	100	100	Kongsberg Maritime China (Zhenjiang) Ltd.	China	56.2	56.2
Kongsberg Maritime Engineering AS	Norway	100	100	Kongsberg Maritime China (Jiangsu) Ltd.	China	100	
Kongsberg Maritime Srl.	Italy	100	100	Kongsberg Maritime Korea Ltd.	South Korea	96.9	96.9
Simrad Srl	Italy	100	100	Kongsberg Norcontrol IT Pte.	Singapore	100	100
Kongsberg Maritime Holland BV	Netherlands	100	100	Kongsberg Maritime Pte. Ltd.	Singapore	100	100
Kongsberg Shipmedics Sp. zo.o.	Poland	51	51	GeoAcoustics Asia Pacific Pte Ltd.	Singapore	100	100
Kongsberg Defence Sp.zo.o.	Poland	100		Kongsberg Process Simulation PVT Ltd.	India	100	100
Simrad Spain SL	Spain	100	100	GeoAcoustics India	India	100	100
Kongsberg Maritime Sweden AB	Sweden	100	100	Kongsberg Maritime India Pvt. Ltd.	India	70	70
Kongsberg Defence Oy	Finland	100	100	SRD Engineering PVT	India	100	
Kongsberg Maritime GmbH	Germany	100	100	Kongsberg Norcontrol IT Pty. Ltd.	South Afrika	100	100
Kongsberg Intellifield GmbH (being wound up)	Austria	100	100	Kongsberg Hungaria Engineering Service Development and Trading Llc	Hungary	100	100
Kongsberg Reinsurance Ltd.	Ireland	100	100				
Kongsberg Norcontrol IT Ltd.	Great Britain	100	100				
Seatex Ltd.	Great Britain	100	100				
Kongsberg Maritime Holding Ltd.	Great Britain	100	100				

30. EVENTS AFTER THE BALANCE SHEET DATE

Act relating to early retirement

The Act relating to early retirement was enacted on 19 February 2010, with retroactive effect from 1 January 2010. For employees born after 31 December 1948, the net accounting effect of the implementation of the new act will be a reduction in liabilities of MNOK 79 and it will be recognised on KONGSBERG's Q1 2010 financial statements. For employees born from 1944 to 1948, the first recognition of the new scheme will take place in Q4 2010.

Income statement and balance sheet

Kongsberg Gruppen ASA

INCOME STATEMENT 1 JANUARY - 31 DEC.

<i>Amounts in MNOK</i>	<i>Note</i>	<i>2009</i>	<i>2008</i>
Operating revenues	9	208	167
Personnel expenses	4, 5	93	88
Depreciation		2	4
Other operating expenses	4	83	90
Total operating expenses		178	182
EBIT		30	(15)
Interest from Group companies		83	109
Profit/Loss on sale of shares		80	(17)
Loss and impairment on financial assets		(80)	(116)
Currency trading gains/(losses)		4	7
Interest to Group companies		(29)	(88)
Other interest expenses		(54)	(40)
Other financial expenses		(3)	-
Group contribution received		400	48
Net financial items		401	(97)
Earnings before tax (EBT)		431	(112)
Taxes	6	(117)	10
Profit for the year		314	(102)
Distributable reserves and equity transfers:			
Proposed dividend		(240)	(165)

BALANCE SHEET AT 31 DEC.

<i>Amounts in MNOK</i>	<i>Note</i>	<i>2009</i>	<i>2008</i>
Assets			
Deferred tax assets	6	47	57
Tangible fixed assets		5	6
Shares in subsidiaries	3	2 215	2 023
Other shareholdings		75	197
Long-term claims on subsidiaries		1 375	2 281
Other long-term receivables		8	94
Total tangible fixed assets		3 725	4 658
Current assets			
Receivables from subsidiaries		596	159
Cash and short-term deposits		800	0
Total current assets		1 396	159
Total assets		5 121	4 817
Equity and liabilities			
Share capital		150	150
Share premium reserve		-	832
Total paid-in equity		150	982
Other equity		1 084	171
Total retained earnings		1 084	171
Total equity	2	1 234	1 153
Pension liabilities	5	145	130
Liabilities to credit institutions	7	800	1 700
Long-term debt to subsidiaries		987	1 146
Other non-current liabilities		22	22
Total non-current liabilities		1 954	2 998
Provision for dividends		240	165
Other current liabilities		220	235
Overdraft facilities		1 473	266
Total current liabilities		1 933	666
Total equity and liabilities		5 121	4 817

Statement of cash flows

Kongsberg Gruppen ASA

<i>Amounts in MNOK</i>	2009	2008
Earnings before tax (EBT)	431	(112)
Dividends and gains on disposal of shares	(80)	-
Depreciation	2	4
Impairment/losses, financial assets	80	133
Change in accrual items, etc.	(109)	1
Net cash flow from operating activities	324	26
Cash flow from investing activities		
Acquisition of property, plant and equipment	(1)	(1)
Receipts from sale of shares	210	22
Disbursements for the acquisition of shares, etc.	(196)	(88)
Net cash flow from (used in) investing activities	13	(67)
Cash flow from financing activities		
Increase in loans	500	1 000
Repayment of loans	(1 400)	-
Payment of dividends	(165)	(150)
Net disbursement of funds/payment for the purchase/sale of treasury shares	11	(14)
Change, intra-Group accounts	310	(1 501)
Change, overdraft facilities	1 207	6
Net cash flows from (used on) financing activities	463	(659)
Net increase (decrease) in cash and short-term deposits	800	(700)
Cash and short-term deposits at 1 January	-	700
Cash and short-term deposits at 31 December	800	-

Notes

Kongsberg Gruppen ASA

1. ACCOUNTING POLICIES

The financial statements for Kongsberg Gruppen ASA have been prepared in accordance with the provisions of the Norwegian Accounting Act and generally accepted accounting practices in Norway.

Subsidiaries/associates

Subsidiaries and associates are measured using the cost method of accounting in the parent company accounts. Investments are valued at the acquisition cost of the shares unless impairment losses have been necessary. Such assets are impaired to fair value when the decrease in value is for reasons not considered to be of a temporary nature and must be deemed necessary based on generally accepted accounting principles. Impairment loss is reversed when the reason for the impairment no longer applies. Dividends and other disbursements are recognised as income in the same year as they are set aside by the subsidiary.

Classification and valuation of balance sheet items

Current assets and short-term liabilities include items that fall due for payment within one year after the date of acquisition, as well as items associated with commodity flows. Other items are classified as non-current assets/non-current liabilities. Current assets are valued at cost or fair value, whichever is lower. Current liabilities are recorded at their nominal values on the date they are incurred. Fixed assets are valued at acquisition cost less depreciation, but are impaired to fair value when the decrease in value is not expected to be of a temporary nature. Non-current liabilities are recognised on the balance sheet at their nominal values at the time the debt is incurred.

Receivables

Trade and other receivables are recognised on the balance sheet at nominal amounts less provisions for expected losses. Provisions for bad debts are made on the basis of assessments of individual debts. In addition, a provision is made to cover unspecified potential losses on other trade receivables.

Foreign currency

Financial items in foreign currency are translated based on exchange rates at the close of the fiscal year.

Current investments

Current investments (shares and units considered current assets) are valued at acquisition cost or fair value on the date of balance sheet recognition, whichever is lower. Dividends and other allocations of profit from the companies are reported under 'Other financial income'.

Pensions

The defined contribution plan

The Group introduced a defined contribution pension scheme in 2007 for all employees under age 52 on 1 January 2008. Employees aged 52 and older at the time of the transition stayed with the defined benefit plan. The premiums are expensed as they accrue.

The defined benefit plan

Pension expenses and pension liabilities are calculated using linear accrual based on estimated salary level at retirement. The calculation is based on several factors, including assumptions regarding discount rates, future salary adjustments, pensions and benefits in respect of the National Insurance Scheme and future interest income on pension fund assets, as well as on actuarial assumptions regarding mortality and turnover. Pension fund assets are assessed at their fair value, less net pension liabilities on the balance sheet.

Income tax

Tax expenses on the income statement include tax payable and the change in deferred taxes. Deferred taxes are estimated as 28 per cent of the basis for the temporary differences that arise between balance sheet items used for accounting purposes and those used for tax purposes, as well as the assessment-related deficit to be carried forward at the end of the fiscal year. Temporary differences that increase or decrease taxes and have been or can be reversed during the same period, are assessed. Net deferred tax assets are recognised on the balance sheet to the extent it is likely that they can be applied.

Cash flow statement

The statement of cash flows has been drawn up using the indirect method. Cash encompasses cash reserves, bank deposits and other short-term liquid assets.

2. RECONCILIATION OF EQUITY

<i>Amounts in MNOK</i>	<i>Share capital</i>	<i>Share premium reserve</i>	<i>Other equity</i>	<i>Total equity</i>
Equity at 31 Dec. 07	150	832	439	1 421
Net profit/(loss) for the year	-	-	(102)	(102)
Dividends for 2008	-	-	(165)	(165)
Unrecognised actuarial gains/losses on pension expenses	-	-	(1)	(1)
Equity at 31 Dec. 2008	150	832	171	1 153
Net profit/(loss) for the year	-	-	314	314
Transfer from share premium reserve	-	(832)	832	-
Treasury shares	-	-	11	11
Dividends for 2009	-	-	(240)	(240)
Unrecognised actuarial gains/losses on pension expenses	-	-	(4)	(4)
Equity at 31 Dec. 2009	150	-	1 084	1 234

Other information about the company's share capital is disclosed in Note 23 "Share capital and share premium" to the consolidated accounts.

3. SHARES IN SUBSIDIARIES

<i>Amounts in MNOK</i>	<i>Year of acquisition</i>	<i>Registered headquarters</i>	<i>Stake/voting interest %</i>	<i>Value recognised on the balance sheet 31 Dec.</i>
Kongsberg Defence & Aerospace AS	1997	Kongsberg	100	506
Kongsberg Teknologipark AS	1987	Kongsberg	100	5
Kongsberg Holding AS	1987	Kongsberg	100	-
Kongsberg Basetec AS	1992	Kongsberg	100	106
Kongsberg Maritime AS ¹⁾	1992	Kongsberg	89	1 101
Kongsberg Forsvar AS	1995	Kongsberg	100	-
Norsk Forsvarsteknologi AS	1987	Kongsberg	100	-
Kongsberg Næringsseidendom AS	1997	Kongsberg	100	198
Kongsberg Næringsparkutvikling AS	2005	Kongsberg	100	48
Kongsberg Næringsbygg 2 AS	2006	Kongsberg	100	25
Kongsberg Næringsbygg 3 AS	2006	Kongsberg	100	24
Kongsberg Næringsbygg 5 AS	2007	Kongsberg	100	68
Kongsberg Næringsbygg 6 AS	2007	Kongsberg	100	130
Kongsberg Næringsbygg 7 AS	2007	Kongsberg	100	-
Nerion AS	2002	Trondheim	100	-
Kongsberg Hungaria KFT ²⁾	2003	Budapest	10	-
Kongsberg Reinsurance LTD	2001	Dublin	100	4
Total				2 215

¹⁾ The remaining 11 per cent of the shares in Kongsberg Maritime AS are owned by Kongsberg Basetec AS.

²⁾ The remaining 90 per cent of the shares in Kongsberg Hungaria KFT are owned by Kongsberg Defence & Aerospace AS.

4. PERSONNEL EXPENSES AND REMUNERATION

As regards salary and remuneration to corporate management and the directors, reference is made to Note 28 "Related parties" to the consolidated accounts

Auditor's fees

<i>Amounts in NOK 1000</i>	<i>2009</i>	<i>2008</i>
Corporate auditor Ernst & Young:		
Mandatory audits	900	890
Other assurance services	-	55
Tax consultancy	-	316
Total fees, Ernst & Young	900	1 261

Payroll expenses

<i>Amounts in MNOK</i>	<i>2009</i>	<i>2008</i>
Wages and salaries	51	48
Employer's soc. sec. contribution	11	9
Pension expenses	13	15
Other benefits	18	16
Total personnel expenses	93	88

5. PENSIONS

KONGSBERG has a service pension scheme which satisfies statutory requirements, and consists of a deposit-based plan and a defined benefit plan. The Group has a service pension plan that covers all Group employees in Norway.

The contribution-based plan

The Group introduced defined contribution pension scheme in 2007 for all employees under age 52 at 1 Jan. 2008. The contribution rate is 0 per cent of the wage base up to 1G, 5 per cent of the wage base between 1 and 6G, and 8 per cent of the wage base from 6G and up to 12G. Employees can influence the management of their assets through three investment choices, containing 30, 50 and 80 per cent shares in the portfolio, respectively. The Group also has a collective, operations-based defined contribution plan for salaries between 12 and 15G. The enterprise's contribution to this scheme is 18 per cent of the share of the wage base that exceeds 12G, up to a ceiling of 15G. The employees have same investment choices in the supplementary scheme as in the main scheme. The contribution is recognised as an expense when it is incurred.

The defined benefit plan

In connection with the transition to a defined contribution plan in 2007, employees aged 52 or older remained in the defined benefit plan. The defined benefit plan is insured through Vital - DnB NOR. Some pension expenses are covered by payments from the National Insurance scheme. Such payments are calculated based on the National Insurance scheme basic amount (G), adopted annually by Norway's parliament. Pension benefits the defined benefit plan are determined by the number of years of accrual and the salary level of the individual employee. Pension costs are distributed over the employee's accrual period. The scheme gives the right to 65 per cent of the individual's salary level upon retirement, including benefits from the National Insurance scheme until the age of 77, when the service pension component is reduced by 50 per cent. The Group also has a collective, operations-based defined benefit plan for salaries between 12 and 15G. Benefits are comparable to 65 per cent of the share of the wage base that exceeds 12G until age 77, when the benefits are reduced to 50 per cent of the share of the wage base that exceeds 12G. This supplementary scheme was closed in connection with the transition to defined contribution pension plans in 2007.

In 2008, the Group introduced new rules for early retirement for newly hired members of corporate management. The rules entail early retirement from not later than age 65, but with a reciprocal right for the company and the executive to call for early retirement from age 63.

Benefits comprise 65 per cent of the annual salary, based on a minimum of 15 years' accrual. If the employee resigns between ages 63 and 65, this will nevertheless result in reduced pensionable earnings for the defined contribution retirement pension that applies from age 67.

With defined benefit plans, the calculation of future pensions is based on the following assumptions:

	31 Dec. 2009	31 Dec. 2008
Discount rate	4.0 %	4.0 %
Projected yield	6.0 %	6.0 %
Wage adjustment	3.5 %	3.5 %
Pension base level adjustment	3.5 %	3.5 %
Pension adjustment	1.0 %	1.0 %
Voluntary attrition	4.5 %	4.5 %

The year's pension costs are calculated as follows:

Amounts in MNOK	2009	2008
Current service cost	5	5
Interest cost on accrued pension liabilities	5	5
Estimated return on pension plan assets	(1)	(1)
Amortisation, plan changes		3
Accrued social security expenses	1	1
Total net pension expenses	10	13
Cost of defined contribution pension plans	3	2

Amounts in MNOK	2009	2008
Total gross pension liabilities	(153)	(135)
Gross pension plan assets	24	19
Net pension liabilities	(129)	(116)
Unrecognised plan changes	1	2
Employer's social security contribution	(17)	(16)
Net pension liabilities/assets on the balance sheet	(145)	(130)

Pension expenses for the year are estimated based on the financial and actuarial assumptions that apply at the beginning of the year. Gross pension liabilities are based on the financial and actuarial assumptions that apply at year end.

6. TAXES

Tax expenses:		
<i>Amounts in MNOK</i>	2009	2008
Payable tax	105	3
Change, deferred tax	12	(13)
Tax revenue/expense	117	(10)
<i>Amounts in MNOK</i>	2009	2008
EBT	431	(112)
Tax limited to a tax rate of 28 per cent of earnings before tax	121	(31)
Gains on disposal of operation	(36)	(7)
Depreciation on shares	31	28
Other permanent differences	1	-
Tax revenue/expense	117	(10)
Deferred tax and deferred tax asset:		
<i>Amounts in MNOK</i>	2009	2008
Pensions	41	36
Other	6	21
Deferred tax asset carried forward	47	57
The change in deferred tax recognised directly to equity is as follows:		
<i>Amounts in MNOK</i>	31 Dec. 2009	31 Dec. 2008
Carrying amount	(2)	-

8. GUARANTEES

During the years from 1999 to 2007, Kongsberg Gruppen ASA sold some properties in Kongsberg Technology Park. The properties have been leased back on long-term leases that expire from 2014 to 2025. The leasebacks are considered operational leasing agreements.

In addition to the rent, Kongsberg Gruppen ASA is responsible for certain expenses associated with fees on and maintenance of the properties. The leases have durations ranging from three months to 17 years. With the exception of the properties sold in 2007, the properties are mainly rented to external tenants. Provisions related to this are discussed in Note 27 "Provisions" to the consolidated financial statements.

7. NON-CURRENT INTEREST-BEARING LIABILITIES AND BORROWING FACILITIES:

At 31 Dec. 2009, the Group had the following loans and credit facilities:

	<i>Due date</i>	<i>Nominal interest rate 2009</i>	<i>To maturity 2009</i>	<i>Nominal amount</i>	<i>Carrying amount</i>
Bond issue KOG 05	14Apr 14	5.9 %	4.4	500	500
Bond issue KOG 04	30Mar 12	2.7 %	2.25	300	300
Total loans			3.5	800	800
Credit facility (undrawn borrowing limit)	1 Jul 13			1 000	0

The credit facility at 31 Dec. 2009 was a syndicated credit facility of altogether MNOK 1 000. The agreement was signed with four banks: DnB NOR, Nordea, SEB and Fokus Bank. The agreement was made through Norsk Tillitsmann (Norwegian Trustee) and will run until 2013. The interest terms are 3-month NIBOR + margin, which depends on the ratio between net interest-bearing liabilities/EBITDA and can be from 0.20 per cent to 0.575 per cent. The credit facilities require that net interest-bearing liabilities not exceed three times the EBITDA, although they can be up to 3.5 times the EBITDA for a maximum of three quarters. The covenants in the loan agreements are satisfied.

The certificate loans were issued in NOK and are listed on the Oslo Stock Exchange. The interest terms are the 3-month NIBOR + 3.75 per cent for loans with a nominal value of MNOK 500, and the 3-month NIBOR + 0.50 per cent for bond issues with a nominal value of MNOK 300. The loans are capitalised at their amortised cost using the effective interest method.

All borrowing in the Group is centralised to Kongsberg Gruppen ASA and handled by the Group's corporate financial services unit.

The total rental for which the parent company has guaranteed, and which is attached to the sale and leaseback agreements, is MNOK 1 586.

Prepayment and completion guarantees

Consolidated companies have furnished guarantees for prepayments and completion in connection with projects. The guarantees are issued by Norwegian and foreign banks and insurance companies. Kongsberg Gruppen ASA is responsible for all guarantees.

<i>Amounts in MNOK</i>	2009	2008
Prepayments and completion guarantees for customers	2 307	1 768

Auditor's report for 2009



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

To the Annual Shareholders' Meeting of
Kongsberg Gruppen ASA

Auditor's report for 2009

We have audited the annual financial statements of Kongsberg Gruppen ASA as of 31 December 2009, showing a profit for the year of MNOK 314 for the Parent Company and a profit for the year of MNOK 828 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 allocation of the profit. The financial statements comprise the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet, the statements of income and cash flows as well as the accompanying notes. The financial statements of the Group comprise the consolidated balance sheet, the statements of income, comprehensive income, cash flows and changes in equity as well as the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the Parent Company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the Group. These financial statements and the Directors' report 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 laws, regulations and auditing standards and practices generally accepted in Norway, including the auditing standards adopted by the Norwegian Institute of Public Accountants. These auditing standards 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 of the Parent Company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the Company as of 31 December 2009, and the results of its operations and cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the Group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the Company's management has fulfilled its duty to properly record and document the Company's accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, 25 March 2010

ERNST & YOUNG AS

Knut Aker

State Authorised Public Accountant (Norway)

(sign)

Note: The translation to English has been prepared for information purposes only.

Corporate Governance





Corporate Governance

Responsible interaction between owners, the Board and management

KONGSBERG's paramount objective is to protect and enhance stakeholder value by engaging in profitable, growth-oriented industrial development in a long-term, international perspective. Good corporate governance should maximise added value and reduce business risk, at the same time as the company's resources are used in an efficient, sustainable manner. The Group will achieve its goals by further developing first-class centres of expertise and supplying leading systems, products and services to its international market segments, as well as by operating in an ethically, environmentally and socially responsible manner.

KONGSBERG is listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation and stock exchange regulations.

DEFINITION OF THE CONCEPT

The Group's value platform and corporate Code of Ethics are fundamental elements of KONGSBERG's corporate governance. Corporate governance deals with issues and principles associated with distribution of roles between the governing bodies in a company, and the responsibility and authority assigned to each body. Good corporate governance is distinguished by responsible interaction between owners, the Board and management, seen in

a long-term, productive and sustainable perspective. It calls for effective cooperation, a defined division of responsibilities and roles between shareholders, the Board and management, respect for the Group's other stakeholders, and open and honest communication with the world around us.

TREATMENT OF THE TOPIC IN 2009

The topic of corporate governance is subject to annual reviews and discussions by the corporate Board of Directors. The Group's governance documents are reviewed and revised annually and the text for this chapter of the annual report is reviewed by the Board in detail.

KONGSBERG'S POLICY

Kongsberg aspires to comply with the 'Norwegian Code of Practice for Corporate Governance' dated 7 December 2004 and most recently revised on 21 October 2009. Kongsberg's compliance with and deviations, if any, from the Code will be commented upon and made available to stakeholders.

The above decision was adopted by the corporate Board of Directors. The Norwegian State, which owns 50.001 per cent of the Group, also requires that all companies in which the State has stakes comply with the Code. Since the Norwegian State owns a stake of 50.001

per cent, the Group also complies with White Paper No. 13 (2006/2007) – the 'Ownership Report', the State's 10 Principles for Good Corporate Governance and the OECD's Guidelines regarding State Ownership and Corporate Governance. These guidelines can be found on the Group's website at: www.kongsberg.com

The following elements underpin Kongsberg's Corporate Governance Policy:

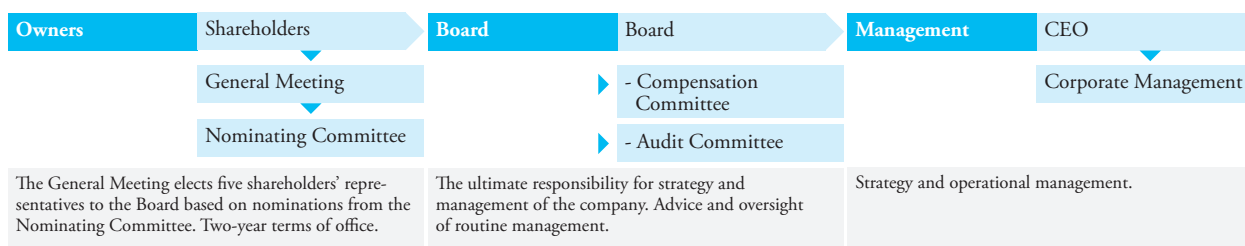
- Kongsberg will maintain open, reliable and relevant communication with the public about its business activities and conditions related to corporate governance.
- Kongsberg's Board of Directors will

be autonomous and independent of the Group's management.

- Kongsberg will attach importance to avoiding conflicts of interest between the owners, the Board and management.
- Kongsberg will have a clear division of responsibilities between the Board and management.
- All shareholders will be treated equally.

Corporate Social Responsibility is considered an integral part of the Group's principles for good corporate governance. This is in line with the State's vision, as expressed in the 'Ownership Report'.

CORPORATE GOVERNANCE AT KONGSBERG



ARTICLES OF ASSOCIATION FOR KONGSBERG GRUPPEN ASA

Most recently revised by the ordinary Annual General Meeting on 7 May 2009

§ 1 The name of the Company is Kongsberg Gruppen ASA. The Company is a public company.

§ 2 The Company's registered office is in Kongsberg (Norway).

§ 3 The object of Kongsberg Gruppen ASA is to engage in technological and industrial activities in the maritime, defence and related sectors. The Company may participate in and own other companies.

§ 4 The Company's share capital is NOK 150 000 000, divided into 120 000 000 shares with a nominal value of NOK 1.25. The Company's shares shall be registered in the Norwegian Registry of Securities.

§ 5 The Board shall have from five to eight members (Directors). Up to five Directors and up to two Deputy Directors shall be elected by the Annual General Meeting. According to regulations laid down pursuant to the provisions of the Norwegian Companies Act regarding employee representation on the Board of Directors in public limited companies, three Directors and their Deputies shall be elected directly by and from among the employees.

§ 6 The Chair of the Board has the power to sign for the Company alone, or the Deputy Chair and another Director may jointly sign for the Company.

§ 7 The Annual General Meeting (AGM) shall be held in Kongsberg or in Oslo. The ordinary AGM shall be convened in writing with at least 14 days notification.

§ 8 The ordinary AGM shall:

1. Adopt the financial statements and the Annual Report, including the payment of dividends.
2. Discuss other matters which, pursuant to legislation or the Articles of Association, are the province of the AGM.
3. Elect the shareholders' representatives and their deputies to the corporate Board of Directors.
4. Elect the members of the Nominating Committee.
5. Elect one or more auditors, based on nominations made by the AGM.
6. Stipulate the Board's remuneration and approve remuneration to the Auditor.
7. Deal with the Board's declaration regarding the stipulation of salary and other compensation to key management personnel.

The convening letter shall state that shareholders who would like to participate in the AGM are to sign up by a deadline specified in the convening letter. The deadline shall expire no more than five days prior to the AGM.

The AGM shall be chaired by the Chair of the Board or, in his/her absence, by the Deputy Chair. In the absence of both, the AGM shall elect a moderator.

§ 9 Nominating Committee shall consist of three members who shall be shareholders or representatives for the shareholders.

The members of the Nominating Committee, including the chair, shall be elected by the ordinary Annual General Meeting. The Nominating Committee shall submit its roster of candidates to the Annual General Meeting to elect the members of the Nominating Committee. The term of office is two years. Based on a recommendation from the Board of Directors, the Annual General Meeting shall stipulate the remuneration to be paid to the Nominating Committee's members.

The Nominating Committee shall present to the AGM its recommendations for the election of and remuneration to the Directors and Deputy Directors on the Board. The Chair of the Board shall, without being enfranchised to vote, be called in to at least one meeting of the Nominating Committee before the Nominating Committee presents its final recommendation.

Norwegian Code of Practice

The following is a detailed discussion of each individual section of the Norwegian Code of Practice. The review takes its point of departure in final revised version of the Code from 21 October 2009. For the full annotated Code, see the Oslo Stock Exchange's website at: www.oslobors.no/ob/cg or NCGB (the Norwegian Corporate Governance Committee): www.ncgb.no

DEPARTURES FROM THE CODE

The Group's own assessment is that we only depart from the Code under point 6: There are two departures under this point. The entire Board has not usually attended the annual general meeting (AGM). Thus far, the items on the agenda for the AGM have not required this. The chair of the Board is always present to respond to any questions. The other departure refers to §8 of the Articles of Association, which specifies that general meetings are to be chaired by the Chair of the Board. This is a departure from the Code as regards independent chairing of meetings.

This description is generally structured like the Code of Practice. As recommended, more details are provided on the individual points. Point 16, 'Management and in-house procedures', is not covered by the Code. It has nonetheless been included because it is considered crucial to KONGSBERG's discussion on corporate governance.

1. REPORT ON CORPORATE GOVERNANCE

The Group has drawn up a separate policy for corporate governance, and the Board has decided that the Norwegian Code of Practice for Corporate Governance should be followed.

A discussion and clarification of the Group's value platform can be found on the Group's website: www.kongsberg.com.

The Group has its own corporate Code of Ethics, most recently revised in April 2008. The corporate Code will be evaluated and, if necessary, revised in 2010. For a more detailed description, see the Group's Report on Corporate Social Responsibility (pdf version) at www.kongsberg.com.

2. BUSINESS ACTIVITIES

The object of Kongsberg Gruppen ASA is to engage in technological and industrial activities in the maritime, defence and related sectors. The company may participate in and own other companies. These sentences appear in §3 of KONGSBERG's Articles of Association. The Company's Articles of Association can be found on the Group's website at: www.kongsberg.com.

The Group's objectives and main strategies are discussed on the Group's website at: www.kongsberg.com.

3. SHARE CAPITAL AND DIVIDENDS Equity

At 31 December 2009, consolidated equity came to MNOK 3 726 (1 894) which was equivalent to 30 (15) per cent of total assets. The Board of Directors considers this satisfactory. The company's need for financial strength is, at all times, considered in the light of its objectives, strategy and risk profile.

Dividend policy

The Group will strive to achieve an annual dividend over time of approx. 30 per cent of its annual profit from ordinary operations, after tax.

The AGM stipulates the annual dividend, based on the Board's recommendation. The proposal is the ceiling for what the AGM can adopt.

A dividend of NOK 1.375 per share (after the share split) was paid for 2008, and the Board will propose to the AGM that a dividend of NOK 2.00 per share be paid for 2009.

THE NCGB PRIZE

Each year, the Norwegian Corporate Governance Board (NCGB) hands out an award for the best report on Corporate Governance in an annual report. DnBNOR won the prize for 2008. DnBNOR won the prize for 2008. Two other companies, including KONGSBERG, received honourable mention. KONGSBERG won the prize in both 2007 and 2004, which was the first time the prize was awarded.

Capital increase

The Board is not authorised to undertake share issues.

Purchase of treasury shares

The AGM can authorise the Board to buy back up to 10 per cent of its own shares. On 7 May 2009, the ordinary AGM authorised the Board to buy treasury shares for a nominal value of up to NOK 7 500 000. That is equivalent to 5 per cent of the share capital. The mandate can be used more than once and applies for 12 months from the date of the AGM. Under this authorisation, the Board can only buy treasury shares between a minimum price of NOK 25 per share and a maximum price of NOK 197.50 share. At 31 December 2009, the Group owned a total of 2 590 (17 594) treasury shares.

The shares were purchased for the employee share scheme, but can also be sold on the market. Offered to all employees at a discount (-20 per cent), the shares are subject to a one-year lock-in period from the date of acquisition.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS BETWEEN RELATED PARTIES

Class of shares

KONGSBERG's shares are all Class A shares. The Articles of Association place no restrictions on voting rights. All shares are equal.

Trading in treasury shares

The Board's mandate to acquire treasury shares assumes that the acquisitions will take place on the market. Acquired shares may be disposed of on the market, as payment for acquisitions, or through the share scheme for employees.

Transactions with related parties

The Board has determined that there were no transactions in 2009 between the Company and shareholders, directors, key management personnel or a party closely related to such individuals that could be described as material transactions. Otherwise, see Note 28.

Guidelines for directors and executive management

The Group's corporate Code of Ethics discusses the topic under the point 'Conflicts of interest'. Similarly, the same applies to point 11 of the Board's instructions 'Independence and disqualification'.

The State as customer and shareholder

The Norwegian state has a stake of 50.001 per cent of KONGSBERG and at the same time as it represents a major account, especially with a view to deliveries to the Norwegian Armed Forces. Relations with the Armed Forces are purely of a commercial nature and are not affected by the ownership structure.

The Group has quarterly meetings with the State, as represented by the Ministry of Trade and Industry. The topics discussed at these meetings are first and foremost the Group's financial development. There are also briefings on strategic questions related to KONGSBERG. The State's expectations regarding investment performance and yield are also communicated. These 'one-on-one' meetings with the State are comparable to what is customary between a private company and its principal shareholders. The meetings comply with

the provisions specified in company and securities legislation, not least with a view to equal treatment of shareholders.

The requirement regarding equal treatment of the shareholders limits the opportunity for exchanging data between the Company and the ministry. As a shareholder, the State does not usually have access to more information than what is available to other shareholders. However, that does not preclude discussions of matters of social importance. Under certain circumstances when the State's participation is imperative and the Government is required obtain an authorisation from the Storting, it will occasionally be necessary to give the Ministry insider information. In such cases, the State is subject to the general rules for dealing with such information.

5. FREELY NEGOTIABLE

The shares are freely negotiable, with the exception of shares purchased by employees at a discount, see point 3. The Articles of Association place no restrictions on negotiability.

6. GENERAL MEETING

By virtue of the general meeting, the shareholders are guaranteed participation in the Group's supreme governing body. The Articles of Association are adopted by this body. Shareholders representing at least 5 per cent of the shares can call for extraordinary general meetings.

Notification

The Annual General Meeting (AGM) is ordinarily held by 1 June each year. The AGM is scheduled for 11 May in 2010. Notification is usually sent out three weeks in advance. This is one week earlier than the statutory minimum (two weeks). The relevant documents, including the Nominating Committee's grounded roster of nominees when new members are up for election or existing ones are up for re-election, are available on the Group's website at least 21 days prior to the AGM. It is important that the documents contain all the necessary information for the shareholders to take a position on all items up for discussion. The Articles of Association stipulate that the final date for registration may expire no earlier than five days prior to the date of the general meeting. Efforts are made to set the deadline as close to the meeting date as possible.

All shareholders registered in the Norwegian Central Securities Depository receive the notification and are entitled to submit motions and vote directly or by proxy.

The Financial Calendar is published on the Group's website and in the annual report.

Participation

It is possible to register by post, telefax or E-mail. The Board of Directors wishes to make it possible for as many shareholders as possible to participate. Shareholders who cannot attend the meeting are urged to authorise a proxy, and the system facilitates the use of proxies on each individual agenda item. A person is appointed to vote as a proxy for the shareholders. Representatives of the Board, at least one member of the Nominating Committee and the auditor attend the AGM. Management is represented by the Chief Executive Officer and the Chief Financial Officer, at the very least.

In 2009, the AGM was held on 7 May, and 68.1 per cent (73.5 per cent in 2008) of the aggregate share capital was represented. Altogether, 46 shareholders were present or represented by proxies.

Agenda and execution

The agenda is set by the Board, and the main items are specified in §8 of the Articles of Association. The same paragraph stipulates that the Chair of the Board will chair the general meeting. The CEO reviews the status of the Group. The minutes of the AGM will be made available on the Group's website at: www.kongsberg.com.

7. NOMINATING COMMITTEE

The Nominating Committee's duty is to nominate candidates for the shareholder-elected directors' seats at the AGM. The Chair of the Board shall be nominated separately.

The Nominating Committee shall consist of three members who shall be shareholders or representatives of shareholders. The AGM shall elect all members of the Nominating Committee, including the chair. The Nominating Committee itself presents to the AGM a list of candidates for the Committee. The term of office is two years. The Nominating Committee's compensation is stipulated by the general meeting based on the Board's recommen-

dation. The above-mentioned elements appear in §9 of KONGSBERG's Articles of Association. The Committee works under instructions from the AGM. These instructions were last revised by the AGM on 8 May 2007.

Composition

The current committee was elected by the ordinary general meeting on 24 April 2008 and consists of:

- Anne Grethe Dalane, Human Resources Director, Yara International ASA (re-elected)
- Knut J. Utvik, Deputy Director General, Ministry of Trade and Industry (re-elected).
- Sverre Valvik, Managing Director, Arendals Fossekompagni ASA (re-elected).
- Anne Grethe Dalane was elected chair of the Committee. The entire Nominating Committee is up for election in 2010.

None of the Committee's members represents KONGSBERG's management or Board. The majority of the members are deemed independent of management and the Board. Sverre Valvik is managing director of Arendals Fossekompagni ASA, where KONGSBERG's director Erik Must indirectly owns a substantial stake. The Nominating Committee is deemed to have a composition that reflects the common interests of the community of shareholders.

Information about the Nominating Committee, a form for nominating candidates for the Board and the deadlines are available on the Group's website at: www.kongsberg.com.

8. BOARD OF DIRECTORS – COMPOSITION AND INDEPENDENCE

Composition of the Board of Directors

The Board of Directors consists of eight members, and currently has the following composition: Finn Jebsen (Chair), Benedicte Berg Schilbred (Deputy Chair), Anne-Lise Aukner, Erik Must, John Giverholt, Roar Marthiniussen, Kai Johansen and Helge Lintvedt. The three latter directors have been elected by and from among the employees. Detailed information about the individual director is available on our website at www.kongsberg.com.

It is essential that the Board as a whole be capable of dealing with Board work and the Group's main business activities.

In addition, the directors are to have the capacity to carry out their duties. According to the Articles of Association, the Group shall have five to eight directors. The CEO is not a member of the Board of Directors.

The directors are elected for two-year terms. The general meeting elects the Chair of the Board. This is stated in the instructions for the Nominating Committee. Finn Jebsen was elected Chair of the Board.

The Board's autonomy

All shareholder-elected directors are considered autonomous and independent of the Group's administration. The same applies relative to important business associates. Arendals Fossekompagni ASA, in which Erik Must directly and indirectly has a substantial stake, owned 7.96 per cent (7.96) of Kongsberg Gruppen ASA at year end. The Board of Directors is favourable to long-term shareholders being represented on the Board. There should be no conflicts of interest between owners, the Board, management and the Group's other stakeholders.

Among the shareholder-elected directors, there are three men and two women, that is, a 40 per cent female share.

Election of the Board of Directors

The AGM elects the five directors to the Board to represent the shareholders. The Nominating Committee draws up a recommendation for shareholder candidates to the Board in advance of the election. The roster of nominees is sent to shareholders along with the notice of the AGM. Board elections take place by simple majority. The Norwegian State currently owns some 50 per cent of the shares, and could, in principle, control the election of the shareholder-elected directors. Three directors are elected directly by and from among the Group's employees.

Directors are elected for two-year terms and are eligible for re-election.

The directors' shareholdings

On 31 December 2009, the shareholder-elected directors held the following portfolios of shares in the Group: Finn Jebsen, Chair of the Board, owns 20 000 (20 000) shares through his wholly-owned company Fateburet AS. Benedicte Berg Schilbred, Deputy Chair, owns 70 000 (70 000) shares through the company Odd Berg AS. Erik Must owns 124 600 (124 600) shares personally and 400 000 (400 000) shares through Must Invest AS. John Giverholt owner 3 200 (0) shares personally.

The shareholder-elected directors held the following portfolios of shares in the Group at 31 Dec. 2009: Roar Marthiniussen owner 13 700 (13 400 shares) personally.

9. THE WORK OF THE BOARD OF DIRECTORS

Board responsibilities

The Board bears the ultimate responsibility for managing the Group and supervising routine management and the Group's business activities. This entails that the Board is responsible for establishing control systems and for the Group operating in accordance with the adopted value platform and Code of Ethics, as well as in accordance with the owners' expectations of good corporate governance. The Board of Directors primarily protects the interests of all shareholders, but is also responsible for the interests of the Group's other stakeholders.

Its main tasks are to contribute to corporate competitiveness, and to ensure the Group develops and creates value. Further, the Board of Directors is to participate in the shaping of, and adopt the Group's strategy, exercising the requisite control functions and ensuring that the Group is well run and organised. The Board sets the objectives for financial structure and adopts the Group's plans and budgets. The Board also handles items of major strategic or financial importance to the Group. These tasks are not constant. The focus will depend on the Group's needs at any given time. The Board hires the CEO, defines his or her work instructions and authority, and sets his or her wages.

Rules of procedure for the Board of Directors

The Board's rules of procedure are extensive and were last revised on 17 February 2010. The rules cover the following points: the notification of Board meetings, notification deadlines, administrative preparations, Board meetings, Board decisions, the keeping of minutes, the Board's competency and the agenda, the division of work between the Board and the CEO, relations between subsidiaries and the parent company, independence and disqualification, main principles for the work of the Board of Directors in connection with a possible corporate takeover, confidentiality and professional secrecy, relations to legislation, regulations and rules of procedure.

The Board of Directors can decide to deviate from instructions in certain cases.

Instructions for the CEO

There is a clear division of responsibilities between the Board and corporate management. The Chair is responsible for the Board's work being conducted in an efficient, correct manner in accordance with the Board's duties. The CEO is responsible for the Group's operational management. The Board has drawn up separate instructions for the CEO, most recently revised on 17 February 2010.

Financial reporting

The Board receives monthly financial reports on the Group's economic and financial status.

Notice of meetings and discussion of items

The Board schedules regular meetings each year. Ordinarily, there are eight meetings held each year. Additional meetings are convened on an *ad hoc* basis. In 2009, there were nine (nine) Board meetings and one Board seminar. The Board meeting had 97 (97) per cent attendance in 2009.

All directors receive regular information about the Group's operational and financial progress well in advance of the scheduled Board meetings. The directors also receive monthly operations reports. The Group's business plan, strategy and risk are regularly reviewed and evaluated by the Board. The directors are free to consult the Group's senior executives as needed.

The Board draws up and establishes an annual plan, including special themes for the Board meetings. Ordinarily, the CEO proposes the agenda for each Board meeting. The final agenda is decided in consultation between the CEO and the Chair of the Board. Besides the directors, Board meetings are attended by: the CEO, CFO, EVP Public Affairs, and VP General Counsel (secretary of the Board). Other participants are summoned as needed.

The Board takes decisions of particular importance to the Group, including the approval of the annual and quarterly accounts, strategies and strategic plans, the approval of significant investments (usually those in excess of MNOK 10), the approval of sizeable business acquisitions and disposals.

New directors are briefed on the Group's current strategy and historical factors related to its current situation.

Professional secrecy – communication between the Board and shareholders

The Board's proceedings and minutes are in principle confidential unless the Board decides otherwise or there is obviously no need for such treatment. This ensues from the rules of procedure for the Board of Directors.

Expertise

The entire Board has participated in a programme to give them insight into the Group's activities. In that connection, the Board has travelled to different parts of the Group's activities. The purpose of the trips is to improve the Board's insight into commercial activities in an area. In 2009, the Board visited different units in Norway.

Disqualification

The Board is bound by the rules regarding disqualification as they appear in §6-27 of the Public Limited Companies Act and in the Rules of Procedure for the Board. In 2009, there was one case before the Board that required one of the directors to withdraw due to a conflict of interest.

Use of Board Committees

The Group has stipulated the use of the Nominating Committee in the Articles of Association. In addition, the Board set up two subcommittees in 2005:

An Audit Committee and a Compensation Committee.

Both committees prepare items for consideration by the Board. They are responsible only to the full corporate Board and their authority is limited to making recommendations to the Board.

Charter for the Board's Audit Committee

The Audit Committee has responsibilities related to financial reporting, the independent auditor, internal audits and risk management. In 2009, the Committee placed great emphasis on the Group's risk management. The Committee consists of two shareholder-elected directors and one employee-elected director. The independent auditor usually attends the meetings. The CEO and the other directors are entitled to attend if they so desire. Eight (eight) meetings were held in 2009.

Members: John Giverholt (Chair), Anne-Lise Aukner, Kai Johansen.

The mandate for the Audit Committee is on the Group's website at www.kongsberg.com.

The Board's Compensation Committee

The Committee has tasks linked to the CEO's terms of employment, questions of principle related to wage levels, the bonus system, pension systems/terms, employment contracts and the like for executives, as well as to other matters related to compensation that the Committee believes to be of special importance to the Group. The Committee consists of the Chair of the Board, one shareholder-elected director and one employee-elected director. The CEO is entitled to participate in the Committee's meetings if he so desires, except when his own situation is under discussion. Three (five) meetings were held in 2009.

Members: Finn Jebsen (Chair), Erik Must, Roar Marthiniusen.

The terms of reference for Compensation Committee can be found on the Group's website at: www.kongsberg.com.

The Board's self-evaluation

Each year, a special Board seminar is organised on topics related to the Group's operations and the Board's duties and working methods. The Board's working methods and interaction are discussed on an ongoing basis, especially at the Board seminars. In this connection, the Board also evaluates itself in terms of corporate governance. Thus far, the Board has not found it practical to take advantage of external consultants for its self-evaluation. The evaluation is made available to the Nominating Committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors and internal control

Management draws up monthly performance reports that are sent to and reviewed by the directors. Moreover, quarterly financial reports, risk reports and HSE reports are drawn up, all of which are subject to review at the quarterly Board meetings. Procedures for internal control of the Code of Ethics. These will be implemented in the Group's operations continuously. The Group has an Ethics Council whose purpose is to contribute to high ethical awareness, promote good behaviour and ensure a good reputation for KONGSBERG. The Group has hired a compliance officer with responsibility for follow up in the area.

The Board's annual review

The Board of Directors undertakes an annual review of the risk and HSE situation. This is done in connection with reviewing the preliminary accounts in early February. The auditor also attends this meeting. This review is in addition to the quarterly reviews.

The Board's reporting

The Board of Directors presents an in-depth review of the company's financial status in the Directors' Report. It also describes the main elements related to HSE and risk.

11. COMPENSATION TO THE DIRECTORS

The General Meeting stipulates the Board's compensation each year. The proposal for compensation is made by the chair of the Nominating Committee. For 2009, total compensation to the Board added up to NOK 1 517 831 (1 436 334). The compensation breaks down as follows: Chair of the Board NOK 345 333 (330 667), deputy chair NOK 183 500 (175 667), other directors NOK 164 833 (155 000).

In addition, the members of the Audit Committee receive NOK 7 800 (NOK 7 350) per meeting, up to a maximum of NOK 39 000 (NOK 36 750) per year. The Chair of the Audit Committee receives NOK 8 900 (NOK 8 400) per meeting, up to a maximum of NOK 44 500 (NOK 42 000) per year. The members of the Compensation Committee receive NOK 5 550 (5 250) per meeting, maximum NOK 27 750 (26 250) per year. The Chair of the Audit Committee receives NOK 6 650 (NOK 6 300) per meeting, up to a maximum of NOK 33 250 (NOK 31 500) per year.

The directors' fees are not linked to performance, option programmes or the like. None of the Board's shareholder-elected directors work for the company outside their directorships, and no one has any agreement regarding a pension plan or severance pay from the Company.

12. COMPENSATION TO EXECUTIVE MANAGEMENT Guidelines

The Board has drawn up special guidelines for the stipulation of salary and other compensation to executive management.

The CEO's terms of employment are set by the Board. Each year, the Board undertakes a thorough review of salary and other compensation to the CEO. The evaluation is based on market surveys of corresponding positions.

The structure of the incentive system for the other members of corporate management is determined by the Board, and presented to the AGM for information purposes. The terms of employment are proposed by the CEO, and subject to the approval of the Chair of the Board.

The Board's attitude to executive management's salaries is that they should be competitive, but not at the top end of the scale.

The incentive system consists of basic wages, bonus, pension and severance schemes, and benefits in kind.

Performance-based compensation

In 2006, the Board introduced a new bonus system for executive management. Performance-based compensation is related to value creation for shareholders or to the Group's earning performance over time. The assumptions for performance-based compensation are described in Note 28 to the consolidated financial statements. Altogether, the Group has 82 (97) managers who are covered by an incentive system that includes an element of individual performance. The criteria for the evaluations include changes in the Group's financial results, the BA's or the unit's result, tied-up capital and the achievement of personal goals associated with improvements and a long-term perspective.

Conditions

Compensation to corporate management and the Board is described in Note 28.

13. PUBLIC RELATIONS AND INFORMATION

The annual report and accounts – interim reporting

The Group normally presents provisional annual accounts in February. Complete financial statements, the Directors' Report and the annual report are sent to shareholders and other stakeholders in March/April. This year, the Group has chosen to publish a limited annual report on paper, and to post other information on the Group's website.

Beyond this, the Group presents its accounts on a quarterly basis. The Group's Financial Calendar is published on the Group's website. The Group's Report on Corporate Social Responsibility is published on the Group's website in a pdf version, along with other information related to corporate social responsibility. This year, for the first time, the report on corporate social responsibility has been verified by a third party.

All shareholders are treated equally as a matter of course.

Other market information

Open investor presentations are conducted in connection with the Group's annual and quarterly reports. The CEO reviews the results and comments on products, markets and prospects for the future. The Group's CFO also participates in these presentations, as do other members of corporate management from time to time.

The presentations of the annual and quarterly reports are available on the Group's website at the same time as the presentation. The annual and mid-year results are also presented through webcasts. Beyond this, the Group conducts an ongoing dialogue with and makes presentations to analysts and investors.

It is considered essential to keep owners and investors informed about the Group's progress and economic and financial status. Importance is also attached to ensuring that the same information is released to the entire equity market at the same time. Care is taken to maintain an impartial distribution of information when dealing with shareholders and analysts.

The Group was awarded distinctions for Good Information and Good English by the Oslo Stock Exchange in 2004. The Board of Directors has drawn up guidelines for the Group's contact with shareholders outside the general meeting.

14. TAKE-OVERS

There are no defence mechanisms against take-over bids in the Group's Articles of Association, nor have other measures been implemented to limit the opportunity to acquire shares in the company. The Norwegian state owns 50.001 per cent of the shares. The marketability of these shares is subject to parliamentary discretion.

The Board's rules of procedure contain a point that refers to the guiding principles for how the Board of Directors should react to any takeover bid. The Board of Directors is responsible for ensuring that KONGSBERG's shareholders are treated equally and that operations are not disrupted unnecessarily.

Where a bid is made for the company, the Board of Directors shall make a statement containing a well-grounded evaluation of the bid. The evaluation shall specify how, for example, a takeover would affect long-term value creation at KONGSBERG.

15. THE AUDITOR

The auditor's relationship with the Board

The Group's auditor is elected by the General Meeting. An outline of the work planned by the auditor shall be put before the Board once a year.

The auditor is always present during the Board's discussions of the provisional annual accounts. At that meeting, the Board is briefed on the annual accounts and any other issues of particular concern to the auditor, including any points of contention between the auditor and management. The auditor also participates in the meetings of the Audit Committee.

The Board arranges annual meetings with the auditor to review a report from the auditor that addresses the Group's accounting principles, risk areas and internal control routines.

At least one meeting a year will be held between the auditor and the Board without the presence of the CEO or other members of executive management.

The auditor has submitted to the Board a written statement on the fulfilment of the Statutory Audit Independence and Objectivity requirement, cf. the Auditing and Auditors Act.

The auditor's relationship to management

The Board of Directors has discussed guidelines for the business relationship between the auditor and the Group.

The Group hired Arthur Andersen & Co. as its independent auditor at the start in 1987. In April 2002, Arthur Andersen & Co. in Norway merged with Ernst & Young. In addition to ordinary auditing, the company has provided consultancy services related to accounting, tax and due diligence. Reference is made to Note 10 in the consolidated accounts.

The Group's auditing services are being put up for tender as from fiscal 2010. The Board of Directors will recommend to the General Meeting that Ernst & Young continue as the Group's auditor.

At regular intervals, the Board of Directors evaluates whether the auditor exercises a satisfactory level of control.

16. MANAGEMENT AND INTERNAL PROCEDURES

This point is not covered by the Code of Practice.

The CEO

The CEO is in charge of the routine management of the business, including responsibility for the Group being organised, run and further developed in compliance with legislation, the Articles of Association and decisions taken by the Board and the general meeting.

The Board adopts instructions for the CEO.

Corporate executive management

The CEO appoints members to the corporate management board. Corporate management currently consists of nine individuals. In addition to the CEO, the executive management group consists of the CFO, the presidents of the four business areas (Kongsberg Maritime, Kongsberg Oil & Gas Technologies, Kongsberg Defence Systems, Kongsberg Protech Systems), the EVP Business Development, the EVP Public Affairs and the EVP Corporate Functions.

Corporate executive management usually meets once a month, supplemented by daily contact on an operational basis. The Group subscribes to the paramount principle of making binding commitments to agreed targets. Consequently, it practises a decentralised form of corporate governance that gives individual units considerable freedom of action, accompanied by the responsibility that entails.

Executive management's main responsibility is the operation of the Group, and it is KONGSBERG's overall situation that governs the decisions that are made. Executive management follows up profits and budgets on a monthly basis with the various performance centres.

Evaluations

Executive management evaluates its own work and working methods annually.

Intra-Group Boards of Directors

The Group's subsidiaries have their own Boards of Directors, staffed by in-house managers and employees. The president of the owner enterprise or a person authorised by the president will chair the Boards of the subsidiaries. Appointment of the Boards and board work in subsidiaries are to take place in accordance with the Group's principles for good corporate governance.

Special share register

The company has stipulated in-house guidelines for trading in the company's shares. The rules comply with current legislation and regulations. These guidelines are updated regularly in compliance with the rules that apply at any given time, and they are distributed to the primary insiders. The internal guidelines require that primary insiders clear any purchase or sale of KONGSBERG shares with the CEO.



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Financial calendar 2010

Annual General Meeting

Tuesday, 11 May 2010, at 2 p.m. in the conference center at Kongsberg Technology Park, Kongsberg.

Dividends will be paid on 26 May 2010.

Presentation of quarterly results

Q1: 29 April

Q2: 19 August

Q3: 4 November

Ticker code: KOG (Oslo Stock Exchange)

Addresses

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Royal Caribbean Cruise Line.

Disclaimer
In the event of any discrepancy between the Norwegian and English versions of KONGSBERG's Annual Report the Norwegian version is the authoritative one.

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