Annual Report and Sustainability Report 2008

KONGSBERG

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.

KONGSBERG GRUPPEN AT 31 DECEMBER 2008

KONGSBERG MARITIME AS	KONGSBERG DEFENCE & AEROSPACE AS
Offshore & Marine Subsea Oil & Gas	Missile Systems & Aerostructures Naval Systems & Surveillance Integrated Defence Systems Dynamic Systems

KONGSBERG GRUPPEN AT 1 JANUARY 2009

KONGSBERG MARITIME	KONGSBERG OIL & GAS TECHNOLOGIES*)	KONGSBERG DEFENCE SYSTEMS	KONGSBERG PROTECH SYSTEMS
Offshore & Marine Subsea		Missile Systems Naval Systems & Surveillance Integrated Defence Systems Aerostructures	

CORPORATE REORGANISATION FROM 1 JANUARY 2009

The Group implemented organisational changes on 1 January 2009. The main change is that the two former business areas were divided into four business areas. All accounting figures in this report are based on the organisation at 31 December 2008. The descriptions of the business areas are generally adapted to the new organisation.

*) Kongsberg Oil & Gas Technologies is a high-priority area which KONGSBERG is in the process of building up. For the moment, the financial figures will be reported as part of Kongsberg Maritime.

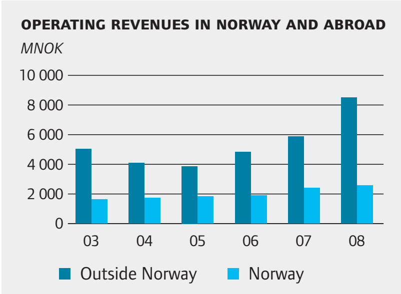
Strong performance

Operating revenues, Group

MNOK 11 056

Overall growth of

33 per cent

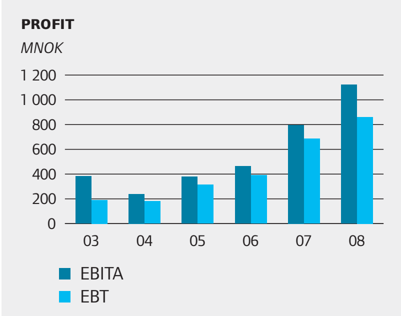


EBITA, Group

MNOK 1 122

An increase of

41 per cent



KONGSBERG MARITIME

Operating revenues

MNOK 6 425

EBITA

MNOK 691

New orders

MNOK 7 733

EBITA margin

10.8 per cent

KONGSBERG DEFENCE & AEROSPACE

Operating revenues

MNOK 4 450

EBITA

MNOK 416

New orders

MNOK 6 835

EBITA margin

9.3 per cent

International growth

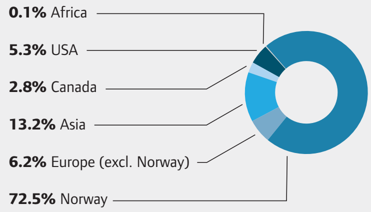
No. of employees outside Norway

1 443

Increase in 2008

80 per cent

EMPLOYEES, BY REGION

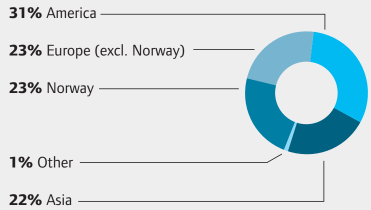


Share of sales to customers outside Norway

77 per cent

of operating revenues

OPERATING REVENUES, BY REGION



Strengthened market positions

International breakthrough for the NSM (Naval Strike Missile)

Improved position in the offshore and commercial fleet market in Brazil, India and China

AUV (autonomous underwater vehicle) and sonar technology business strengthened in 2008

The Protector weapon control system consolidated its position as market leader in 2008

Healthy backlog of orders

Total backlog valued at

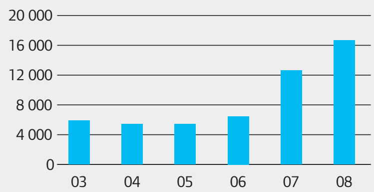
MNOK 16 692

An increase of

32 per cent

BACKLOG OF ORDERS

MNOK



Main figures 2008

Amounts in MNOK		*2008*	*2007*	*2006*	*2005*	*2004*	*2003*	*2002*	*2001*
OPERATIONS									
Operating revenues		11 056	8 306	6 720	5 791	5 901	6 651	6 980	6 176
– Operating revenues, outside Norway	%	77	71	72	67	69	76	72	74
– Operating revenues, civilian	%	62	62	57	59	54	54	58	63
Earnings before interest, tax and amortisation (EBITA)		1 122	796	464	378	239	383	485	437
EBITA margin	%	10.1	9.6	6.9	6.5	4.1	5.8	6.9	7.1
Earnings before tax (EBT)		861	685	390	314	180	190	291	191
Profit for the year		587	490	252	262	118	125	216	123
Backlog of orders		16 692	12 646	6 472	5 416	5 425	5 913	5 143	6 401
OWNERS' VALUES									
Market capitalisation		9 840	10 170	5 250	3 720	2 970	3 180	2 715	2 895
Earnings per share after tax in NOK		19.44	16.17	8.30	7.19	3.66	4.23	7.21	4.18
P/E		16.87	20.96	21.08	17.24	27.62	25.06	12.55	23.09
Equity ratio	%	15	30	23	23	26	30	31	27
Equity		1 894	2 758	1 684	1 505	1 626	1 830	1 741	1 538
Dividend per share in NOK		5.50	5.00	2.50	2.15	2.00	1.30	2.10	0.00

Amounts in MEUR (NOK/EUR = 9.865)	*2008*	*2007*	*2006*	*2005*	*2004*	*2003*	*2002*	*2001*
OPERATIONS								
Operating revenues	1 121	842	681	587	598	674	708	626
Earnings before interest, tax and amortisation (EBITA)	114	81	47	38	24	39	49	29
Earnings before tax (EBT)	87	69	40	32	18	19	29	19
OWNERS' VALUES								
Earnings per share after tax in EUR	1.97	1.64	0.84	0.73	0.37	0.43	0.73	0.42

KEY FIGURES BY BUSINESS AREA

	OPERATING REVENUES				**EARNINGS BEFORE INTEREST, TAXES AND AMORTISATION (EBITA)**			
Amounts in MNOK	*2008*	*2007*	*2006*	*2005*	*2008*	*2007*	*2006*	*2005*
Kongsberg Maritime	6 425	4 850	3 553	3 034	691	506	329	262
Kongsberg Defence & Aerospace	4 450	3 338	2 997	2 650	416	273	182	135
Other/elimination	181	118	170	107	15	17	(47)	(19)
Group	**11 056**	**8 306**	**6 720**	**5 791**	**1 122**	**796**	**464**	**378**

KEY SUSTAINABILITY FIGURES

	2008	*2007*	*2006*	*2005*	*2004*	*2003*
Number of employees	5 243	4 205	3 650	3 372	3 495	4 176
Women as a percentage of all employees	19	19	19	20	22	21
Women managers as a percentage of total managerial positions (Norway)	13	13	12	9	11	10
Turnover (%)	4.2	3.9	5.5			
Financial support to organisations, etc. (NOK 1 000)	2 000	1 900	1 785	1 640	1 350	1 500
Generation of waste (kg) per employee	239	285	297	278		
Energy consumption (MWh) per employee	11.8	14.0	14.7	15.9		
CO_2 emissions (metric tonnes) per employee – excl. travel	1.18	1.22	1.19	1.26		

NOTES TO THE TABLE AND GRAPHS

The figures are presented exclusive of non-recurring events and for continuing operations.

The figures for 2003 and earlier have not been adjusted for the transition to IFRS, but are NGAAP compliant.

CEO Walter Qvam

In terms of performance, 2008 was KONGSBERG's best year ever. We reached most of our goals, strengthening our market positions considerably in several of our segments.

"Organisational changes were introduced with effect from 1 January 2009 to ensure the Group's opportunities for further growth."

The Group has enjoyed strong growth, not least on the international arena. Operating revenues increased by 33 per cent to NOK 11 billion, the EBITA climbed by 41 per cent and the overall EBITA margin ended at 10.1 per cent. International customers accounted for 77 per cent of our operating revenues. Our workforce expanded by 1 038 employees in 2008, bringing the total to 5 243 at year end, 28 per cent of whom work abroad. We continued to expand our activities in Asia and the USA through acquisitions as well as organic growth. Operations outside Norway account for a steadily growing percentage of our value creation from customer support and service, as well as production. We are establishing global value chains and global networks of subcontractors for several of our systems and products.

MARITIME AND OFFSHORE ACTIVITIES

Our maritime activities made significant headway in 2008. The whole year was marked by an exceptionally high pace of equipment deliveries to ships, rigs and purpose-built offshore vessels. In Asia, we strengthened our customer support and service organisation significantly, and we set up new ventures in China and India. In the oil and gas sector, we stepped up our activities in the field of integrated operations and further strengthened our positions in process control, automation and simulation. A framework agreement was signed with Baker Hughes, the US oil service company, making KONGSBERG the exclusive supplier of software and integrated operations solutions for Baker Hughes' installations globally.

We made important headway in our hydroacoustics activities in 2008 due to product development and through the acquisition of Hydroid (USA) and Geo-Acoustics (UK). We are very well positioned in the growing market for autonomous underwater vehicles (AUV) and we plan to concentrate even more on this area.

KONGSBERG has substantial market shares in dynamic positioning, automation and control systems. We have also made notable advances in simulation, and the acquisition of GlobalSim in the US was a step in that direction in this field.

DEFENCE AND AEROSPACE ACTIVITIES

2008 was an eventful year for the Group's defence and aerospace activities. Our new, state-of-the art factory in Kongsberg for making aerostructures of composite and titanium was built, moved into and officially opened. The day before the official opening of the facility, the Norwegian Government announced that Norway had chosen the American F-35 Lightning II (Joint Strike Fighter – JSF) fighter craft to succeed the F-16. This choice will secure composite production in Kongsberg for many years, opening further opportunities for KONGSBERG in the missiles segment, among others.

The Group's activities in respect of weapon control systems were expanded considerably in 2008. We opened a factory in Johnstown, Pennsylvania (USA) for the assembly of weapon control systems for the US market. Meanwhile, we streamlined engineering production and expanded the production of weapon control systems at our factory in Kongsberg to the other countries with which we have contracts. This was the Group's most rapidly growing unit in 2008, and the segment reported operating income of MNOK 2 558. The market for different types of weapon control systems is very large. As market leader, Kongsberg has considerable potential for further developing products and markets alike.

The development of the Naval Strike Missile (NSM) is now complete and serial production of missiles for the Norwegian Navy has commenced. There is a campaign to promote international NSM sales and to further develop the technology, e.g. an airborne version of the missile, the Joint Strike Missile (JSM). The NSM had an international breakthrough in December 2008, when a contract was concluded with the Polish Armed Forces. Several important contracts were landed for naval defence systems in 2008, including contracts to upgrade Norway's Ula Class submarines and Norwegian mine clearance vessels, as well as to provide an integrated system for underwater surveillance for two naval bases in Turkey.

TrollSat, the satellite downloading ground station on Antarctica, was opened in 2008, bringing Kongsberg Satellite Service's 'pole-to-pole' concept to fruition. As the only company in the world, we can now offer data downloading and delivery services from satellites in polar orbit as they pass above both the Arctic and Antarctica.

THE FINANCIAL CRISIS

The latter half of 2008 was clouded by global uncertainty, the credit crunch and declining results in some industrial sectors. There was a dramatic correction in global money markets after several years of rapid growth. Kongsberg ended 2008 with a very high level of activity, a record-high backlog of orders and in a healthy financial position. We operate in market segments that are relatively independent of each other and we are driven by different factors. This gives the Group greater resilience during slumps such as the present one. Strategically, it seems obvious that the changes that arise in market and industrial structures can also be considered interesting opportunities for the Group.

CORPORATE SOCIAL RESPONSIBILITY

Kongsberg shall be run in an ethically, environmentally and socially responsible manner. We focus intently on developing climate-friendly solutions for the maritime sector, and we strive to address climate challenges by concentrating on our own emissions. During the year, we implemented comprehensive new ethics training programmes. We have taken steps to follow up our subcontractors more closely and systematically, clarifying our follow-up procedures to ensure compliance and following up our goals and policies with a view to corporate social responsibility, anti-corruption and ethics in general. Kongsberg joined the "UN Global Compact" in 2006, and we strive to promote the values underlying this initiative.

ORGANISATION

Kongsberg has grown rapidly in recent years. The Group now serves more customer groups than ever and works in a number of new markets. Organisational changes have been made with effect from 1 January 2009 to enhance the Group's opportunities for further growth. We aspire to ensure and further develop the positions we have achieved in our core areas in the maritime sector and defence systems. We also recognise potential for further growth in the oil and gas industry and the market for weapon control systems in particular. These areas are therefore being organised as new business areas. The changes will allow us to further develop the Group in a proactive manner, and they are based on a long-term perspective.

CHALLENGING FUTURE

In 2008, we implemented a thorough strategic process, culminating in the definition of an ambition for our further development over the next three to five years. We intend to improve our market positions in selected segments and to reach a turnover of NOK 20 billion. This ambition and these strategies stand firm, even though planning for the immediate future has become more challenging. Consequently, at the outset of 2009, we are implementing several initiatives to ensure that the organisation functions as efficiently as possible, and we are adapting our costs to maintain good competitiveness and financial freedom of action. At the same time, we are exploring strategic possibilities and maintaining a high level of research, development and product development.

Services related to after sales will be an ever greater part of our overall business due to the steep rise in the number of installations carrying Kongsberg equipment in recent years. Our maritime operations will continue to focus on AUVs, hydroacoustics and simulation. We will maintain a high market share and a significant volume of deliveries of equipment for ships, rigs and purpose-built vessels. Our oil and gas activities will be further strengthened. Norway's choice of the JSF as its new fighter craft offers many opportunities for Kongsberg. The NSM is the most advanced anti-ship missile of its kind today, so there are good chances that it can be sold to other countries. There are significant export opportunities for our air defence systems. On the market for weapon control systems, we intend to maintain our position as the market leader and to further improve our product portfolio.

Kongsberg is well equipped to meet the challenges ahead and to grasp any opportunities that might arise. The Group rounded off 2008 in a healthy position and moved into 2009 with strong momentum. It took a great deal of hard work to make this happen. I would therefore like thank all Kongsberg's employees for their fantastic efforts in 2008. I would also thank our highly valued customers, as well as our good suppliers and partners for exceptionally smooth cooperation.

Walter Qvam
CEO

Highlights 2008

The Group

MORE INTERNATIONALISATION

KONGSBERG's operations expanded considerably in Asia and the US in 2008. More of our value creation takes place abroad and we have improved our market positions, as well as our customer support and service organisation. At 31 December 2008, the Group had 5 243 employees, 28 per cent of whom work outside Norway. This is a rise of 25 per cent on the year, making the Group a more international corporation.

Kongsberg Defence & Aerospace

NORWEGIAN GOVERNMENT OPTED FOR THE JOINT STRIKE FIGHTER

In November, the Norwegian Government announced its choice of the US F-35 Lightning II – Joint Strike Fighter (JSF) to supersede today's F-16 fighter craft. KONGSBERG will make aircraft components in composite and titanium for the fighter craft. Negotiations to finalise industrial contracts are taking place with Lockheed Martin and Northrop Grumman of the US.

Kongsberg Defence & Aerospace

ESTABLISHING AND OPENING THE COMPOSITE PLANT

KONGSBERG has invested in a factory for the advanced manufacture of aircraft components in composite and titanium. It will produce rudders, fuselage panels and missile suspension systems for Norway's new F-35 Lightning II – Joint Strike Fighter (JSF) aircraft. The plant, which covers some 30 000 m², was officially opened in November 2008.

Kongsberg Maritime

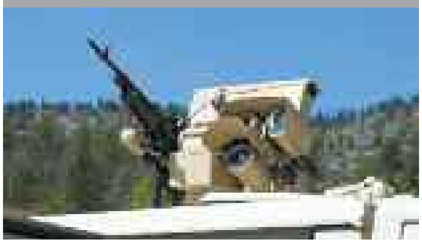
STRONG POSITION FOR STEERING SYSTEMS FOR DRILLING RIGS AND VESSELS

KONGSBERG has built up a strong position, especially in steering and control systems for drilling rigs and vessels. At year-end 2008, the value of contracts for automation and control systems added up to more than NOK 2 billion.

Kongsberg Defence & Aerospace

WEAPON CONTROL SYSTEMS NOW SOLD TO 16 COUNTRIES

KONGSBERG has sold the Protector Remote Weapon Station (RWS) to a total of 16 countries. Six new countries opted for the system in the past year. New orders were high, ending at NOK 4.2 billion. Since 2001, KONGSBERG has delivered a total of about 4 000 Protector RWS systems. This makes KONGSBERG the world's largest manufacturer of weapon control systems.



Kongsberg Maritime

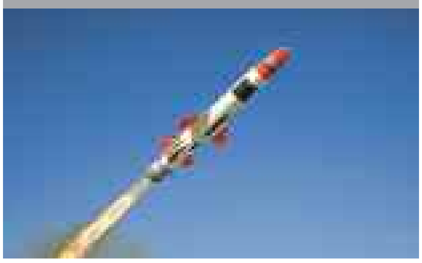
GROWTH IN SUBSEA SYSTEMS

The market for subsea systems is expanding rapidly. KONGSBERG made significant headway in 2008 in terms of product development and through acquisitions. The acquisition of the AUV company Hydroid (USA) ensures improved market access, a broader product portfolio and a better global presence. The acquisition of GeoAcoustics (UK) has added to the Group's expertise in advanced sonar technology.

Kongsberg Defence & Aerospace

FIRST NSM EXPORT CONTRACT

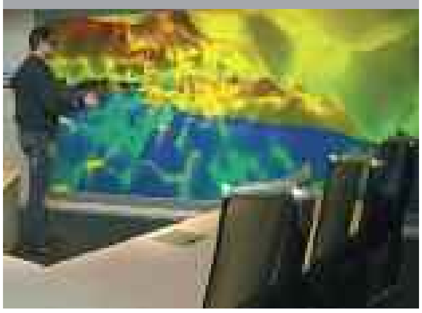
In December 2008, a contract worth MNOK 800 was signed with the Polish Ministry of Defence for a coastal artillery system featuring Naval Strike Missiles (NSMs), in addition to a command and control system. The contract is an important reference contract for the export of NSMs and it strengthens the chances for further sales on the international market.



Kongsberg Maritime

BREAKTHROUGH CONTRACT FOR INTEGRATED OPERATIONS

A framework agreement was signed with Baker Hughes, the US oil service company, making KONGSBERG the exclusive supplier of global software and integrated operations solutions for Baker Hughes' installations.



This is KONGSBERG

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 2008, KONGSBERG had a turnover of NOK 11 billion and 5 243 employers in more than 25 countries.

RELATED INFORMATION
→ www.kongsberg.com

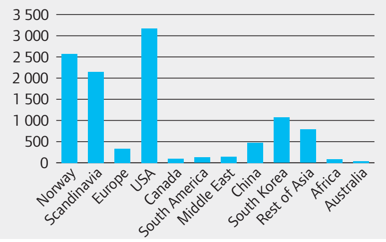
Over the next three to five years, KONGSBERG will seek to enhance its market positions and reach an annual turnover of about

NOK 20 billion

KONGSBERG delivers automation and bridge systems for container ships.

OPERATING REVENUES, BY REGION

MNOK



PARAMOUNT OBJECTIVE

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. Growth and improvement are key to the Group's strategy. Following a thorough strategic process, a new growth target was defined for the Group in autumn 2008: Over the next three to five years, the Group will seek to enhance its market positions and reach an annual turnover of about NOK 20 billion. This will take place through organic growth and acquisitions in selected segments. Continuous efforts are made to enhance profitability in all parts of the Group. In 2008, the Group earned an operating margin of more than 10 per cent. 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.

EXPERTISE

KONGSBERG is a knowledge-based industrial enterprise that competes on the international market. Having the right expertise promotes added value and is decisive for the Group's competitiveness. As a result of the past few years' growth, the Group's underlying expertise has increased significantly, furnishing a strong platform for further positive development. KONGSBERG's human resource pool is becoming increasingly global, and 28 per cent of the Group's employees now work outside Norway. Our delivery processes increasingly reflect this as specialist groups in different countries contribute to processes (global value chains). Approx. 70 per cent of KONGSBERG's employees have higher educations.

SYSTEMS AND PRODUCTS

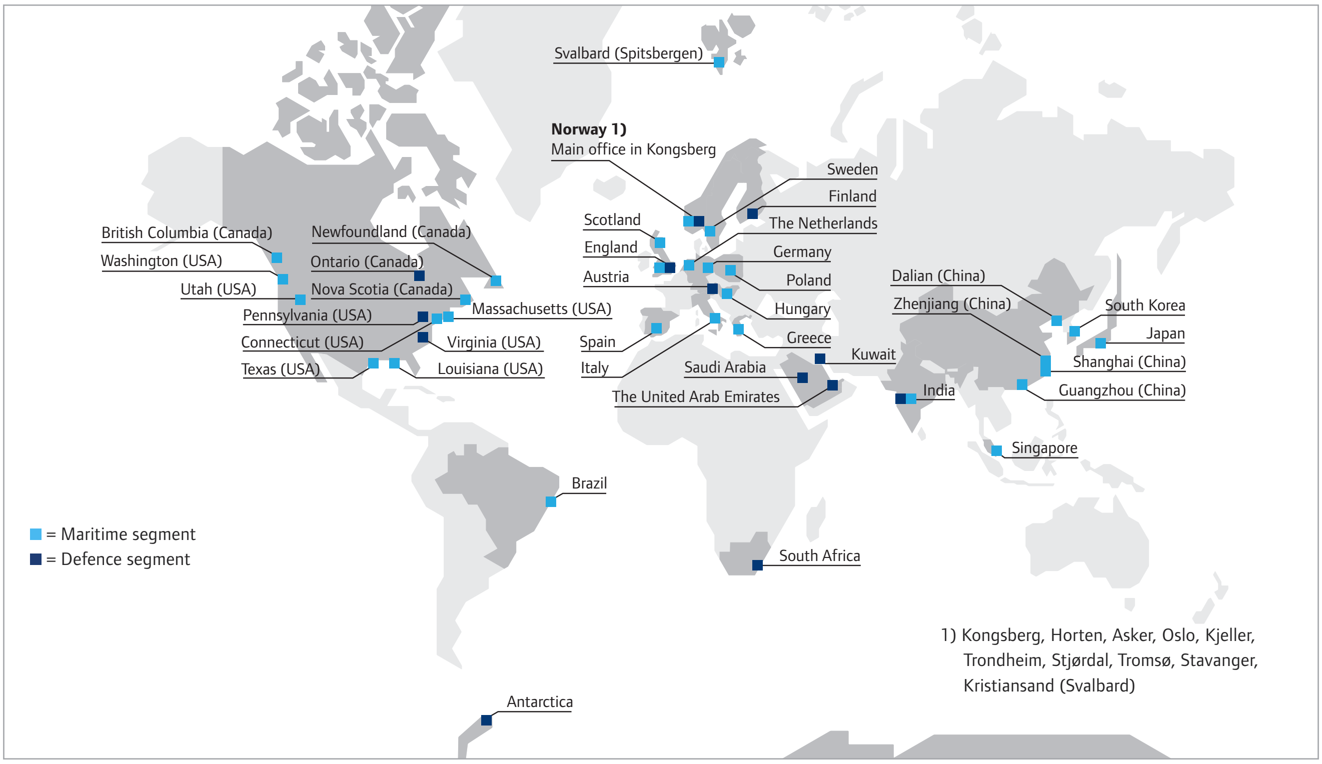
KONGSBERG is one of Norway's leading technology enterprises and one of the country's largest industrial engineering hubs. The products are characterised by a high technology content and they are designed to work under very demanding conditions. from multibeam echosounders that survey the seabed down to depths of 11 000 metres to control mechanisms for the solar panels on space probes that orbit 36 000 kilometres out in outer space for several years. Consequently, our reliability requirements are exceptionally high.

CUSTOMERS AND MARKETS

KONGSBERG operates in a variety of markets and has built up good, long-term customer relations over many years. A thorough understanding of customers' needs and user experiences throughout products' life cycles is at the heart of our approach to the market. Markets outside Norway are becoming increasingly important and the Group's operating revenues have a good geographical distribution. Customer proximity is needed to accommodate the needs of the local markets and to add value as a local supplier. In 2008, 77 per cent of the Group's operating revenues were generated outside Norway.

BUSINESS AREAS

KONGSBERG has shown satisfactory progress and growth in recent years, and the Group now serves more customer groups



than ever, working in a number of new markets. From 1 January 2009, the organisation has been restructured to further strengthen its competitive position. KONGSBERG now has four business areas (BAs): Kongsberg Maritime, Kongsberg Oil & Gas Technologies, Kongsberg Defence Systems and Kongsberg Protech Systems. Expertise in the relevant applications for advanced technology and systems play a key role for all of our business areas. In-depth knowledge of signal processing, engineering cybernetics, software development and systems integration is also a common feature across the Group. A common denominator for KONGSBERG's overall product strategy is that the Group's aim is to be a leading supplier of complex decision-support systems integrated with advanced sensor technology.

Kongsberg Maritime
Kongsberg Maritime delivers positioning, surveillance, navigation and automation systems for merchant vessels and the offshore industry. The BA is a market leader in dynamic positioning, automation and surveillance systems, process automation, satellite navigation and hydroacoustics. Important markets include countries with significant offshore and shipyard industries.

Kongsberg Oil & Gas Technologies
The BA delivers systems for information collection, decision-making support, management and interaction to the international oil and gas industry. The BA also delivers systems for the simulation of long pipelines for oil, gas and water flows, three-dimensional visualisation of reservoirs, drilling and operations, as well as for the interaction required for integrated operations. Part of the BA is dedicated to consultancy and analytical services for integrated operations, drilling and production, in addition to technology for flexible risers for oil and gas production.

Kongsberg Defence Systems
The BA is Norway's premier supplier of defence and aerospace systems. The portfolio comprises products and systems for command and control, weapons guidance and surveillance, communications solutions and missiles. The BA also makes advanced composites and engineering products for the aircraft and helicopter market. The Armed Forces is the BA's most important customer. Whether developed in collaboration with the Norwegian Armed Forces, international partners or alone, the BA's solutions have proven highly competitive internationally. A key element of the BA's market strategy is the forging of alliances with major international defence enterprises. All defence-related exports are contingent on the approval of the Norwegian authorities.

Kongsberg Protech Systems
The BA's main product is the Protector Remote Weapon Station (RWS) developed to protect military personnel. KONGSBERG is by far the largest player in this market. The system has been sold to 16 countries. In 2007, a framework agreement for NOK 8 billion was signed with the US Army for weapon control systems for its CROWS programme. The RWS is in demand for a growing range of military vehicles.

SHAREHOLDER POLICY
KONGSBERG's paramount objective is to enhance shareholder value over time. KONGSBERG's policy is for 30 per cent of the annual profit from ordinary operations to be returned to the owners as dividends. The Board proposes that a dividend of NOK 5.50 per share be paid for 2008.

OWNERSHIP
Kongsberg Gruppen ASA is listed on the Oslo Stock Exchange and the State is the largest shareholder with 50.001 per cent stake. There were a total of 6 048 shareholders at 31 Dec. 2008.

History

After restructuring and acquisitions, KONGSBERG consists of many different companies, each with its own history and geographical origins. Our history reflects the Group's inextricable ties to the city of Kongsberg over the centuries.

1624–1814

THE DISCOVERY OF SILVER

Kongsberg was founded in 1624 by King Christian IV, based on the discovery of silver in the area. Kongsberg's silver works and silver mines played a pivotal role in Norwegian history from the late 1600s until the early 1800s. The Silver Works was Norway's largest enterprise. In about 1720, its aggregate earnings accounted for 20 per cent of the national budget.

1987–1992

CRISIS AND REVITALISATION

In 1987, Kongsberg Våpenfabrikk was restructured, and all civilian activities were sold. Still based in the community of Kongsberg, the units sold at that time have experienced healthy growth and profitability.

Defence activities were continued under the banner of Norsk Forsvarsteknologi AS, which formed the basis of today's corporation, Kongsberg Gruppen.

After the fall of the Berlin wall in 1989, the Group devised a strategy that focused more on civilian markets. At the same time, there was a deliberate shift from industrial to technological production. Importance was attached to expanding operations in areas of technology related to defence activities.

1814–1955

KONGSBERG VÅPENFABRIKK AND THE MARITIME COMMUNITY AT HORTEN

An economic slump for the Silver Works led to the establishment of Kongsberg Våpenfabrikk (a munitions factory) in 1814. The most gifted mining engineers were assigned the task of developing the new cornerstone enterprise.

In the late 1800s, the company introduced the Krag Jørgensen rifle which was subsequently chosen as the main weapon for the US Army. The deal was one of Norwegian industry's first major export contracts. Norway's main naval yard was established in Horten in 1849, laying the foundation for a strong maritime community.

1992–2005

MARITIME FOCUS, STOCK EXCHANGE LISTING AND GROWTH

This period is distinguished by the Group's maritime focus, which was a prerequisite for the stock exchange listing and partial privatisation in 1993, and led to the establishment of Kongsberg Maritime as a separate BA in 1995. The company changed its name to Kongsberg Gruppen (KONGSBERG) in 1995. In 1996, the Group acquired the Simrad Group, followed by Navia in 2000.

1955–1987

INDUSTRIAL LOCOMOTIVE

Kongsberg Våpenfabrikk was instrumental in building up Norwegian industry after World War II. From 1960 to 1987, the company evolved from a mechanical engineering company into an enterprise engaged in considerable product development, targeting several markets with strict performance standards. The market areas included the defence, automotive, gas turbine, data, offshore, aviation and aerospace industries.

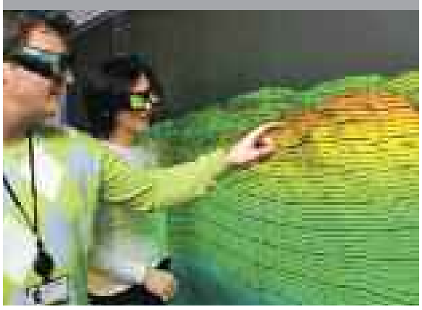
Norway's General Naval Forces Plan was adopted in 1960, marking the advent of a new era in Horten's 'electronic evolution'.

2005–2008

ORGANIC GROWTH AND ACQUISITIONS

The yachting segment was sold in 2005 so that the maritime segment could concentrate on industrial markets.

The Group has seen rapid growth in recent years, improving its market positions. The acquisitions consisted of smaller companies with products or market positions that fit into the Group's strategic target areas. Meanwhile, there have been several expansions and new ventures established, especially in Asia and the USA.



Vision, objectives and strategy

VISION

WORLD CLASS – through people, technology and dedication

RELATED INFORMATION

→ www.kongsberg.com/Investor_Relations

OBJECTIVES

KONGSBERG is an international knowledge-based technology enterprise headquartered in Norway. Shareholders' investments will be protected and enhanced by taking advantage of the Group's high level of expertise to develop attractive solutions for the market, and to constantly improve operations:

- Continuous improvement measures will be implemented to enhance profitability.
- Growth and profitability will be generated both organically and through acquisitions and structural initiatives.
- The Group will be organised in a manner designed to exploit coherence and possible synergies.
- The business will be operated in an ethically, environmentally and socially responsible manner, with a well-defined image and a good reputation.

KONGSBERG's platform can generally be described as the sum total of who we are, which values and attitudes we have, our aggregate knowledge and expertise, how we cooperate with our customers, and how we manage teams, projects and units. Our reputation with our customers, partners, employees and society-at-large is of great importance for the further development of the Group's business activities. Shouldering our part of social responsibility, not least by practicing our corporate Code of Ethics, is essential in this context. KONGSBERG competes with the best in the world on the markets in which we operate. Our employees' expertise enables us to use and develop technology for systems and products that stand up against advanced customer specifications and challenging operating conditions. KONGSBERG employees pride themselves on developing, producing and supplying reliable, cost-efficient systems and products that meet complex needs.

Strategy

1

GROWTH AND STRENGTHENING OF MARKET POSITIONS

In autumn 2008, KONGSBERG conducted a thorough strategic process, setting new development goals and strategic objectives, as well as a new growth target: Over the next three to five years, the Group will reach an annual turnover of about NOK 20 billion.

The Group has grown rapidly in recent years. This applies to operating revenues, profits, the backlog and the number of employees. KONGSBERG has made great headway on the maritime market, as well as on the offshore and defence markets. This growth has led the Group to broaden its market perspective, resulting in turn in spin offs and acquisitions in related areas.

The Group's operations in the field of subsea technology have expanded vigorously in recent years.

Continued strong growth is expected

within advanced autonomous underwater vehicles (AUVs), a segment in which KONGSBERG took several strategic initiatives towards a leading market position in 2008.

KONGSBERG has carved out a good position in the maritime and offshore markets, and enjoys leading market positions in dynamic positioning, automation and surveillance systems, process automation, satellite navigation, hydroacoustics and simulation. The Group's operations in the field of subsea technology have expanded vigorously in recent years. Continued strong growth is expected within advanced autonomous underwater vehicles (AUVs), a segment in which KONGSBERG took several strategic initiatives towards a leading market position in 2008.

On the defence market, the Protector Remote Weapon Station (RWS) has been a big success, achieving an exceptionally high market share. KONGSBERG has won contracts for weapon control systems with 16 countries. The market for weapon control systems will continue to grow in the years ahead, and continuous efforts are invested in product development in this area. Development has been completed for the Group's new anti-ship missile, the Naval Strike Missile (NSM), and it is now under production for the Norwegian Navy. The NSM is the world's most advanced anti-ship missile. An epoch-making first export contract was signed with the Polish Ministry of Defence in December. Large-scale marketing efforts are also being made to promote missile exports.

KONGSBERG's renowned NASAMS air defence system also has a good market position and attention is being devoted to many new potential customers.

The Group attaches importance to maintaining the financial strength needed to ensure its freedom of action. Growth is to be funded mainly by earnings and the availability of previously tied-up capital. External funding is always based on a long-term perspective that is commensurate with the Group's business strategy. The Group's financial policy aims primarily at increasing predictability and reducing risk.

2

FURTHER DEVELOP KONGSBERG'S ROBUSTNESS THROUGH INDEPENDENT MARKET DRIVERS

In the latter half of 2008, it became increasingly clear that world economic situation was deteriorating. This has been fully confirmed in early 2009. Naturally, as a major Norwegian exporter, KONGSBERG monitors its markets, customers and suppliers very closely. Based on this, the Group has established contingency plans and taken the requisite precautions. At the outset of 2009, the Group still maintains a very high level of activity and has a solid backlog. Our assessment of the market effects that are bound to reach us eventually is complicated and reflects the relatively independent drivers to which the Group is exposed. Generally speaking, the Group's activities are impacted by four such drivers, which collectively help make KONGSBERG relatively robust compared with many other industrial enterprises.

The four drivers with the most pronounced impact on the Group's activities are reviewed below:

MERCHANT MARINE – TRANSPORT BY SEA

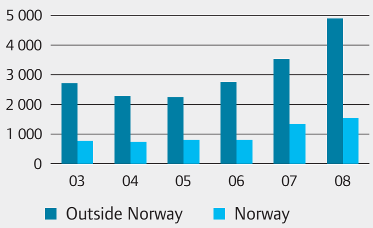
The market for merchant vessels encompasses all types of ships, from simple dry cargo carriers to more advanced LNG tankers. Passenger ships in cruise and ferry traffic are also an important part of this market. The contracting of new vessels is closely related to the expected development of transport needs. Development in the world economy affects the need for sea-going transportation of people, energy, raw materials and finished products. By the same token, far stricter environmental standards also generate demand since older vessels that fail to meet the standards must be replaced. The downturn in this segment will affect KONGSBERG.

GLOBAL ENERGY DEMAND

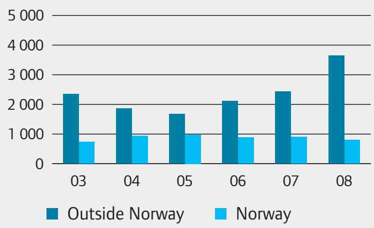
The oil, gas & offshore markets are driven by the global demand for energy. Over time, the steadily increasing demand for energy, primarily oil and gas, has motivat-

The Norwegian Government's choice of the F-35 Lightning II - Joint Strike Fighter (JSF) as Norway's new fighter craft ensures the production of advanced fuselage components in composite and titanium at KONGSBERG.

OPERATING REVENUES
KONGSBERG MARITIME
MNOK



OPERATING REVENUES
KONGSBERG DEFENCE & AEROSPACE
MNOK



ed the production of new, less accessible reserves. This has been and will continue to be an advantage for KONGSBERG, which mainly delivers advanced systems that are critical for the success of complex and challenging projects, often in deep water.

KONGSBERG delivers products and systems of great value to customers. The Group is a leader in dynamic positioning and hydroacoustics. We have also given priority to the development of systems for the simulation of processes and decision-support systems (integrated operations) for oil companies and operators on the oil and gas market.

We expect the market for systems for the offshore and the oil and gas industry to be affected by the drop in global energy demand and the low oil prices we have seen recently. Meanwhile, we expect that the underlying need for energy, combined with the need to compensate for steadily declining production, will lead to considerable demand in the longer term.

NORWEGIAN DEFENCE SPENDING

The defence market is largely a politically driven, relatively protectionistic market. The market is not subject to the European Economic Area's competition rules. Most countries choose national suppliers for security reasons and in the interests of local industry. Offsetting is an established international practice in connection with international procurements. Offsetting means that the seller country must undertake an obligation to purchase defence materiel from the buyer country for a value equivalent to the original purchase price. Offset agreements are important for maintaining and further developing a viable national defence industry. Offset agreements make it possible to secure contracts for Norwegian industry when Norway makes large defence procurements from foreign suppliers, and they open significant opportunities for further developing civilian technology.

In 1996, KONGSBERG and the Norwegian Navy concluded a contract for the development of a new anti-ship missile, the NSM, one of Norway's most technologically advanced development projects. In 2007, an agreement worth approx. NOK 2.5 billion was signed for serial production of the missile. The contract covers the production of NSMs for the Norwegian Navy's new Nansen Class frigates and Skjold Class missile torpedo boats.

On 20 November 2008, the Norwegian Government announced its choice of the US F-35 Lightning II – Joint Strike Fighter (JSF), to supersede today's F-16 fighter craft. This choice will ensure the production of advanced fuselage components in composite and titanium at Kongsberg for many years, opening further opportunities for KONGSBERG in including the missiles segment.

In 2008, major contracts were signed with the Norwegian Navy, not least for upgrading their Ula Class submarines and deliveries to the Norwegian mine clearance vessels.

Based on this project portfolio, we expect an increase in our cooperation with the Norwegian armed forces.

INTERNATIONAL DEFENCE SPENDING

KONGSBERG is a relatively small player in the international defence market, but it has achieved very good market positions in certain niches, especially anti-ship missiles, weapon control systems and anti-aircraft systems. We have developed many competitive systems and products in collaboration with the Norwegian Armed Forces, the Norwegian Defence Research Establishment – NDRE, international alliance partners and on our own.

The Protector Remote Weapon Station (RWS) has been in full-scale production since December 2001. KONGSBERG is currently a world leader in the manufacture and delivery of this type of weapon control systems. Over the past seven years, the company has delivered more than 4 000 systems to defence customers in 16 countries.

The NSM missile has received considerably attention from several countries, not least for use on various platforms (aircraft, helicopter, vehicles, etc), which opens doors to new markets. The first export contract for the system was signed with the Polish Armed Forces in December 2008. The possibilities for developing a new missile, the JSM, for the F-35 Lightning II - Joint Strike Fighter (JSF), based on NSM technology are being studied in connection with the order for fighter craft.

The NASAMS air defence system is an important export product for KONGSBERG. The system was developed in conjunction with the Norwegian Air Force and the US defence contractor Raytheon. The strategic cooperation agreement with Raytheon generally involves KONGSBERG supplying decision-support tools and command and control systems, while Raytheon supplies missiles, radars and other equipment for the air defence systems. NASAMS II is a further development of the system, and several countries are interested in this latest configuration of the air defence system.

Offset agreements signed in connection with international deliveries to Norway have often also been decisive for achieving access to markets abroad.

We expect increasing protectionism and spending cuts relative to international defence orders in the years ahead. We do not believe that this will have a significant adverse impact on the sale of KONGSBERG's niche products.

KONGSBERG is currently
a world leader in
the manufacture and delivery of
weapon control systems.
Over the past seven years, the
company has delivered more than

4 000 systems

to defence customers in

16 countries.

3

INTERNATIONALISATION

KONGSBERG's success with weapon control systems in the USA has led to the establishment of a new company and a factory in Pennsylvania.

In 2008, The Group made significant international progress. At year end, 28 per cent of the Group's employees worked outside Norway, and the export share of our turnover comes to 77 per cent. The Group has evolved from mainly being an international sales organisation to creating a growing share of its value added in Asia, Europe and, not least, in the USA. It is decisive for KONGSBERG to continue on its path towards international customer proximity, global value chains and, not least, global human resources development.

Many of the countries in which KONGSBERG operates would like to build up their own industries. The authorities in these countries would like as much local added value as possible, the creation of local jobs and the build up of expertise. Building up our local enterprises often enables us to meet those needs. All our international ventures comply with KONGSBERG's Policy for Corporate Social Responsibility.

The Asian shipyard industry is an important market for KONGSBERG. There has been a powerful ramp up of capacity, and the Asian shipyard industry is now the world's largest. One consequence of this growth is that KONGSBERG has expanded its capacity in terms of employees and floor space in Singapore, South Korea, India and China. The further development of our organisation in Asia will be influenced by the general financial and industrial trends in the region.

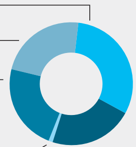
In autumn 2007, KONGSBERG concluded a framework agreement with the US Army for the delivery of weapon control systems for the CROWS (Common Remotely Operated Weapon Station) programme. The agreement has a scope of about NOK 8 billion and will last for five years. KONGSBERG's success in the US has led to the establishment of a new subsidiary and a factory in Pennsylvania to produce new and overhaul used weapon control systems for the US market. Our ventures in the US strengthen the Group's position as the leading supplier of remotely operated weapon control systems. We get access to experienced American production expertise, reducing our foreign currency risk significantly.

At year end, 28 per cent of the Group's employees worked outside Norway and the export share of our turnover comes to

77 per cent.

It is decisive for KONGSBERG to continue on its path towards international customer proximity, global value chains and, not least, global human resources development.

OPERATING REVENUES, BY REGION



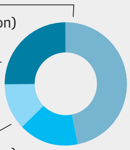
4

COMPETITIVENESS THROUGH KNOWLEDGE AND EXPERTISE

KONGSBERG is a rapidly expanding international, competence-based industrial enterprise. Several surveys made by independent organisations indicate that KONGSBERG is an attractive employer for engineers with long seniority and for students with higher technical degrees. Our intellectual capital is becoming increasingly international. The right combination of working methods, cultural understanding and competence is crucial to this positive trend. To secure the requisite expertise, we further develop the technology communities we have built up and obtained, both through the establishment of new ventures and the acquisition of companies.

The Group currently has highly competent technology hubs in Norway, Great Britain, Poland, the USA, Canada, India, South Korea, China and Singapore.

EMPLOYEES, BY LEVEL OF EDUCATION



Our intellectual capital is becoming increasingly international. The right combination of

working methods, cultural understanding and competence

is crucial to this positive trend.

KONGSBERG has spent several years building up composite expertise and manufacturing parts for the aircraft and aerospace industry.

5

PAVE THE WAY FOR FURTHER GROWTH, FOCUSING ON FOUR BUSINESS AREAS

At year end, the Group restructured the organisation to accommodate continued positive growth and development in its core areas. This adjustment implies clearer emphasis on four business areas:

- Kongsberg Maritime
- Kongsberg Oil & Gas Technologies
- Kongsberg Defence Systems
- Kongsberg Protech Systems

Besides this realignment, the Group is introducing several initiatives to help reach the strategic objectives we have set and adapt to the market conditions we will encounter in the years ahead.

These initiatives include:

- a pan-corporate programme for improved internal efficiency and productivity
- set up a position for a Corporate Compliance Officer role and further develop the Group's systems and processes for compliance and follow up
- a renewed, improved scheme for leadership development across the Group

The sum total of these initiatives will help strengthen the Group and prepare us for the market challenges ahead.

II Directors' Report and Financial Statements

Growth in sales, profits and backlog

CONTENTS

Highlights in 2008

- Substantial growth and improved performance
- Even larger backlog
- Considerable investments in future growth

The F-35 Lightning II - Joint Strike Fighter (JSF) is a supersonic, multirole 5th generation stealth fighter craft. KONGSBERG is an important Norwegian industrial partner for the production of fighter craft.

OPERATING REVENUES

MNOK 11 056

– an increase of 33 per cent from 2007

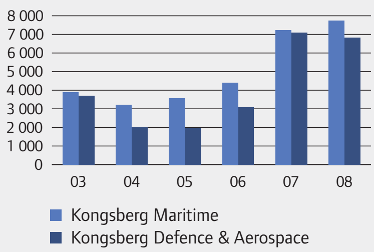
EARNINGS

MNOK 1 122

– an increase of 41 per cent from 2007

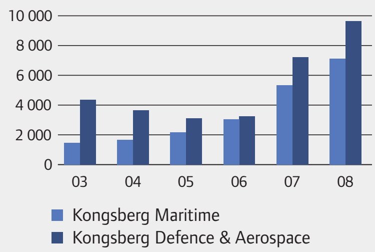
NEW ORDERS

MNOK



BACKLOG OF ORDERS

MNOK



Directors' Report

Strong results and high ambitions

2008 was an eventful year characterised by growth and good results. Revenues excl. non-recurring items increased by 33 per cent to MNOK 11 056, the backlog climbed by 32 per cent to MNOK 16 692, and the EBITA excl. non-recurring items increased by 41 per cent to MNOK 1 122. The EBITA margin was 10.1 per cent. Earnings per share excl. non-recurring items came to NOK 19.44 (NOK 16.17). The Board is satisfied with this performance and proposes a dividend per share of NOK 5.50 (NOK 5), which is consistent with the Group's dividend policy.

GENERAL REVIEW OF 2008

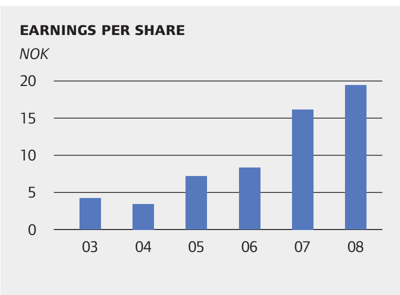
Both the Group's business areas (BAs) posted higher operating revenues and EBITAs than last year. The influx of orders was good for both Kongsberg Maritime and Kongsberg Defence & Aerospace. Kongsberg Maritime accounted for approx. 43 per cent of the overall corporate backlog, while Kongsberg Defence & Aerospace accounted for 57 per cent.

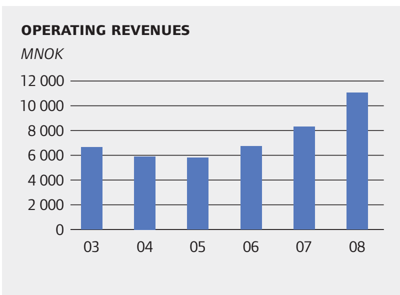
Kongsberg Maritime made good headway and reported a strong influx of new orders. In 2008, Kongsberg Maritime improved its positions in all its markets, especially in Brazil, India and China. These are important growth areas for the offshore and merchant marine markets. The BA took important strategic steps to consolidate its leading position in the simulation and hydroacoustics segments.

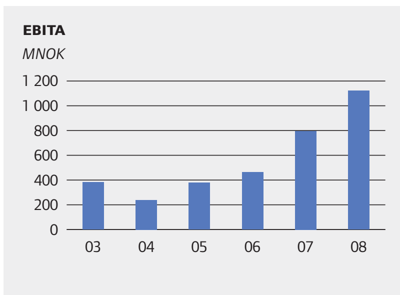
Kongsberg Defence & Aerospace has also achieved good growth and a strong improvement in margins. The Protector weapons control system further strengthened its position as market leader in 2008. The system has now been sold to 16 countries. In late December, the BA won a contract with Poland that included the delivery of the new Naval Strike Missile (NSM). This is considered an international breakthrough for the new missile. In addition, a new factory for the production of aerostructures in composite and titanium was opened, and the first phase of component production for the F-35 Lightning II – Joint Strike Fighter (JSF) commenced.

COMMENTS ON THE RESULTS FOR 2008

The Group experienced significant one-off effects related to the sale of property and the transition from defined benefit to defined contribution pension plans in 2007.







The comparison on p. 18 excludes the effects of non-recurring items.

Consolidated operating revenues up by 33 per cent

EBITA up by 41 per cent

Earnings per share up by 20 per cent

Operating revenues
The Group's operating revenues increased by 33 per cent to MNOK 11 056. Kongsberg Maritime's operating revenues ended at MNOK 6 425, up 32 per cent. Kongsberg Defence & Aerospace's operating revenues increased by 33 per cent to MNOK 4 450.

EBITA performance
The EBITA ended at MNOK 1 122 in 2008 (MNOK 796 in 2007), which corresponds to an operating margin (EBITA margin) of 10.1 per cent. This is an improvement of MNOK 326, or 41 per cent. Kongsberg Maritime's EBITA increased by MNOK 185, ending the year at MNOK 691 and resulting in an EBITA margin of 10.8 per cent. Kongsberg Defence & Aerospace reported an EBITA of MNOK 416 in 2008, up MNOK 143 on the year. and an operating margin of 9.3 per cent.

Net financial items
The Group recognised impairment losses on financial assets and sustained losses in connection with the sale of shares, totalling MNOK 138 altogether.

Other net financial expenses added up to MNOK 39 in 2008, as against MNOK 67 in 2007.

Earnings
Earnings before tax (EBT) came to MNOK 861 (MNOK 685). The profit after tax was MNOK 587, an increase of MNOK 97. Earnings per share were NOK 19.44 per share (NOK 16.17).

MARKET CONDITIONS AND OPERATING PARAMETERS

Kongsberg Maritime
Kongsberg has maintained its strong market positions and fortified its business operations through in-house initiatives as well as by acquiring operations with significant potential synergies. One key element of the BA's strategy for economisation is to develop delivery models that involve the establishment of crucial elements of value creation close to important customer clusters. At year end, the Group had 691 employees in Asia, close to major shipyards in the region. This means the Group is well prepared to meet ever keener competition from local competitors, especially in Asia. Norway's maritime and offshore industry occupies a strong position, and it is important to its export industry. The Board therefore underscores the need for an industrial policy that will promote growth and development for the maritime industry in this sector.

In 2008, many shipyards experienced delays and cancellations. It has become significantly more difficult to finance the construction of vessels. Cancellations accelerated towards year end, which also affected Kongsberg Maritime to a certain degree. In Q4 2008, provisions were made for risk related to the situation in the maritime and offshore industry. The provisions were based on an in-depth review of the BA's backlog of orders.

In 2008, MNOK 444 was invested in acquiring operations that develop and deliver autonomous underwater vehicles and sonar technology. These are core technologies that we expect will be gaining momentum with offshore, oceanographic and military applications in the years ahead.

Kongsberg Defence & Aerospace
Along with Kongsberg, the Norwegian Armed Forces have over time developed solutions that have proven competitive on international markets. It is important to the Group that this national cooperation continues. It enables the Norwegian Armed Forces to develop and apply technology that is especially appropriate for conditions in Norway, and which can also do well in international competition. At the international level, the Group has many ongoing deliveries and new contract opportunities, for weapon control systems, air defence, aircraft components and missiles. Further prospects are still bright as regards the market for weapon control systems in the USA. Similarly, the growth potential for the Group's air defence and missiles segments is considered good.

The viability of the Norwegian defence industry rests on emphasis being attached to obtaining good offset agreements in connection with the purchase of defence materiel from abroad. With a few exceptions, this practice is applied universally. When the Norwegian Armed Forces place large orders with foreign suppliers, the investments tie up large parts of the defence budget, limiting investments with national suppliers. It is important to underline the importance of Norwegian participation in such programmes if we are to ensure defence deliveries that are well adapted to conditions in Norway by having a viable, competitive Norwegian defence industry. Good offset agreements help facilitate this. The Norwegian Government and the parliament have both underlined the importance of offset agreements that are in line with international practice. An offset agreement with Kongsberg also translates into work for several of the nearly 1 500 Norwegian subcontractors the Group uses for its defence activities.

Predictability in the export regulations for defence materiel and as regards the way in which the authorities apply them in practice is an important regulatory parameter for Kongsberg.

TECHNOLOGY AND R&D

A substantial proportion of Kongsberg's added value consists in the development of high-technology solutions for national and international markets. 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 areas of excellence: signal processing, systems integration, engineering cybernetics and software development. KONGSBERG focuses on continuous product development, financed either from its own pocket or through customer-financed programmes, and total product development over time is equivalent to about 10 per cent of operating revenues.

FINANCIAL SITUATION AND CAPITAL STRUCTURE

Cash flow from operations

The net cash flow from operating activities came to minus MNOK 26 in 2008 (MNOK 1 037). The net cash flow from operating activities consists of the EBITA of MNOK 1 319, the increase in net working capital, taxes paid and changes in other accruals, totalling MNOK 1 345. The increase in net working capital is due to the build-up of inventory in connection with the strong influx of new orders. Trade receivables increased in line with growth. KONGSBERG's operations consist of delivery contracts featuring milestone payments, meaning the cash flow from operating activities will vary from year to year. The Board has implemented a project to free up capital, and the results are expected to filter through in 2009.

Cash flow from investment activities

During the year, payments in connection with investments amounted to MNOK 1 484. Of this amount, the acquisition of companies accounted for MNOK 544, of which the acquisition of the assets and business of the company Hydroid Llc. was the largest item, at MNOK 402. Investments in buildings and property, plant and equipment added up to MNOK 816, about half of which were investments related to the new composite plant in Kongsberg.

Cash flow from financing activities

In 2008, new loans totalled MNOK 1 017, of which MNOK 1 000 was drawn on a syndicated credit facility signed in 2007. The total cash flow from financing activities ended with a net payment of MNOK 813, as against a net disbursement of MNOK 441 in 2007.

The Group's cash reserves were reduced by MNOK 664 in 2008, compared with an increase of MNOK 236 the year before.

Currency

A large part of the Group's earnings is generated abroad. This means the Group's revenues are affected by fluctuations in exchange rates between NOK and other currencies. The Group tries to limit foreign currency risk by pursuing an established foreign exchange policy. KONGSBERG's foreign exchange policy entails that all contractual currency flows are hedged by forward contracts (project hedges). In addition, some anticipated new orders are hedged according to established rules (hedges of forecasted sales). The rules govern the percentage of estimated new orders to be hedged, depending on the time remaining until the new orders are expected to be placed and exchange rate levels. Thus, the Group seeks to mitigate the effects of currency fluctuations in a one-to three-year perspective.

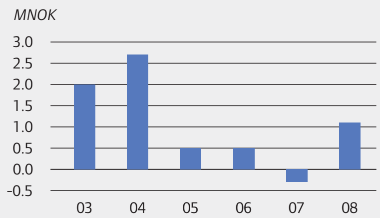
The forward F/X contracts linked to the hedging of project contracts amounted to MNOK 8 602 at year end, measured at agreed exchange rates. At year-end 2008, these forward F/X contracts had a net negative value of MNOK 1 308. In addition, the Group had MNOK 10 810 in hedges of forecasted sales, measured at the agreed exchange rates, consisting of futures contracts worth MNOK 10 275, and the remainder in options (risk reversal structure). Hedges of forecasted sales had a total net negative value of MNOK 1 454 at 31 Dec. 2008. At 31 Dec. 2007, the hedges of forecasted sales had an excess value of MNOK 202. The change in fair value of the hedges of forecasted sales is primarily attributable to the significant changes in the exchange rates between NOK and USD/EUR in the latter half of 2008. The Group has been able to take advantage of exchange rate trends, and the average exchange rate on signed project hedges and hedges of forecasted sales increased through 2008.

Capital structure

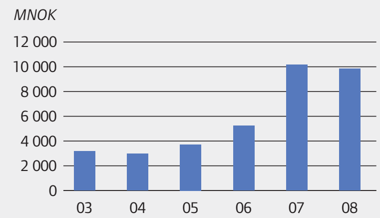
At 31 Dec. 2008, consolidated equity was MNOK 1 894, equivalent to 15 per cent of total assets. Equity decreased by MNOK 1 218 due to the reduction in the fair value of forward currency contracts and options used to hedge forecasted sales.

The Group's net interest-bearing debt aggregated MNOK 1 439 at 31 Dec. 2008, compared with net cash reserves of MNOK 242 a year earlier. The Group's gross interest-bearing liabilities mainly consist of two bond loans totalling MNOK 700 and a syndicated credit facility of MNOK 1 000. The Group also has an undrawn syndicated credit facility of MNOK 800 until 31 Dec. 2010. The loans are conditional upon net interest-bearing debt not exceeding three times the EBITDA, although net interest-bearing debt can be up to 3.5 times the EBITDA for a maximum of three

NET INTEREST-BEARING DEBT/EBITDA



MARKET CAPITALISATION



consecutive quarters. KONGSBERG's gearing ratio (NIBD/EBITDA) was 1.09 at year-end 2008.

KONGSBERG's operations reflect the Group's long-term perspective on both implementation and strategy. This requires predictable access to capital over time. Consequently, the Group aims to be classified as having good creditworthiness with its lenders and investors.

ACQUISITIONS

KONGSBERG has made several minor and medium-sized acquisitions in recent years. In December 2007, the Group signed a contract to purchase the assets and business of the American company Hydroid Llc. The acquisition was completed in June 2008. The Group also acquired two other, smaller companies in 2008: the American simulator company GlobalSim Inc. and the British sonar company GeoAcoustics Ltd. Hydroid manufactures and supplies autonomous underwater vehicles (AUVs) destined for military and commercial markets the world over. The company was established in 2001 to manufacture, support and further develop the technology for the underwater vehicle REMUS, which was developed and licensed through an exclusive licence with the Woods Hole Oceanographic Institution.

The acquisition of GlobalSim strengthens the Group's operations involving training simulators for maritime and offshore applications, both of which are steadily growing markets. The company has extensive experience with simulation, and the main product is a crane simulator to optimise crane operations and the training of crane operators. The company's most important customers include the world's major harbours and the US Armed Forces.

The British company GeoAcoustics has 30 years of experience in underwater acoustics and enjoys a good reputation on the market, especially for side scanning sonars and technology for sub-bottom profiling. The acquisition will enhance KONGSBERG's market position as GeoAcoustics' products will expand the product portfolio.

The Group made several other small strategic acquisitions in addition to the above-mentioned acquisitions.

OPERATING CONDITIONS IN THE BUSINESS AREAS

Kongsberg Maritime

The BA's operating revenues climbed by 32 per cent on the year. The EBITA was MNOK 691 (MNOK 506), with an EBITA margin of 10.8 per cent (10.4 per cent).

The BA reported smooth operations and a strong performance on a competitive market. The BA achieved improved profitability as a result of favourable market conditions and emphasis on efficient performance, not least by moving some value creation closer to the customer. The high backlog of orders provides a sound platform for 2009. Owing to uncertainty on the markets as a result of the turbulence in the world economy, the Group is following developments closely and has initiated risk-mitigation measures. Sales orders in 2008 came to MNOK 7 733, up by 7 per cent relative to 2007. The backlog of orders at year-end 2008 had a scope of MNOK 7 105, which translated into an increase of MNOK 1 772 in 2008. The BA's buoyant level of activity called for more delivery capacity, and in 2008 Kongsberg Maritime hired roughly 500 new employees. The acquisition of new enterprises also expanded the BA's workforce by nearly 300 new employees.

Kongsberg Maritime reported a strong influx of new orders and high pace of delivery in all divisions in 2008. Many large, important orders were completed during the year. These include the delivery of process control systems for a floating production vessel (FPSO) that will operate on Marathon Oil's Alvheim oil field on the Norwegian Continental Shelf in the North Sea, for Aker Floating Production's first vessel for floating production, "AF Dhirubhai 1". Substantial deliveries have also been made to the world's largest cruise ship "Oasis of the Seas". Dynamic positioning systems for offshore vessels have been a successful product for many years, and the segment continued to grow in 2008. Kongsberg Maritime has maintained its strong position on the rig market, especially in the product areas dynamic positioning, navigation and automation. During the year, Kongsberg Maritime supplied equipment to two of the world's largest drilling rigs, "Aker Spitsbergen" and "Aker Barents", both of which are built for use in polar areas. Growth continued in 2008 in the subsea segment, and the BA was strengthened by the acquisition of Hydroid Llc. and GeoAcoustics Ltd. The acquisition of the AUV company Hydroid ensures better market access, a broader product portfolio and a more pronounced global presence. GeoAcoustics brings with it further expertise in advanced sonar technology.

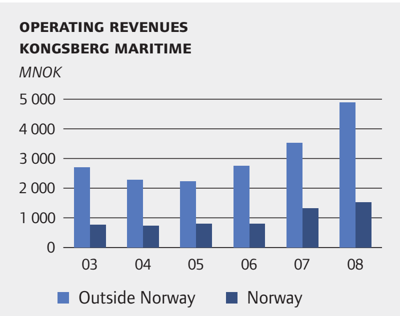
From 1 Jan. 2009, the Oil & Gas Division was spun off as a separate business area: Kongsberg Oil & Gas Technologies. Financially, the BA will continue reporting through Kongsberg Maritime.

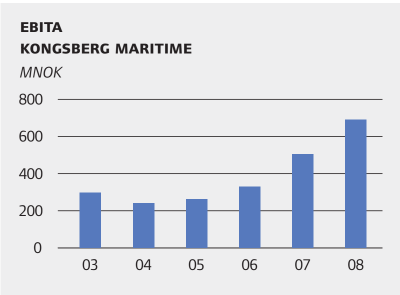
Kongsberg Defence & Aerospace

Ordinary operating revenues climbed by

Kongsberg Maritime's
order backlog at year-end 2008
had a scope of

MNOK 7 105





33 per cent from 2007. The EBITA came to MNOK 416 (MNOK 273), with an EBITA margin of 9.3 per cent (8.2 per cent). The largest contributor to the improvement was weapon control systems, which was more profitable as a result of a good market and higher volumes.

The BA booked new orders worth MNOK 6 835 (MNOK 7 085). Call-off orders under the CROWS II framework contract signed in 2007 totalled NOK 2.52 billion. Including orders placed under the CROWS framework agreement, signed contracts for weapon control systems aggregated NOK 4.2 billion. In December 2008, a contract was signed with the Polish Armed Forces for the new Naval Strike Missile (NSM). As the first export contract for the system, it is considered an international breakthrough for a system that will be on the market for decades to come. The special aspect of this contract was that it also includes a command and control system for coastal artillery corresponding to KONGSBERG's renowned NASAMS air defence system. This accords the Group recognition as a systems integrator. Contracts were signed with Brazil and Turkey for delivery of Penguin missiles for helicopter deployment. The Penguin missile has been on the market for more than 30 years and, thanks to regular updates and modernisation, it continues to be among the most advanced missiles in its class. In 2008, important contracts were also signed for upgrading Norwegian mine-clearing vessels and Ula Class submarines. Kongsberg Defence & Aerospace's backlog of orders totalled MNOK 9 629 (MNOK 7 232) at year-end 2008.

In November, the Ministry of Defence decided that today's F-16 fighter craft would be replaced by the new F-35 Lightning II – Joint Strike Fighter (JSF). In 2007, KONGSBERG commenced construction on a new composite plant in Kongsberg to make aircraft components in 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. The contract had a scope of about NOK 1 billion. Norway's choice of fighter craft makes it probable that this contract will be expanded to apply to the production of all F-35s, and would then have a significant scope, ensuring composite production in Kongsberg for several decades to come.

Production capacity for the Protector Remote Weapon Station increased substantially in 2008. Capacity doubled by year end. This capacity expansion has generally taken place in the USA. Deliveries to the US Army, the largest single customer for this system, will generally be handled by the plant in the USA. It will use American subcontractors, significantly reducing the foreign currency risk inherent in the projects. The first systems were delivered in autumn 2008.

As of 1 Jan. 2009, Kongsberg Defence & Aerospace was divided into two business areas: Kongsberg Defence Systems and Kongsberg Protech Systems. Kongsberg Defence Systems delivers missiles, air defence systems, aerostructures, command and control systems, aerospace-related products and surveillance systems. Kongsberg Protech Systems delivers the Protector weapon control system.

RISK FACTORS AND RISK MANAGEMENT

The Group is exposed to different types of risk, and the Board monitors the various risk trends closely. The Board reviews operational reports on a monthly basis, and the management draws up quarterly risk reports. The Board is of the opinion that there is a good balance between overall risk and the Group's capacity to deal with risk. Besides day-to-day risk management, the Board and management perform dedicated risk analyses in connection with major investments, initiatives and acquisitions.

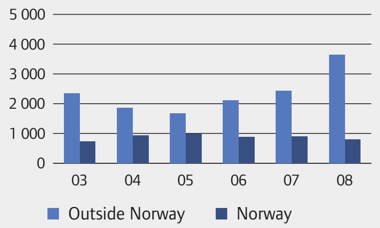
Financial risk

KONGSBERG has centralised management of financial risk. The Board has adopted guidelines for the Group's financial risk management, as laid down in the corporate Financial Policy. KONGSBERG aims to limit financial risk and improve predictability, while exploiting finance 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 attached to financial investments.

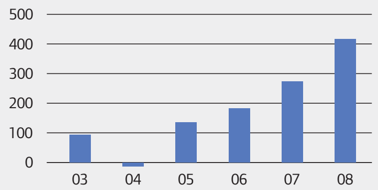
Credit risk is the risk of loss if a party to a contract defaults on its contractual obligations. The customer base is well diversified and consists mainly of public institutions and major private sector companies. Historically, the Group has incurred relatively modest losses on bad debts. However, the turmoil in the world economy in general and in the shipyard and shipping industry in particular has escalated credit risk. Consequently, measures have been implemented to limit risk exposure.

Liquidity and refinancing risk refers to the risk that KONGSBERG will not be able to meet 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 Dec. 2008, the Group had an un-

OPERATING REVENUES
KONGSBERG DEFENCE & AEROSPACE
MNOK



EBITA
KONGSBERG DEFENCE & AEROSPACE
MNOK



Kongsberg Defence & Aerospace's order backlog at year-end 2008 had a scope of

MNOK 9 629

drawn syndicated credit facility of MNOK 800, which will extend until December 2010. The Group also has a credit facility of MNOK 1 000, which will continue to apply until 2013, as well as two bond loans worth MNOK 400 and MNOK 300 and which will mature on 10 June 2009 and 30 March 2012, respectively. At 31 Dec. 2008, KONGSBERG had net interest-bearing liabilities of MNOK 1 439. Due to its high export share, KONGSBERG has substantial 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. The Group hedges all contractual currency flows, as well as parts of the Group's anticipated new orders.

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

Operational risk

The Group's revenues are mainly generated by systems of great technological complexity. Deliveries are generally organised as projects. Effective project management is an important success factor for reducing operational risk. KONGSBERG has established a project management process based on internal and external 'best practice'. All project managers undergo an in-house training programme on the project management process.

Projects' earnings are contractualised, so any uncertainty is attached to assessments of remaining costs and the accrual of projects' earnings. The Group has established principles for categorising projects in terms of technological complexity and development content, paving the way for valuations of 'profit at risk' and taking to account the profits from the projects. The 'profit at risk' refers to the profit retained in the projects until the uncertainty has been eliminated.

Given the uncertainty in the shipyard industry, the Board considers the risk of cancellations and postponements of deliveries to have increased. The situation is being monitored closely, and measures have been instituted to mitigate the Group's exposure in the event of cancellations.

Risk related to non-compliance with non-financial conditions

The Group worked throughout 2008 to update and develop a regulatory framework and follow-up systems for dealing with risks related to non-financial conditions such as anti-corruption, competition regulations, health, safety and the environment, etc. As from 1 Jan. 2009, the Group set up a new corporate function, i.e. a compliance officer, taking the efforts to further develop compliance and reporting systems into a new phase. The compliance officer is responsible for developing, maintaining and following up the Group's compliance system.

The Group's compliance system is intended to ensure compliance with relevant rules and regulations, KONGSBERG's corporate Code of Ethics, and the corporate 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 day-to-day compliance with legislation, guidelines and governance documents is vested in line management. The CEO is responsible for ensuring that the Group is organised in a manner that facilitates this arrangement.

Market risk

Business risk is related to market conditions, competitors and other general business conditions prevailing in the markets in which KONGSBERG operates.

KONGSBERG enjoys good positions in shipping, offshore and defence markets, and has a record-high backlog of orders. In the short term, the Group's results are therefore not expected to be affected to any great extent by downturn in the world economy. However, the Group's risk has increased due to cancellations in the shipyard industry and cutbacks in defence spending in several countries. In time, a general, long-term economic downturn will impact the Group's level of activity. The Group operates in several markets that are largely influenced by independent drivers. General cyclical economic trends will affect these markets to different degrees and at different times.

CORPORATE SOCIAL RESPONSIBILITY AND THE ENVIRONMENT

The Board emphasises that KONGSBERG is committed to acting in an ethically, environmentally and socially responsible manner. KONGSBERG strives to achieve sustainable development, i.e. to strike a good balance between financial results and social and environmental responsibility.

The Group's corporate Code of Ethics was revised in spring 2008. It will be evaluated at least every second year. This will be done to reflect general advances in the area. By the end of 2009, all KONGSBERG employees are to have undergone training in respect of the revised Code.

KONGSBERG's activities mainly consist of the development of software and systems integration. The Group is only marginally affected by environmental regulations relative to its own operations. Nonetheless it is important to the Board that the Group concentrates on pro-active environmental initiatives that focus on reducing greenhouse gas emissions. These measures are being implemented both within product development and intra-Group. For a more detailed description of the Group's CSR and environmental work, please see the environmental segment of the Sustainability Report, which has been endorsed by the Board.

HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

The Board ensures that health, safety and environmental issues are addressed in a manner that promotes job satisfaction and a good working environment. A basic principle for working with HSE is that the work should be preventative. Responsibility for HSE is assigned to the local managers, but active involvement and good routines at every level of the organisation are prerequisites for success.

The Board follows up HSE work closely, reviewing the HSE reports every quarter. In 2008, special attention was devoted to HSE training for line supervisors and stress management courses for employees, as well as to further improving the procedures for reporting incidents in the BAs. The reporting procedures of the foreign subsidiaries have gradually improved, and collecting figures on absence due to illness and work-related accidents from the international offices has become a natural part of HSE reporting. In 2008, fractional reporting (operators and salaried employees) was introduced for absence due to illness in Norway.

There were a total of 33 work-related accidents in the Group in 2008, compared with 28 in 2007. Of that number, 15 were minor accidents that required no treatment, and seven were accidents that required medical attention. Eleven work-related accidents were classified as near-accidents, eight of which called for follow up. The Group had no high-risk incidents in 2008. No occupational diseases or work-related fatalities were recorded in 2008. Total absence due to illness declined from 2.5 per cent in 2007 to 2.4 per cent in 2008.

HSE work is performed in the BAs. All employees in Norway have access to company health services. In the case of our foreign business operations, this varies in accordance with local practices and legislation.

KONGSBERG has many employees outside Norway and the number is rising. KONGSBERG's growing international presence calls for more insight into HSE issues in the countries in question.

SHARES AND SHAREHOLDERS

The price of the KONGSBERG share declined from NOK 339 at end-2007 to NOK 328 at end-2008. This translated into market capitalisation of MNOK 9 840 at the end of 2008. Including the dividend of NOK 5.00 per share, the return on investments came to minus 1.8 per cent in 2008. During the same period, the Oslo Stock Exchange's All-Share Index had a negative yield of 54 per cent. At 31 Dec. 2008, KONGSBERG had 6 048 shareholders, up 678 on the year. KONGSBERG had 415 foreign shareholders who collectively held 5.79 per cent of the shares (3.78 per cent). The State, as represented by the Ministry of Trade and Industry, is still the largest owner with 50.001 per cent of the shares. Counted together, the 10 largest shareholders owned 82.21 (83.18) per cent of the shares.

In 2008, approx. 3 million (about 4.2 million) KONGSBERG shares were traded, divided among 14 810 (5 158) transactions. The liquidity of the share is still low, but the company works actively to promote interest in the share by addressing the investor market more actively.

In summer 2008, the Group's employee share programme was conducted for the 11th time. A total of 133 612 (144 112) shares were sold at NOK 300 (a 20 per cent discount on the market price). A total of 1 441 (875) employees took advantage of the offer. See Note 25 "Share capital and share premium" for a more detailed account of the share programme.

At year-end 2008, more than 1 500 (1 000) employees owned a total of about 750 000 (650 000) shares in KONGSBERG. This corresponds to roughly 2.5 (2.2) per cent of the shares.

PERSONNEL AND ORGANISATION

Continuous efforts are made to adapt the organisation to KONGSBERG's markets. At year end, the Group had 5 243 employees, 28 per cent of whom work outside Norway. Kongsberg Maritime and Kongsberg Defence & Aerospace had 3 309 and 1 831 employees, respectively, at year-end. The parent company, Kongsberg Gruppen ASA, had 41 employees.

Competition is keen for good engineers in Norway, but the Group enjoyed satisfactory access to expertise in 2008. Efforts are also being made to exploit the potential offered by the new international ventures. This is cost effective at the same time as it build affiliations with the local communities. One of the Group's goals is for the foreign companies to be staffed by local employees insofar as possible.

One 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. Efforts are being made to enhance the exchange of expertise and employees among the BAs. Good work processes and development opportunities are also important instruments for recruiting and retaining good employees.

KONGSBERG attaches a great deal of importance to human resource development, and works continuously to further develop and coordinate the courses and training programmes offered to our employees. KONGSBERG invests in leadership development. Good expertise and capacity on the part of the managers in the Group are among the most instrumental elements in the realisation of KONGSBERG's strategy. Consequently, the programme "The next generation of leadership development at KONGSBERG" was initiated in 2008. Through this programme, the Group will further develop systems and processes for developing, following up and measuring leaders and, in so doing, over time build up more leadership capacity, expertise, mobility and resilience.

At year end, 1 025 women (19.5 per cent) were employed by the Group (19.5 per cent in 2007). Of the total number of managerial positions in the Group, 90 (13.3 per cent) were occupied by women (13 per cent in 2007). The percentage of women recruited is on a par with the percentage of women educated in the areas of technology that are pre-dominant at KONGSBERG. Generally speaking, there are still few women in senior managerial positions so KONGSBERG will continue to strive to increase the percentage of female leaders and to promote the recruitment of women to technical positions. As for the Board of Directors, two of the five shareholder-elected directors are women.

Cooperation with the trade unions through the established cooperation and co-determination schemes is good, providing valuable contributions to meeting the Group's challenges in a constructive manner. The Board of Directors would like to thank all employees for their sterling efforts and contributions to the admirable headway made by the Group in 2008. In the light of the strong progress made throughout 2008, the Board has decided to pay all employees a bonus on a par with the one paid last year.

CORPORATE GOVERNANCE

KONGSBERG's 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 leadership will ensure optimal value creation, while making sure that the Group's resources are 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 comply with the Norwegian Code of Practice for Corporate Governance insofar as possible. The description on pages 96 to 101 is based on the latest revised version of the Norwegian Code of Practice for Corporate Governance (4 Dec. 2007).

For compensation to executive management and the Board, see Note 31 to the Consolidated financial statements.

PROSPECTS FOR 2009

Kongsberg Maritime's goal is to maintain strong market positions. The BA is continuing its strong focus on the offshore market. In the market for merchant vessels, shipyards are experiencing high capacity utilisation and, as a result, delivery times for new vessels are long. The pace of contracting new vessels at the shipyards is expected to slow down for some time to come. KONGSBERG is experiencing an increase in after-sales and customer support.

Kongsberg Maritime operates in markets that are affected by the turbulence in the global economy. The markets may be susceptible to cancellations and postponements. In the Board's opinion, capacity utilisation and the workload will be good throughout most of 2009, but trends are being monitored carefully and several risk mitigation measures have been initiated.

Kongsberg Defence Systems and Kongsberg Protech Systems expect a continued strong influx of new orders and activities. The focus on advanced composite components for the aviation industry continues, as significant marketing efforts are being made to prepare the ground for sales and further development of missiles. The strong order situation in the market for weapon control systems is expected to continue. There are a myriad of new opportunities on this market with a view to existing as well as new customers.

KONGSBERG has good positions in the shipping/offshore and defence markets, and has a record-high backlog of orders. Consequently, in the short term the Group's results will not be very strongly affected by the downturn in the world economy. Cancellations in the shipyard industry, reduced defence budgets in several countries and a general and lasting economic downturn have increased the Group's risk. Over time, they may affect the Group's level of activity.

The NOK/USD and the NOK/EUR exchange rates are of great importance for the Group. Steps are taken on an ongoing basis to reduce the Group's foreign exchange exposure. Besides hedging all signed contracts, the Group hedges a percentage of anticipated new orders.

Measures have been taken to strengthen the Group's balance sheet by improving the cash flow and the efficiency of tied-up capital.

KONGSBERG is in a good position at the outset of 2009, offering a sound platform for further operations. However, it is hard to tell how markets will develop in the latter part of 2009. The Board is following the situation closely and, in addition to the measures already initiated, will consider further operational adjustments.

NEW CEO

Jan Erik Korssjøen, CEO of KONGSBERG since 1999, opted to retire on 1 March 2008. During his years at the helm, KONGSBERG has made great strides and the Board would like to express its gratitude and acknowledge his outstanding contributions to this success. The Board appointed Walter Qvam as Mr Korssjøen's successor. Mr Qvam has extensive experience of the management of Norwegian and international companies. He took over as CEO on 1 March 2008.

PROFIT/LOSS AND ALLOCATIONS

In 2008, the parent company Kongsberg Gruppen ASA reported a negative result for the year of MNOK 102. The Board of Directors proposes the following allocations for Kongsberg Gruppen ASA:

Dividends	MNOK 165
From other equity	MNOK (267)
Total allocations	MNOK (102)

The proposed dividend accounts for about 30 per cent of this year's profit before non-recurring items, which is compatible with the Group's dividend policy.

At 31 Dec. 2008, distributable reserves totalled MNOK 114.

STATEMENT FROM THE DIRECTORS AND THE CEO

We confirm that the financial statements for the period from 1 Jan. to 31 Dec. 2008 have, to the best of our conviction, been drawn up in accordance with current accounting standards and that the information in the financial statements gives a true picture of the company's and the Group's assets, liabilities, financial position and performance as a whole, and that the information in the Director's Report gives a true picture of the development, earnings and position of the company and the Group, along with a description of the principal risks and uncertainties the company faces.

Kongsberg, 19 March 2009

Finn Jebsen
Chair

Benedicte Berg Schilbred
Deputy chair

Erik Must
Director

Siri Hatlen
Director

John Giverholt
Director

Roar Marthiniussen
Director

Audun Solås
Director

Kai Johansen
Director

Walter Qvam
CEO

Financial Statements

Consolidated income statement for the year ended 31 December

Kongsberg Gruppen (The Group)

Amounts in MNOK	*Note*	*2008*	*2007*	*2006*
Revenues	7	11 056	8 306	6 720
Gain on disposal of property	7	-	253	-
Total revenues		**11 056**	**8 559**	**6 720**
Raw materials and consumables	8	(4 822)	(3 378)	(2 802)
Personnel expenses	9, 10	(3 365)	(2 822)	(2 326)
Non-recurring effect of settlement of the pension scheme	10	-	341	-
Other operating expenses	11	(1 550)	(1 140)	(965)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**1 319**	**1 560**	**627**
Depreciation	12	(197)	(170)	(163)
Earnings before interest, taxes and amortisation (EBITA)		**1 122**	**1 390**	**464**
Amortisation	13	(84)	(44)	(16)
Earnings before interest and tax (EBIT)		**1 038**	**1 346**	**448**
Financial income	16	71	5	6
Impairment/loss on financial assets	16, 19, 20	(138)	-	-
Other financial expenses	16	(110)	(72)	(64)
Profit before taxes		**861**	**1 279**	**390**
Income tax expense	17	(274)	(293)	(138)
Profit for the year		**587**	**986**	**252**
Attributable to:				
Equity holders of the company		583	981	249
Minority interests		4	5	3
Earnings per share in NOK				
- profit for the year / profit for the year, diluted	18	19.44	32.71	8.30
- profit before non-recurring items	18	19.44	16.17	8.30

Consolidated balance sheet at 31 December

Kongsberg Gruppen (The Group)

Amounts in MNOK	*Note*	*31 Dec 08*	*31 Dec 07*
ASSETS			
Non-current assets			
Property, plant and equipment	12	1 863	1 206
Goodwill	13, 14	1 737	1 364
Other intangible assets	13, 14	642	397
Available-for-sale shares	19	260	356
Other non-current assets	20	161	152
		4 663	**3 475**
Current assets			
Inventories	8	2 693	1 534
Receivables	21	2 515	1 690
Projects in progress	22	1 610	968
Project accruals, assets	22	560	114
Derivatives	23	126	486
Cash and short-term deposits	24	283	947
		7 787	**5 739**
Total assets		**12 450**	**9 214**
EQUITY, LIABILITIES AND PROVISIONS			
Equity			
Share capital		150	150
Share premium		832	832
Hedge reserve		(963)	284
Fair value of shares		24	90
Translation differences		38	(54)
Retained earnings		1 797	1 445
		1 878	**2 747**
Minority interests		16	11
Total equity	**25, 26**	**1 894**	**2 758**
Non-current liabilities and provisions			
Long-term interest-bearing loans	23	1 722	705
Pension liabilities	10	323	336
Derivatives	23	13	6
Provisions	27	102	106
Deferred tax liability	17	332	772
Other non-current liabilities	28	60	217
		2 552	**2 142**
Current liabilities and provisions			
Prepayments from customers	22	1 320	1 938
Project accruals, liabilities	22	808	575
Derivatives	23	2 903	34
Provisions	27	370	357
Other current liabilities	28	2 603	1 410
		8 004	**4 314**
Total liabilities and provisions		**10 556**	**6 456**
Total equity, liabilities and provisions		**12 450**	**9 214**

Kongsberg, 19 March 2009

Finn Jebsen
Chair

Benedicte Berg Schilbred
Deputy chair

Erik Must
Director

Siri Hatlen
Director

John Giverholt
Director

Roar Marthiniussen
Director

Audun Solås
Director

Kai Johansen
Director

Walter Qvam
CEO

Consolidated cash flow statement for the year ended 31 December

Kongsberg Gruppen (The Group)

Amounts in MNOK	*Note*	*2008*	*2007*
Profit for the year		**587**	**986**
Depreciation on property, plant and equipment		197	170
Amortisation on intangible assets		84	44
Impairment/loss on financial assets		138	-
Net other financial expenses		39	67
Gain on disposal of property		-	(253)
Gain on changes in pension plan		-	(341)
Income tax expense		274	293
Earnings before tax prior to depreciation, amortisation and non-recurring items		**1 319**	**966**
Adjusted for			
Change in prepayments from customers		150	441
Change in project accruals		233	304
Change in other current liabilities		917	348
Change in inventories		(1 159)	(421)
Change in receivables		(617)	(186)
Changes in projects in progress		(245)	(230)
Change in other accrual items		(475)	(159)
Income tax paid		(149)	(26)
Net cash flow from operating activities		**(26)**	**1 037**
Cash flow from investing activities			
Proceeds from sale of property shares		-	571
Proceeds from sale of property, plant and equipment	12	5	10
Purchase of property, plant and equipment	12	(816)	(432)
Capitalised proprietary intangible assets	13	(55)	(72)
Acquisition of subsidiaries and minority	6	(544)	(281)
Net payment of loans and acquisition of shares	19, 20	(74)	(134)
Net cash flow from investing activities		**(1 484)**	**(338)**
Cash flow from financing activities			
Proceeds from loan		1 017	-
Repayment of loans		-	(300)
Interest received		80	5
Interest paid		(120)	(59)
Net payments for the purchase/sale of treasury shares		(14)	(12)
Dividends paid to equity holders of the company		(150)	(75)
Net cash flows used in financing activities		**813**	**(441)**
Effect of changes in exchange rates on cash and short-term deposits		**33**	**(22)**
Net change in cash and short-term deposits		**(664)**	**236**
Cash and short-term deposits at 1 Jan.		**947**	**711**
Cash and short-term deposits at 31 Dec.		**283**	**947**

Consolidated statement of recognised income and expense for the year ended 31 December

Kongsberg Gruppen (The Group)

Amounts in MNOK	*Note*	*2008*	*2007*	*2006*
Change in the fair value of shares and hedging instruments and deferred income in connection with cash flow hedges				
– Change, cash flow hedges	16, 23	(1 728)	270	(11)
– Change, interest swap agreements	16, 23	(4)	14	29
– Change, shares available for sale	19	(66)	(25)	87
Recognised actuarial gains/losses on pension expenses	10	(112)	26	(118)
Foreign currency translation		92	(29)	(20)
Tax on items recognised directly in equity		516	(87)	28
Income and expenses recognised directly in equity		**(1 302)**	**169**	**(5)**
Profit for the year		**587**	**986**	**252**
Total recognised income and expenses	**26**	**(715)**	**1 155**	**247**
Attributable to:				
Equity holders of the company		(719)	1 150	244
Minority interests		4	5	3

Notes

Kongsberg Gruppen (The 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 2008 at its meeting on 19 March 2009. The consolidated accounts for 2008 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 well as the Norwegian disclosure requirements ensuing from the Accounting Act applicable at 31 December 2008.

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), that are measured to 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.
- The liability related to the cash-based option scheme for employees, measured at fair value. The principles for determining fair value are described in more detail in Note 4 "Fair value"

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 that 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:

- Business combinations, allocation of acquisition costs, cf. Note 6 "Acquisition of businesses"
- 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 22 "Projects in progress"

- As regards 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 13 "Intangible assets"
- Impairment test of goodwill, calculation of recoverable amounts from cash generating units, cf. Note 14 "Impairment test of goodwill and intangible assets"
- Test of impairment on intangible assets that are not goodwill, including the calculation of recoverable amounts cf. Note 14 "Impairment test of goodwill and intangible assets"
- Estimates related to pension liabilities, cf. Note 10 "Pensions and other long-term employee benefits"
- Estimates related to impairment on trade receivables, cf. Note 21 "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 22 "Projects in progress"
- Estimates related to future warranty commitments, cf. Note 27 "Provisions"

For more details about significant areas requiring discretionary judgement relating to the application 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 23 "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 30 "Sale and leaseback"

3 Summary of significant accounting policies

The Group has applied the same principles as for previous years in connection with preparing the consolidated accounts for 2008.

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. See Note 4 "Fair value" for the calculation of fair value, as well as Note 6 "Acquisition of businesses". 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 32 "List of Group companies". Subsidiaries disposed of during the year are included in the consolidated financial statement until the date on which the control ceases. Ordinarily, control will cease when all terms in the agreement are satisfied. A lack of satisfaction will result in the cancellation of the agreement. Operations disposed of during the period and which constitute independent business segments are presented as discontinued operations on a separate line on the income statement for the entire financial year and in the comparative figures.

Associates

Associates are entities in which the Group has significant influence, but not control (typically a stake from 20 to 50 per cent) over financial and operating policies. Significant influence is the power to participate in the financial and operating policy decisions of the invested company, but where Kongsberg does not have control or joint control over those policies. Where the stake is less than 20 per cent, it must be clearly demonstrated that significant influence exists, for example, through shareholder agreements. The consolidated financial statements include the Group's percentage of the profit/(loss) from associates using the equity method of accounting from the date on which significant influence is achieved and until such influence ceases. When the Group's percentage of a loss exceeds the value of the investment, the carrying amount of the investment is reduced to zero and no further losses are recognised. The exceptions are cases in which the Group has an obligation to cover the losses.

Jointly controlled entities

Jointly controlled entities are presented using proportional consolidation. Joint control is the contractually agreed sharing of control over an economic activity, and it exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties having control (participants). Proportional consolidation means that the assets, liabilities, revenues and expenses of jointly controlled entities are merged line item by line item with similar line items in the consolidated financial statements.

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.

Minority interests

Minority 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. Minority 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 minority interest cannot exceed the minority's share of equity in the consolidated subsidiary. Excess losses are recognised directly in the equity holders of the company in the subsidiary to the extent that the minority is not obligated and can cover its share of the loss. If the subsidiary starts making a profit, the equity holders of the company's share of the subsidiary's equity will be adjusted until the minority's share of past losses is 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 to equity. 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 directly to equity. Upon the disposal of all or part of a foreign entity, the accumulated translation difference related to the entity is reversed and recognised during the same period as a gain or loss on the sale.

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 an asset, and gross amounts due to customers for contract work (prepayments from customers) and accrued project costs are classified as an asset or liability. Projects in progress are the net amount of accumulated earned operating revenues less accumulated invoicing for all current contracts, where accumulated operating revenues exceed accumulated invoicing. Prepayments 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. 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 upon delivery. Delivery is considered complete when the customer takes over significant risks and rewards for a delivered product.

In addition to assuming the risks and the 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 delivered which 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 in their entirety when the system is delivered. The date of delivery is defined as the date on which the risk and rewards are transferred to the customer, see 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 to 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 shall be 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 assumption 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 abovementioned elements, is estimated as licence income and recognised upon delivery.

D) INCOME TAX EXPENSE

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 which will be payable 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 with responsibility 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 can be used.

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 equity. 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 a cash inflow that is 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 14 "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 development projects in the development phase, are capitalised if the development activities or the development project meet the defined criteria for capitalisation. Development involves plans or designs for the production of new or substantially 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, new 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 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 is based on long-term budgets approved by the Board. For more details about estimation, see Note 13 "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 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 if the customer is willing to pay more for the improvement, this can be considered development. 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. Others 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 units is estimated every year at the same time. Impairment testing is described in Note 14 "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 recoverable amount 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. The reversal 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, as directly attributable costs are expensed. An ordinary purchase or sale of financial assets is recognised and 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 their amortised cost using the effective interest rate method.

Except for shares in subsidiaries or jointly controlled entities on the balance sheet at 31 December 2008, 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 directly in equity, except for impairment loss, which is 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.

Impairment of 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 as one lasting for more than nine months is not of a temporary nature.

Accumulated losses recognised directly in equity 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 directly in equity.

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's financial affairs department 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, an identified highly probable future transaction or, in the case of currency risk, an unrecognised firm commitment (hedges of forecasted sale and interest hedges); or
iii) hedge a net investment in a foreign operation (equity hedges). Foreign currency risk is hedged on the basis of the hedge instrument's forward price.

KONGSBERG's criteria for classifying a derivative or other financial instrument as a hedge instrument are as follows:

(1) the hedge is expected to be highly effective for counteracting changes in fair value or cash flows to an identified object,
(2) the effectiveness of the hedge can be measured reliably,
(3) satisfactory documentation has been presented upon establishing the hedge to show among other things that the hedge is effective,
(4) for hedges of forecasted sale and interest hedges, that the future transaction has a high probability, and
(5) that the hedge has been evaluated on an ongoing basis and has proven effective, usually within the interval of 80–125 per cent.

(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 sale and interest hedges)

KONGSBERG's policy is to limit foreign currency risk while actively assessing various currencies' importance as competitive parameters. Parts of future predicted currency flows are hedged in accordance with an established strategy (hedges of forecasted sale). 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 directly in equity. The ineffective share of the hedge instrument that is outside the interval from 80 to 125 per cent is recognised in the profit/(loss).

When a hedged transaction takes place, the accumulated change in value of the hedge instrument is recognised out of equity and through 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) as 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 equity up to that date will remain in equity and be recognised in the income statement according to 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 to the profit or loss immediately.

(iii) Hedging a net investment in a foreign operation (equity hedges)

Hedging a net investment in a foreign operation is recognised in the same way as a cash flow hedge. The gains or losses on the hedge instrument related to the effective part of the hedge that has been taken directly to equity as part of the translation differences will be recognised to the profit or loss upon disposing of the foreign operation.

Follow up of hedging effectiveness

Forward foreign exchange contracts are expected to be effective throughout the entire period. KONGSBERG uses rollovers of 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 the nominal value 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 equity 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).

(iv) Fair value of shares

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 directly to equity. The accumulated translation difference related to the entity is recognised upon the disposal of all or part of a foreign entity. 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 will be 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 warranty 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 this scheme. Most of Kongsberg's companies abroad have defined contribution pension plans. The premiums are expensed as they accrue and shown as payroll expenses in the income statement.

Defined benefit pension plans

Most employees in Norway who were age 52 or older on the date of the transition have 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. Changes in actuarial gains/losses on pension expenses for obligations and pension plan assets are recognised directly in equity. 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 directly in equity.

The Group's legal liability is not affected by the treatment of pensions in the accounts.

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 and with options attached to the shares if the employee owns them for more than two years. Discounts on the sale of shares, as well as on the value of the options, are calculated on the date of balance sheet recognition and expensed as payroll expenses. These options are for cash settlement, and the value of the options is measured at fair value. The fair value of the options is distributed over the period until the options are exercised, and recognised as a liability on the balance sheet. Liability is assessed for each period until the options are exercised, and changes are recognised through profit or loss as payroll expenses. The option segment of the share programme was discontinued in 2007.

R) DISCONTINUED OPERATIONS AND NON-CURRENT ASSETS HELD FOR SALE

A discontinued operation is defined as a part of an enterprise that represents a significant share of the Group's business or a separate and mainly geographical area that has been sold, discontinued or classified as being held for sale. Classification as a discontinued operation occurs upon disposal or at an earlier point in time if the operation satisfies the criteria for being classified as being held for sale. When an operation is classified as a discontinued operation, the comparable figures are adjusted as though the operation had been discontinued/sold at the beginning of the period in question.

S) SEGMENTS

A segment is an identifiable Group entity that offers related products or services (business areas) or products or services within specific fields (geographical segment), with risk and rewards that are different from other segments. Segmental information is presented for business areas and geographical segments with the aforementioned as the primary format. The business areas (operational segments) are based on the Group's management and in-house reporting lines.

Business areas (operational segments)
Up to 31 December 2008, the Group was organised in two business areas; Kongsberg Defence & Aerospace and Kongsberg Maritime.

The business areas constitute the basis for primary reporting by segment. Transactions between segments are based on market terms. In segmental reports, transactions within the individual segments are eliminated. Further, intra-Group profits on sales between the various segments are eliminated.

Information by segment includes revenues, expenses, assets and liabilities that are directly linked to the individual segment, as well as elements that can be re-distributed reasonably. Shareholder costs and certain overheads are not allocated to the segments. The same applies to taxes, cash and short-term deposits, interest-bearing debt and properties occupied by parties other than the Group's own units.

Geographical segments
The presentations of geographical segments break down segmental revenues based on the customers' geographical location, while segment assets are distributed on the basis of the assets' physical location.

Financial information on the business segments and the geographical segments is presented in Note 7 "Information by segment".

T) 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.

U) IFRS AND IFRIC ADOPTED BY THE EU/EEA BUT NOT YET IMPLEMENTED
IFRS and interpretations approved by the EU/EEA up until 19 March 2009 and which were not mandatory at 31 December 2008, have not been applied by KONGSBERG.

IFRS and IFRIC interpretations expected to be applied as from 1 January 2009:
- IFRS 8 – Operating segments
- IAS 1 (revised) – Presentation of financial statements
- IFRIC 13 – Customer loyalty programmes
- IFRIC 14 – IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction

IFRS and IFRIC interpretations expected to be applied as from 1 January 2010 or later:
- IFRS 3 (revised) – Business combinations
- IAS 27 (revised) – Consolidated and separate financial statements
- Amendment to IAS 39 Financial instruments – recognition and measurement – eligible hedged items
- IFRIC 16 – Hedges of a net investment in a foreign operation
- IFRIC 17 – Distributions of non-cash assets to owners

With the exception of IFRS 8 – Operating segments, which could change measurement rules for segment profit, segment assets and segment liabilities, the implementation of the amendments listed above is not expected to have a significant impact on the consolidated accounts on the date of implementation.

IASB's annual improvement projects
The amendments implemented in several standards will enter into effect in 2009. The following is a list of the most important changes that can affect recognition, measurement and information disclosure in the notes:
- IFRS 5 – Non-current assets held for sale and discontinued operations
- IAS 1 – Presentation of financial statements
- IAS 19 – Employee benefits
- IAS 28 – Investments in associates, and IAS 31 – Interests in joint ventures
- IAS 36 – Impairment of assets
- IAS 39 – Financial instruments – recognition and measurement

None of the amendments will lead to changes in the Group's application of accounting policies or disclosure of information in the notes.

V) NEW IFRS AND IFRIC APPLIED TO THE ACCOUNTS IN 2008
KONGSBERG has applied IFRIC 11 and 14 without any significant impact on the reported figures.

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
In connection with the acquisition of subsidiaries and the purchase of their assets and operations, intangible assets are recognised at fair value. The fair value of intangible assets, e.g. technology, software and customer relations acquired in connection with an acquisition, 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. See Note 6 "Acquisition of businesses" for more details.

PROPERTY, PLANT AND EQUIPMENT
In connection with acquisitions, property, plant and equipment are recognised at fair value. The fair value of property, plant and equipment is 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 in an acquisition that the carrying amount is an estimate of market value. See Note 6 "Acquisition of businesses" for more details.

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. See Note 6 "Acquisition of businesses" for more information.

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.

TRADE RECEIVABLES AND OTHER RECEIVABLES
The fair value of trade receivables and other receivables is estimated as the net present value of future cash flows discounted by the market interest on the date of balance sheet recognition.

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.

SHARE-BASED PAYMENT

The fair value of employees' options is calculated using the Black-Schole's model. The model requires the following input: share price on the date of balance sheet recognition, exercise price, expected volatility, expected dividends and the free risk interest rate based on government bonds.

5 Management of capital and financial risk

KONGSBERG has a centralised financial affairs function that is responsible for the Group's financing, currency exposure, interest rate risk, credit risk and liquidity management. The Group's subsidiaries have limited opportunities to establish independent funding.

FUNDING AND CAPITAL MANAGEMENT

KONGSBERG's operations reflect a long-term perspective, with defence projects extending for three to five years, while the Group has a long-term marketing strategy for all business areas. This requires access to capital over time and KONGSBERG aspires to maintain good creditworthiness among lenders and investors alike.

KONGSBERG's policy is that approx. 30 per cent of the Group's profit for the year from ordinary operations after tax should be returned to the owners as dividends. KONGSBERG emphasises financial flexibility, and has standards for capital structure to ensure a balance between liquidity risk and refinancing risk. Loans are to be renegotiated well in advance of their due date, and the average term to maturity for the loans incurred is to be at least two years.

KONGSBERG aims to have a diversified selection of funding sources. This entails banking based on syndicated credit facilities and the issue of debt instruments in the Norwegian capital market. The Group has satisfactory access to capital in the NOK market and has thus concluded that there is no need to be subject to public rating. The Group is nevertheless rated by its lenders, scoring BBB.

Amounts in MNOK	*Total 31 Dec 08*	*<1 yr*	*1–2 yr*	*2–3 yr*	*3–4 yr*	*4–5 yr*	*>5 yr*
Interest-bearing liabilities							
Bond issue	700	400	-	-	300	-	-
Bank loans	1 000	-	-	-	-	1 000	-
Total interest-bearing liabilities	**1 700**	**400**	**-**	**-**	**300**	**1 000**	**-**

Besides the above-mentioned bank loan, KONGSBERG concluded an agreement for a new syndicated credit facility in 2008 of MNOK 800 with a two-year term to maturity, as a liquidity reserve.

KONGSBERG uses credit facilities, short-term certificate loans and the corporate accounting system to cover short-term liquidity needs. Short-term loans should not exceed the accessible credit facilities with a term to maturity of more than one year.

In keeping with the requirement for good creditworthiness, KONGSBERG will have a moderate gearing ratio (net interest-bearing debt/EBITDA). Net interest-bearing debt should not exceed three times the EBITDA, but can be up to 3.5 times the EBITDA for a maximum of three quarters. KONGSBERG has no terms other than the gearing ratio attached to its loan contracts.

LIQUIDITY MANAGEMENT

KONGSBERG has a corporate accounting system with which all subsidiaries are affiliated. The corporate accounting system optimises availability and flexibility with a view to liquidity management. The subsidiaries regularly submit liquidity prognoses so that the Group's central financial function can optimise liquidity management.

CURRENCY RISK

A large share of KONGSBERG's revenues are related to export contracts, and there is a relatively small percentage of purchasing in the same currency. As a result, KONGSBERG has considerable foreign currency exposure. KONGSBERG has a policy of hedging all contractual currency flows (project hedges). In addition, the Group has a foreign exchange policy in which anticipated new orders are hedged (hedges of forecasted sale) on the basis of a matrix. The matrix is designed so that the Group hedges a combination of larger volumes forward in time at good rates and smaller volumes with a shorter time perspective at poorer rates. This enables the Group to mitigate the effects of currency fluctuations in a one to three year perspective.

Forward foreign exchange and option contracts are the most commonly used hedging instruments. Options are only used to a limited degree. In addition, currency accounts in the corporate accounting system are used to hedge small amounts with a short term to maturity.

In addition to financial instruments, operational measures are implemented to reduce foreign currency exposure.

KONGSBERG has established a financial system that handles all foreign exchange transactions. In addition, a separate risk management function has been set up to supervise all financial transactions.

Reference is made to Note 23 b) "Financial instruments – Foreign currency risk and the hedging of foreign currency" for further information.

INTEREST RATE RISK

At 31 December 2008, KONGSBERG had a bond loan totalling MNOK 700 and a syndicated bank facility of MNOK 1 000, i.e. MNOK 1700, that was fully drawn. Some parts of the floating interest rate exposure attached to bonds are guaranteed using interest rate swap agreements.

KONGSBERG has as policy of emphasising predictability relative to interest expenses at times when changes in the interest level have a significant influence on consolidated profit.

Each year, the funding plan is presented to the Board of Directors to consider interest rate exposure. Reference is made to Note 23 d) "Financial instruments – interest rate risk" for further information.

CREDIT RISK

At year-end 2008, KONGSBERG had MNOK 2 659 in gross accounts receivable, of which MNOK 2 241 was 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, the Group has had a relatively low percentage of bad debts. Kongsberg Defence & Aerospace mainly has government customers, and is not very vulnerable to credit risk.

Kongsberg Maritime generally serves customers from the private sector, and is more exposed to credit risk. Unrest in the global economy in general and in the shipyard and shipping industry in particular, have led to additional credit risk in the markets addressed by Kongsberg Maritime. Kongsberg Maritime has set aside provisions to take into account the increased credit risk.

Kongsberg Maritime has implemented operational initiatives to reduce credit exposure. Credit insurance is only used to limited extent, but is considered in certain cases.

The Group has a policy decision about maintaining a responsible balance between increasing sales as good margins and interest expenses and the risk of losses. Furthermore, large parts of the Group operate on the basis of specially adapted credit manuals appurtenant routines for debt collection. In the light of the unrest on the financial markets, this function was fortified in 2008.

As regards counterparty risk, KONGSBERG has set strict requirements for creditworthiness and placed restrictions at its aggregate level of credit exposure.

Reference is made to Note 21 "Accounts receivable and credit risk" for further information.

MARKET RISK ATTACHED TO FINANCIAL INVESTMENTS

The value of the Group's financial investments is vulnerable to fluctuations in the equity market. Investments are evaluated and followed up centrally. The Group makes regular reports on trends in the value of financial assets.

Reference is made to Note 19 "Available-for-sale shares" for further information.

6 Acquisition of businesses

2008

GlobalSim Inc.

On 27 February 2008, Kongsberg Maritime acquired the simulator company GlobalSim Inc. of the US for an estimated acquisition cost of MNOK 83. Payment consisted of a cash consideration, acquisition costs and estimated additional remuneration attached to earn outs. Estimated net excess value of MNOK 68 was allocated for division between technology and goodwill. From the date of acquisition, i.e. 27 February 2008 and up to 31 December 2008, the undertaking has contributed MNOK 31 to operating revenues and MNOK 12 in EBITDA.

GeoAcoustics Ltd.

In Q3, Kongsberg Maritime signed an agreement for the acquisition of the British sonar company GeoAcoustics Ltd. The estimated acquisition cost was MNOK 42. Estimated excess value of MNOK 4 was allocated to goodwill. Since the acquisition, GeoAcoustics Ltd. has contributed MNOK 19 in operating revenues and an MNOK 3 in EBITDA to the consolidated accounts.

Hydroid Llc

Through its subsidiary Simrad North America Inc., Kongsberg Maritime has acquired the assets and operations of the US company Hydroid Llc for a cash consideration of MNOK 402. The acquisition was concluded on 13 June 2008 and the acquisition cost is estimated at MNOK 430. The price consists of a cash consideration, acquisition costs and estimated additional remuneration attached to earn outs. The company manufactures and supplies autonomous underwater vehicles destined for military and commercial markets the world over. Hydroid's head office is in Pocasset, Massachusetts (USA). From the date of acquisition, 13 June 2008, and up to 31 December 2008, the entity contributed MNOK 106 in operating revenues and MNOK 25 in EBITDA.

Allocation of excess value upon the acquisition of operations in 2008

Amounts in MNOK	*Recognised values at acquisition*	*Adjust-ments of fair value*	*Carrying value prior to acquisition*
Technology	202	182	20
Customer relations	11	11	-
Other intangible assets	5	-	5
Other assets	137	-	137
Liabilities	(87)	-	(87)
Net identifiable assets and liabilities	**268**	**193**	**75**
Goodwill upon acquisition	318		
Cash payment incl. acquisition costs and additional remuneration	**586**		
Estimated additional remuneration and purchase costs	(28)		
Cash money acquired	(14)		
Net closing cash flow	**544**		

The calculation of the fair value of the technology rights is based on future earnings related to technology. The fair value of customer relations is assessed based on the excess earnings method. Goodwill is residual, and is mainly related to employee expertise, anticipated synergies and earnings attached to the future development of technology. The projected useful life is 8-10 years for both technology and customer relations.

Had the acquisition of the entities had effect from 1 January 2808, this would not in 2008 have been of great significance to the Group's aggregate revenues or for the consolidated operating profit.

Change in the acquisition cost of earlier acquisition

The acquisition of Kongsberg Intellifield AS (formerly Sense Intellifield AS) in 2007 involved estimated additional remuneration attached to earn-outs added to the acquisition cost. An unrealised percentage of an "earn-out" of MNOK 32 reduced goodwill in 2008.

2007

On 27 December 2006, Kongsberg concluded an agreement to purchase 100 per cent of the technology enterprise Sense Intellifield for a cash consideration of MNOK 266. The acquisition was completed on 23 January 2007 and the acquisition cost was estimated at MNOK 324. The consideration consists of cash, acquisition costs and estimated additional remuneration related to "earn-outs." Sense Intellifield delivers products in the field of integrated operations for the oil and gas market. Integrated operations are having a growing impact on the oil and gas industry in terms of exploration as well as production. The date of acquisition was 23 January 2007. From 1 January 2007 to 31 December 2007, the company contributed MNOK 161 in operating revenues and minus MNOK 3 in the operating profit (EBITA).

Allocation of excess value upon the acquisition of operations in 2007

Amounts in MNOK	*Recognised values at acquisition*	*Adjust-ments of fair value*	*Carrying value prior to acquisition*
Technology	152	121	31
Customer relations	21	21	-
Other assets	57	-	57
Liabilities	(75)	(40)	(35)
Net identifiable assets and liabilities	**155**	**102**	**53**
Goodwill upon acquisition	184		
Cash payment incl. acquisition costs and additional remuneration	**339**		
Estimated additional remuneration and purchasing costs	(58)		
Cash acquired	-		
Net closing cash flow	**281**		

The fair value of technology is calculated based on earnings and rests on future licence revenues. The value on technology constituted MNOK 152 and consisted of four different applications/systems. Licence revenues are expected to increase in the next two years, and then to decline as future development is not reflected in the estimated licence revenues. The technology has a projected useful life of seven to 10 years. The fair value of customer relations is based on an excess earnings-based method and has a value of MNOK 21. Anticipated operating revenues for advanced conference rooms, consultancy services and service are considered part of customer relations. The projected useful life of customer relations is six years.

Goodwill is residual, and is mainly related to employee expertise, anticipated synergies and earnings attached to the future development of technology. Future cash flows are discounted by a project-specific discount rate. The estimates are based on past experience, expectations of future licensing agreements, technical assessments of the technology and external market trends. The estimates are contingent on the fulfilment of assumptions. Changes in the assumptions may have a significant impact on future results.

7 Information by segment

The business areas constitute the Group's primary reporting format, and geography is the Group's secondary reporting format.

BUSINESS SEGMENTS

Up to 31 December 2008, the Group's activities were divided into two business areas, Kongsberg Maritime and Kongsberg Defence & Aerospace, which are organised and managed separately. The BAs sell different products, address different markets and feature different risk and return profiles.

Kongsberg Maritime

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 surveying, surveillance, training simulators and for fishing vessels and fisheries research. The business area is a market leader in these areas. Important markets include countries with significant offshore and shipyard industries.

Kongsberg Defence & Aerospace

Kongsberg Defence & Aerospace is Norway's premier supplier of defence and aerospace-related systems. The Norwegian Armed Forces is the BA's most important customer. Solutions developed in collaboration with the Norwegian Armed Forces have proven competitive at the international level. In recent years, they have achieved a significant export share. All defence-related exports are contingent on the approval of the Norwegian authorities. One key element of the BA's market strategy is the forging of alliances with major international defence enterprises. Kongsberg Defence & Aerospace delivers systems for command and weapons control, weapons control and surveillance, as well as different types of communications solutions and missiles.

Shareholder costs and certain overheads are not allocated to the segments. The same applies to taxes, financial instruments and properties occupied by parties other than the Group's own units.

Intra-Group transactions are based on market terms. Segmental income, segmental expenses and segmental profits include transactions between segments. The same applies to receivables and liabilities related to commodity flows. Transactions within the various segments have been eliminated.

GEOGRAPHICAL SEGMENTS

The Group's activities are generally divided into Norway, Rest of Europe, America and Asia.

BUSINESS SEGMENT DATA

PROFIT/(LOSS)	Kongsberg Maritime			Kongsberg Defence & Aerospace			Non-allocated/ Other activities			Eliminations			Consolidated		
Amounts in MNOK	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*
Revenue from external customers	6 391	4 830	3 528	4 428	3 285	2 985	237	191	207	-	-	-	11 056	8 306	6 720
Gains on sale of properties	-	212	-	-	-	-	-	41	-	-	-	-	-	253	-
Intra-Group transactions	34	20	25	22	53	12	-	-	-	(56)	(73)	(37)	-	-	-
Total revenues	**6 425**	**5 062**	**3 553**	**4 450**	**3 338**	**2 997**	**237**	**232**	**207**	**(56)**	**(73)**	**(37)**	**11 056**	**8 559**	**6 720**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)[1]	**795**	**965**	**412**	**506**	**517**	**254**	**18**	**78**	**(39)**	**-**	**-**	**-**	**1 319**	**1 560**	**627**
Depreciation	(104)	(81)	(83)	(90)	(79)	(72)	(3)	(10)	(8)	-	-	-	(197)	(170)	(163)
Earnings before tax prior to amortisation (EBITA)[1]	**691**	**884**	**329**	**416**	**438**	**182**	**15**	**68**	**(47)**	**-**	**-**	**-**	**1 122**	**1 390**	**464**
Amortisation	(43)	(23)	(2)	(41)	(21)	(14)	-	-	-	-	-	-	(84)	(44)	(16)
Segment performance (EBIT)[1]	**648**	**861**	**327**	**375**	**417**	**168**	**15**	**68**	**(47)**	**-**	**-**	**-**	**1 038**	**1 346**	**448**
Impairment/loss on financial assets													(138)		
Net other financial expenses													(39)	(67)	(58)
Income tax expenses													(274)	(293)	(138)
Profit for the year													**587**	**986**	**252**
1) Incl. non-recurring effects related to settlement of the pension plan	-	166	-	-	165	-	-	10	-	-	-	-	-	341	-

ASSETS AND LIABILITIES	Kongsberg Maritime		Kongsberg Defence & Aerospace		Other business		Consolidated	
Amounts in MNOK	*31 Dec 08*	*31 Dec 07*	*31 Dec 08*	*31 Dec 07*	*31 Dec 08*	*31 Dec 07*	*31 Dec 08*	*31 Dec 07*
Segment assets	7 021	5 251	4 718	2 448	-	-	11 739	7 699
Non-allocated assets	-	-	-	-	-	-	711	1 515
Total assets	**7 021**	**5 251**	**4 718**	**2 448**	**-**	**-**	**12 450**	**9 214**
Segment, non-interest-bearing liabilities	4 497	2 747	3 885	2 620	-	-	8 382	5 367
Non-allocated liabilities	-	-	-	-	-	-	2 174	1 088
Total obligations	**4 497**	**2 747**	**3 885**	**2 620**	**-**	**-**	**10 556**	**6 455**
Investments in property, plant and equipment	169	148	640	278	16	8	825	434
Investments in intangible assets	527	386	33	58	-	-	560	444
Cash flow	(398)	(206)	(939)	409	673	33	(664)	236

GEOGRAPHICAL SEGMENTS

	Norway			Rest of Europe			America			Asia			Other			Total		
Amounts in MNOK	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*
Revenue from external customers	2 570	2 417	1 892	2 483	1 981	1 764	3 403	2 038	1 512	2 479	1 762	1 415	121	108	137	11 056	8 306	6 720
Income in % of total	23%	29%	28%	23%	24%	26%	31%	25%	23%	22%	21%	21%	1%	1%	2%	-	-	-
Gain on sale of property	-	253	-	-	-	-	-	-	-	-	-	-	-	-	-	-	253	-
Total revenues	**2 570**	**2 670**	**1 892**	**2 483**	**1 981**	**1 764**	**3 403**	**2 038**	**1 512**	**2 479**	**1 762**	**1 415**	**121**	**108**	**137**	**11 056**	**8 559**	**6 720**
Segmental assets	9 330	7 644	6 066	698	454	380	1 593	644	555	828	472	355	1	-	-	12 450	9 214	7 356
Investments in property, plant, equipment, and other intangible assets	734	794	279	53	10	11	587	14	178	11	60	8	-	-	-	1 385	878	476

8 Inventories

The Group's total inventories break down as follows:

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Raw materials	1 716	877
Work in progress	625	387
Finished products	352	270
Total	**2 693**	**1 534**
Impairment on inventories during the period	54	51

Larger inventories are the result of the higher backlogs of orders.

9 Personnel expenses

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

Amounts in MNOK	*2008*	*2007*	*2006*
Salaries	2 561	2 131	1 767
Social security	386	279	252
Pension expenses, defined benefit plans (Note 10)	84	151	128
Pension expenses, defined contribution pension plans (Note 10)	138	10	8
Bonus expenses, incl. social security	99	100	68
Other benefits	97	151	103
Total personnel expenses	**3 365**	**2 822**	**2 326**

For a more detailed description of the bonus scheme for executive management, see Note 31 "Related parties".

Other benefits include employee share/option programmes for MNOK 12 in 2008 and MNOK 17 and 7 in 2007 and 2006, respectively.

AVERAGE FTES/EMPLOYEES

	2008	*2007*	*2006*
Norway	3 618	3 264	2 907
Europe	317	200	188
America	292	198	173
Asia	543	319	207
Other	2	5	10
Total	**4 772**	**3 986**	**3 485**

OPTIONS FOR EMPLOYEES

For a number of years, the Group has conducted a share programme for all employees, offering shares at a discount. Up to and including 2006, there were also options attached to the share programme. Discounts on the sale of shares to employees are recognised as personnel expenses. The fair value of the options was calculated at on the date of balance sheet recognition and charged against income as personnel expenses over the vested period.

In the employee share programme for 2006, employees could purchase shares for up to NOK 30 000 per employee at a 20 per cent discount, and options were awarded corresponding to half the number of shares the individual purchased. The options had a exercise price of NOK 168. The market value of the shares on the redemption date in 2008 was NOK 392 (NOK 242.50).

Amounts in MNOK	*2008*	*2007*	*2006*
Number of options outstanding 1 Jan.	41 999	113 217	142 215
Number of options granted	-	-	41 999
Number of options exercised	(34 963)	(54 031)	(42 008)
Number of options expired	(7 036)	(17 187)	(28 989)
Options outstanding 31 Dec.	-	41 999	113 217

Including social security, in 2007, MNOK 10 was recognised as an expense for options for employees, compared with MNOK 4 in 2006. There was no expense for this in 2008.

10 Pensions and other long-term employee benefits

KONGSBERG has a service pension plan, consisting of a deposit-based scheme and a defined benefit plan. The service pension scheme applies all the Group's employees in Norway. At 31 December 2008, the schemes covered 3 800 employees in Norway and 466 employees outside Norway.

The defined contribution plan

The Group introduced a defined contribution pension scheme in 2007 for all employees under age 52 as from 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 with defined benefit plans, 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 2008, 2 814 employees in Norway and 350 employees abroad were covered by these plans. The premiums are expensed as they accrue.

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 basic 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 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.

Until 2006, members of corporate management had an early retirement agreement from the age of 60. Providing the accrual period was at least 10 years, the scheme paid 90 per cent of salary upon leaving the company from age 60, diminishing by 10 per cent per year to 60 per cent of salary from age 63 to age 67.

In 2006, the Group introduced new rules for early retirement for newly hired managers . The rules entailed a reciprocal right for the enterprise and the executive to ask to be released from the obligation to work from age 62, in return for a benefit of 65 per cent of annual salary, providing the vested period was at least 15 years. In 2008, the Board adopted further changes in the rules for early retirement, which are pursuant to the State Ownership Report. The new rules entail early retirement from age 65 at the latest, but with the reciprocal right for the company and the executive to request early retirement from age 63. The benefits are 65 per cent of annual pay, providing a vested period of at least 15 years. If the employee resigns between ages 63 and 65, however, pension accrual will be reduced for the defined contribution pension that applies from age 67.

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

	31 Dec 08	*31 Dec 07*	*31 Dec 06*
Financial assumptions			
Discount rate	4.0%	5.0%	4.5%
Long term rate of return	6.0%	6.0%	5.5%
Salary increase	3.5%	4.5%	4.0%
Pension base level adjustment	3.5%	4.5%	4.0%
Pension adjustment	1.0%	2.0%	1.5%

	31 Dec 08	*31 Dec 07*	*31 Dec 06*
Demographic assumptions			
Mortality	K 2005	K 2005	K 2005
Disability	IR 73	IR 73	IR 73
Voluntary retirement	4.5% for all ages	4.5% for all ages	4% for all ages
Early retirement	40% at age 62	40% at age 62	20% at age 62

K2005 has been drawn up by the Norwegian Financial Services Association, and address the tariffs for mortality. IR73 address 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:

	Disability rate		Mortality rate		Estimated life expectancy	
Age	*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 features 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	*2008*	*2007*	*2006*
Service cost	67	110	95
Interest cost on accrued pension liabilities	60	75	63
Estimated return on pension plan assets	(56)	(53)	(47)
Amortisation, plan changes	3		1
Accrued social security expenses	10	19	16
	84	151	128
Settlement of pension plan		(341)	
Total net pension expenses	**84**	**(190)**	**128**
Expenses related to defined contribution pension plans, Norway	123	-	-
Expenses related to defined contribution pension plans, abroad	15	10	8

CHANGE OF NET PENSION COMMITMENTS RECOGNISED ON THE BALANCE SHEET

Amounts in MNOK	2008 *Funded*	*Unfunded*	*Total*	2007 *Funded*	*Unfunded*	*Total*
Changes in gross pension liabilities						
Gross pension liabilities	1 086	203	1 289	1 624	175	1 799
Net change in social security expenses	(2)	-	(2)	(45)	(5)	(50)
Plan changes	-	2	2	-	-	-
Net current value of accruals for the year	55	12	67	99	11	110
Interest expenses on pension liabilities	51	9	60	68	7	75
Settlement of pension plan	-	-	-	(299)	-	(299)
Actuarial losses/gains	84	5	89	(17)	25	8
Transition to proportionate consolidation method	-	-	-	(10)	-	(10)
Payments of pensions/paid-up policies	(35)	(16)	(51)	(334)	(10)	(344)
Gross pension liabilities, 31 Dec.	**1 239**	**215**	**1 454**	**1 086**	**203**	**1 289**
Change in gross pension funds						
Fair value, pension plan assets, 1 Jan.	950	-	950	1 049	-	1 049
Anticipated rate of return on pension funds	56	-	56	53	-	53
Actuarial losses/gains	(9)	-	(9)	31	-	31
Transition to proportionate consolidation method	-	-	-	(9)	-	(9)
Premium payments	167	-	167	160	-	160
Payments of pensions/paid-up policies	(35)	-	(35)	(334)	-	(334)
Fair value, pension plan assets, 31 Dec.	**1 129**	**-**	**1 129**	**950**	**-**	**950**
Net pension liabilities	**(110)**	**(215)**	**(325)**	**(136)**	**(203)**	**(339)**
Not recognised plan changes	-	2	2	-	3	3
Net capitalised pension liabilities, 31 Dec.	**(110)**	**(213)**	**(323)**	**(136)**	**(200)**	**(336)**

The percentage distribution of pension plan assets by investment categories at 31 December 2008 and earlier was:

	2008	*2007*	*2006*	*2005*
Long-term bonds	29%	28%	30%	27%
Money market	14%	7%	5%	17%
Short-term bond loans	30%	21%	20%	18%
Shares	4%	25%	30%	23%
Property	17%	16%	13%	12%
Other	6%	3%	2%	3%
Actual investment performance, pension plan assets	1.9%	11.8%	7.5%	7.3%

	2008	*2007*	*2006*	*2005*
Net liability, 1 Jan.	(336)	(747)	(665)	(456)
Net change in social security expenses	2	50	(11)	(26)
Recognised pension expenses	(74)	(132)	(112)	(87)
Settlement, pension plan	-	299		
Premium payments	167	160	129	150
Premium payments, plan changes	-	-	14	
Disbursements, early retirement	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	(98)	23	(106)	(263)
Net capitalised pension liability, 31 Dec.	**(323)**	**(336)**	**(747)**	**(665)**

Actuarial losses/gains are booked directly to equity.

Historical information

Amounts in MNOK	*2008*	*2007*	*2006*	*2005*	*2004*
Gross pension liabilities, 31 Dec.	1 454	1 289	1 799	1 674	1 328
Fair value, pension plan assets, 31 Dec.	1 129	950	1 049	1 005	868
Net pension liabilities, 31 Dec.	(325)	(339)	(750)	(669)	(460)
Unrecognised actuarial gains/losses on pension liabilities, 31 Dec.	89	8	76	234	77
Actuarial gains/losses on pension plan assets, 31 Dec.	(9)	31	(30)	(29)	4

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 based on the financial and actuarial assumptions made at year end. In calculating the gross value of pension plan assets, an annual return 0 per cent was assumed at 31 December 2008. The actual return was 1.9 per cent, but this was not taken into account as regards the carrying amount of the values. Projected pension premium payments to the defined benefit plan for 2009 come to approx. MNOK 160. Pension benefits depend on the individual employee's number of years of service and salary level upon reaching retirement age. Net pension obligations are based on actuarial standards, which rest on assumptions attached, for example, to the discount rate, future wage growth, pension adjustments, the estimated return on pension plan assets, and employee turnover. These assumptions are updated annually. The discounting rate is stipulated on the basis of the long-term government bond interest rate with a mark-up of 30 basis points that reflect the time frame for paying out on the pension liability. The balance sheet shows net pension liabilities including social security.

SENSITIVITY ANALYSIS OF PENSION CALCULATIONS

The following estimates are based on the facts and circumstances that applied on 31 December 2008, given that all other parameters remain constant. The actual results may differ significantly from these estimates.

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

11 Auditor's fees

	2008				2007			
Amounts in NOK 1000	*Parent company*	*Subsidiaries in Norway*	*Subsidiaries abroad*	*Total 2008*	*Parent company*	*Subsidiaries in Norway*	*Subsidiaries abroad*	*Total 2007*
Corporate auditor Ernst & Young								
Statutory audits	890	6 284	727	7 901	850	5 520	1 230	7 600
Other assurance services	55	301	-	356	66	376	-	442
Tax consultancy	-	390	147	537	-	673	140	813
Other services	316	-	-	316	-	910	-	910
Total fees, Ernst & Young	**1 261**	**6 975**	**874**	**9 110**	**916**	**7 479**	**1 370**	**9 765**
Others auditors								
Calculated auditing fees	-	242	610	852	-	89	-	89

12 Property, plant and equipment

Amounts in MNOK	*Machinery*	*Equipment*	*Land, building and other property*	*Total*
Cost of acquisition				
1 Jan. 2007	362	889	995	2 246
Additions	59	127	246	432
Disposals	(6)	(12)	(153)	(171)
Additions through acquisition of businesses	-	2	-	2
Translation differences	(6)	(4)	(7)	(17)
31 Dec. 2007	**409**	**1 002**	**1 081**	**2 492**
1 Jan. 2008	**409**	**1 002**	**1 081**	**2 492**
Additions	230	228	358	816
Disposals	(7)	(5)	(1)	(13)
Additions through acquisition of businesses	8	1	-	9
Translation differences	3	15	26	44
31 Dec. 2008	**643**	**1 241**	**1 464**	**3 348**
Accumulated depreciation and impairment losses				
1 Jan. 2007	226	643	309	1 178
Depreciation for the year	35	100	35	170
Disposals	(5)	(13)	(35)	(53)
Translation differences	(4)	(3)	(2)	(9)
31 Dec. 2007	**252**	**727**	**307**	**1 286**
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**
Carrying amount, 1 Jan. 2007	136	246	686	1 068
Carrying amount, 31 Dec. 2007	**157**	**275**	**774**	**1 206**
Carrying amount, 31 Jan. 2008	157	275	774	1 206
Carrying amount, 31 Dec. 2008	**362**	**384**	**1 117**	**1 863**
Useful life	3–10 years	3–10 years	10–33 years[1)]	
Annual rent from off-balance sheet property, plant and equipment	8	1	136	145

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

About half the investments in fixed assets are related to the establishment of the composite plant at the Arsenal in Kongsberg. The plant has 33 099 m² of floor space. The composite plant came online in July 2008 and was officially opened on 21 November 2008. Major investments will have to be made in machinery and infrastructure at factory area before we can reach full capacity utilisation. We do not expect to reach that point until 2014.

13 Intangible assets

Amounts in MNOK	*Goodwill*	*Technology*	*Capitalised proprietary development*	*Other intangible assets*	*Total*
Cost price					
1 Jan. 2007	1 587	190	25	10	1 812
Translation differences	-	2	-	-	2
Access	-	-	72	1	73
Acquisition of businesses	197	153	-	21	371
31 Dec. 2007	**1 784**	**345**	**97**	**32**	**2 258**
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
31 Dec. 2008	**2 157**	**605**	**152**	**52**	**2 966**
Accumulated amortisation and impairment losses					
1 Jan. 2007	420	30	-	3	453
Translation differences	-	-	-	-	-
Amortisation and impairment losses	-	38	2	4	44
31 Dec. 2007	**420**	**68**	**2**	**7**	**497**
1 Jan. 2008	420	68	2	7	497
Translation differences	-	5	-	1	6
Amortisation and write downs	-	55	24	5	84
31 Dec. 2008	**420**	**128**	**26**	**13**	**587**
The carrying amount					
1 Jan. 2007	1 364	160	25	25	1 574
31 Dec. 2007	**1 364**	**277**	**95**	**25**	**1 761**
1 Jan. 2008	1 364	277	95	25	1 761
31 Dec. 2008	**1 737**	**477**	**126**	**39**	**2 379**
Useful life		7–10 years	5 years	8–10 years	
Remaining useful life		1–9 years	3–5 years	4–9 years	

The technology is largely attributable to the acquisition of Hydroid (2008), Global Sim (2008), Kongsberg Intellifield (2007) Gallium and Fantoft (2006), cf. Note 6 "Acquisition of businesses". With the exception of goodwill, the amortisation of intangible assets is done either on a straight-line basis over the useful life or according to the number of units produced.

RESEARCH AND DEVELOPMENT RECOGNISED IN PROFIT AND LOSS

Expenditures related to equity-financed research and development:

	2008			2007			2006		
Amounts in MNOK	*Product maintenance*	*Development costs*	*Total*	*Product maintenance*	*Development costs*	*Total*	*Product maintenance*	*Development costs*	*Total*
Kongsberg Maritime	99	353	452	97	244	341	71	219	290
Kongsberg Defence & Aerospace	28	111	139	52	130	182	16	101	117
Total	**127**	**464**	**591**	**149**	**374**	**523**	**87**	**320**	**407**

BALANCE SHEET RECOGNITION OF PROPRIETARY DEVELOPMENT

Development projects financed by customers are not capitalised, but KONGSBERG strives to obtain ownership rights to the developed product. Assessments of the fulfilment of the criteria for capitalising equity-financed development costs are made on an ongoing basis. Based on technical success and market assessments, during the development phase, the decision is taken about whether to complete development and begin to capitalise the remaining development costs. For the Group as a whole, MNOK 55 (MNOK 72 in 2007) in expenses for proprietary development were capitalised in 2008.

In the BA Kongsberg Defence & Aerospace, capitalised proprietary development totalled MNOK 33 in 2008 (MNOK 58 in 2007) Capitalisation is mainly related to the development of radio line communications as well as to the further development of the Protector weapons control system. The assumptions used to extrapolate the financial benefits are based on the same principles as described in Note 14 "Impairment test of goodwill and intangible assets" under Kongsberg Defence & Aerospace. The financial advantage is discounted using a project-specific discount rate.

Capitalised proprietary development in 2008 added up to MNOK 22 (MNOK 14 in 2007) in the BA Kongsberg Maritime, and applies to development in connection with dynamic positioning and integrated operations. The remaining equity-financed development projects at Kongsberg Maritime generally consist of numerous 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 be. 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. The assumptions that are used for to extrapolate the financial advantages are based on the same principles as described in Note 14 "Impairment test of goodwill and intangible assets" under Kongsberg Maritime. The financial advantage is discounted using a project-specific discount rate.

14 Impairment test of goodwill and intangible assets

A) IMPAIRMENT TEST OF GOODWILL

Goodwill obtained through acquisitions is allocated to each of the business areas. KONGSBERG tested impairment in Q4 2008 in each of the BAs, which are the Group's reporting segments, and which are also classified as cash flow-generating units.

Carrying amount, goodwill

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Kongsberg Maritime	1 602	1 231
Kongsberg Defence & Aerospace	135	133
Total carrying amount, goodwill	1 737	1 364

Value in use and important assumptions

Impairment testing on goodwill is based on the BA's value in use. The discounted cash flow method is used to ascertain value in use. The projected cash flow is based on the BAs' budgets and long-term plans, which are subject to the approval of the Board and the 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.

Kongsberg Maritime

Revenues are based on the estimated development in the markets in which Kongsberg Maritime operate. It is generally expected that the BA will manage to hold its strong positions, but there may be increases and our positions may grow weaker in individual markets. Expectations about the total market development are based on external market expectations, e.g. the number of planned newbuildings of vessels and rigs. Market growth is expected to be approx. 5 per cent per year. Kongsberg Maritime operates in markets that are affected by global economic unrest in the world economy. Cancellations in the shipyard industry and a general and lengthy economic downturn have raised the BA's risk and can, over time, affect the business area's level of activity. The backlog of orders is record high, so in the short term the BA's performance is not expected to be affected to any great extent by global economic developments. The projected contribution margin and level of profitability are based on the historic level.

The calculation uses a discount rate of 11.3 per cent before tax, which is the Group's Weighted Average Cost of Capital (WACC). A constant growth rate of 2 per cent is assumed to extrapolate the terminal value.

Kongsberg Defence & Aerospace

Revenues are based on the individual countries' defence-related procurement plans and Defence & Aerospace's percentage of these plans is used as the basis for estimating operating revenues. Available markets have an average growth rate of 12 per cent. The BA's backlog of orders is, however, record high, and it has strong positions in niche markets. Global economic unrest can lead to cuts in defence budgets in several countries, and a general and lasting economic downturn has increased the BA's risk and can, over time, affect its level of activity. The projected contribution margin and level of profitability are based on historic levels.

The calculation uses a discount rate of 11.3 per cent before tax, which is the Group's WACC. A constant growth rate of 1 per cent is assumed to calculate the terminal value.

Sensitivity

Kongsberg Maritime

At 31 December 2008, the value in use of Kongsberg Maritime was significantly higher than the carrying amount. This shows that the calculations are not sensitive to the impairment of goodwill if significant changes are made in the assumptions.

Kongsberg Defence & Aerospace

At 31 December 2008, the utility value of Defence & Aerospace was significantly higher than the carrying amount. This shows that the calculations are not sensitive to impairment loss of goodwill if significant changes are made in the assumptions.

B) TESTING OF IMPAIRMENT ON INTANGIBLE ASSETS WITH A SPECIFIC USEFUL LIFE

KONGSBERG has MNOK 642 in other intangible assets with a specific useful life. A significant share of this was obtained through acquisitions. KONGSBERG makes quarterly assessments of whether there are indications of impairment in the value of other intangible assets. If there are indications of impairment, impairment testing will be conducted.

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

The Canadian subsidiary Gallium Visual Systems Inc. has a carrying amount of MCAD 17 (MNOK 98) in intangible assets related to technology. The company made a loss in 2008, so an impairment test was conducted on its intangible assets in Q4 2008.

Impairment testing on the intangible assets is based on the company's value in use. To ascertain value in use, the discounted cash flow method is used. The projected cash flow rests on the Group's budgets and the long-term plans approved by the Board of Directors and the corporate management board. Long-term plans cover a five-year period. After those five years, a terminal value is calculated on the basis of a constant growth rate.

The company's operating revenues are based on estimated development of the markets in which the company operates. It is expected that the Group's positions will be maintained. Expectations about overall market development are based on external market expectations. The estimated market potential is an average growth rate of 13 per cent per year.

The calculation uses a discount rate of 12.0 per cent before tax, which is the Group's WACC, corrected for company-specific risk. A constant growth rate of 1 per cent is assumed to calculate the terminal value.

Sensitivity, Gallium Visual Systems Inc.
There may be changes in the basic assumptions applied, which can lead to the carrying amount of the company's intangible assets exceeding its value in use. Value in use exceeds the carrying amount by MCAD 6 (MNOK 35), based on the basic assumptions.

The markets on which the company operates can be affected by a lengthy economic downturn. Average growth of 13 per cent per year is assumed for the markets that are available to the company.

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

A reduction of four percentage points in the rate of market growth, combined with a decline in the average contribution margin ratio of four percentage points, would lead to a reduction of MCAD 6 (MNOK 35) in the value in use.

15 Investments in jointly controlled entities

Kongsberg Satellite Services AS is consolidated using the proportionate consolidation method. As from 2007, Kongsberg Terotech AS was reclassified from being a jointly controlled entity to being available-for-sale assets, since the investment is considered insignificant for KONGSBERG's consolidated accounts. The carrying amount of MNOK 3 has been reclassified as available-for-sale assets.

Summary of financial information about the jointly controlled entity:

Amounts in MNOK	*Operating revenues*	*Profit for the year*	*Non-current assets*	*Current assets*	*Equity*	*Long-term liabilities*	*Short-term liabilities*
Kongsberg Satellite Systems AS 50% (Tromsø)	102	14	94	43	87	17	33

The table above shows KONGSBERG's share of said items.
The company is not listed, meaning it has no observable market value.

16 Financial income and financial expenses

Amounts in MNOK	*Note*	*2008*	*2007*
Interest income		56	5
Foreign currency gain		15	-
Financial income		**71**	**5**
Interest expenses		93	59
Losses and impairment on financial assets	19	138	-
Unwinding of discount on provisions	27	12	5
Other financial expenses		5	8
Financial expenses		**248**	**72**
Net financial items recognised to the profit or loss		**(177)**	**(67)**

Losses and impairment on financial assets consist of the writing down of shares as a result of impairment of MNOK 89, the writing down of long-term receivables by MNOK 32 and losses on the sale of shares of MNOK 17.

17 Taxes

TAXES

Amounts in MNOK	*2008*	*2007*	*2006*
Payable tax	201	101	16
Change in deferred tax	73	192	122
Taxes	**274**	**293**	**138**
Effective tax rate	32%	23%	35%

EBT

Amounts in MNOK	*2008*	*2007*	*2006*
EBT	**861**	**1 279**	**390**
Estimated tax based on a tax rate of 28 per cent of the profit before tax	241	358	109
Effect of tax-rate difference and not counting tax assets abroad	9	2	14
Tax impact of profits/losses on the sale of shares and the impairment of shares	22	(68)	-
Other permanent differences	2	1	15
Taxes	**274**	**293**	**138**

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

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Deferred tax asset		
Pensions	90	94
Provisions	270	241
Net derivatives	781	-
Deferred tax assets – gross	**1 141**	**335**
Deferred tax liabilities		
Goodwill, property, plant and equipment	222	225
Projects in progress	1 251	758
Net derivatives	-	124
Deferred tax liabilities – gross	**1 473**	**1 107**
Net recognised deferred tax liabilities	**(332)**	**(772)**

The change in deferred tax that is recognised directly against equity is as follows:

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Pensions	(32)	7
Cash flow hedges	(485)	80
Deferred tax liability upon acquisition	4	32
Disposals, deferred tax in connection with sales	-	(12)
Total	**(513)**	**107**

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

No deferred tax has been recognised for latent tax liabilities (withholding tax) related to investments in foreign subsidiaries.

18 Earnings per share

Amounts in MNOK	*2008*	*2007*	*2006*
The net profit for the year is attributable to the shareholders			
Profit from ongoing operations, net after tax	587	986	252
Minority share of the profit	4	5	3
Net profit for the year/diluted profit is attributable to the ordinary shareholders	**583**	**981**	**249**
Net profit for the year prior to non-recurring effects/diluted profit prior to non-recurring effects that is attributable to owners of ordinary shares	**583**	**485**	**249**

Average weighted number of shares outstanding at 31 December in millions of shares (Note 25 "Share capital and share premium")

Number of shares	*2008*	*2007*	*2006*
Average weighted number of shares outstanding 1 Jan.	30.00	30.00	30.00
Effect of treasury shares	(0.01)	(0.01)	0.00
Average weighted number of shares at 31 Dec.	29.99	29.99	30.00
Effect of employee options	-	-	0.01
Average weighted number of shares outstanding at 31 Dec., diluted	29.99	29.99	30.01

Amounts in NOK	*2008*	*2007*	*2006*
Earnings per share for the year	19.44	32.17	8.30
Earnings per share for the year, diluted	19.44	32.17	8.30
Earnings per share for the year prior to non-recurring effects	19.44	16.17	8.30

19 Available-for-sale shares

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Available-for-sale shares		
Listed shares	214	250
Unlisted shares (OTC list)	8	39
Shares valuated based on transaction price/issue price	-	38
Other shares	38	29
Available-for-sale shares	**260**	**356**

Available-for-sale shares are recognised at fair value. At 31 December 2008, the listed shares consisted of shares in Kitron ASA (19 per cent stake) and Roxar ASA (15 per cent stake). The shares are recognised at market price on the stock exchange. The shares in Wavefield InSeis ASA were sold in 2008. The shares quoted on the OTC list consisted of Remora ASA in 2008. As a percentage of total market value, listed and unlisted (OTC) shares accounted for 85 per cent of the available-for-sale shares.

Change in the fair value of shares that is not impairment is recognised directly against equity. Impairment is recognised through the profit or loss. In 2008, impairment of MNOK 104 was recognised through the profit or loss. A change of MNOK 66 in the fair value of shares that was not impairment was recognised directly to equity. Other shares have no observable market value, and it is not possible to calculate their fair value reliably. Consequently, these shares are recognised at cost.

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. Fair value is calculated as follows:

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) The 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 change in the market prices of the listed shares and the OTC-listed shares of 10 per cent would lead to an increase/decrease in the added value of MNOK 22, which was recognised directly in equity at 31 December 2008 (MNOK 29 based on balance sheet values at 31 December 2007).

SHARES IN WHICH STAKES OF MORE THAN 10 ARE NOT CONSOLIDATED

At year end, Kongsberg owned shares and units in the following companies in which its stake was more 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:

Available-for-sale shares	31 Dec 08			31 Dec 07		
Amounts in MNOK	*Stake*	*Carrying amount*	*Market value*	*Stake*	*Carrying amount*	*Market value*
Kitron ASA	19%	82	82	19%	119	119
Roxar ASA	15%	131	131	4%	66	66
Kongsberg Terotech AS	50%	3	3	50%	3	3
Kongsberg Technology Training Center AS	40%	5	5	0	0	0

20 Other non-current assets

Amounts in MNOK	*Note*	*31 Dec 08*	*31 Dec 07*
Interest swap agreement identified as a hedging instrument	23	-	1
Loans to employees		29	21
Other non-current assets		132	130
Total other non-current assets		**161**	**152**

Other non-current assets include receivables from companies in which Kongsberg has minor ownership. These receivables totalled MNOK 87 in 2008 (MNOK 118). MNOK 71 of that amount refers to receivables from Navico AS related to a seller's credit issued in connection with the sale of yachting activities. The Group is of the opinion that Navico AS will pay this debt.

21 Accounts receivable and credit risk

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Gross trade receivables	2 241	1 496
Provision for bad debts on receivables	(144)	(40)
Net trade receivables	**2 097**	**1 456**
Other receivables	249	151
Prepayments to suppliers	169	83
Total receivables	**2 515**	**1 690**

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:

Amounts in MNOK	*Note*	*31 Dec 08*	*31 Dec 07*
Gross receivables	21	2 659	1 730
Other long-term assets	20	160	152
Projects in progress	22	1 610	968
Cash and short-term deposits	24	283	947
Forward foreign exchange contracts and interest swap agreements used as hedges	23	126	486
Total exposure to credit risk		**4 838**	**4 283**

Gross trade receivables, by region:

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Norway	252	271
Rest of Europe	727	412
USA and Canada	658	394
South America	41	23
Asia	417	376
Other countries	146	20
Total	**2 241**	**1 496**

Gross trade receivables, by type of customer:

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Public institutions	877	294
Private companies	1 364	1 202
Total	**2 241**	**1 496**

Impairment

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

	31 Dec 08		*31 Dec 07*	
Amounts in MNOK	*Gross*	*Provision for losses on trade receivables*	*Gross*	*Provision for losses on trade receivable*
Not fallen due	1 287	-	600	-
Due in 1-30 days	405	(7)	336	(1)
Due in 31-90 days	211	(9)	239	(3)
Due in 91-180 days	143	(46)	62	(13)
Due in more than 180 days	195	(82)	259	(23)
Total	**2 241**	**(144)**	**1 496**	**(40)**

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:

Amounts in MNOK	*2008*	*2007*
Provisions 1 Jan.	(40)	(54)
Actual losses	3	13
Provisions	(106)	(9)
Reversed	9	10
Translation differences	(10)	-
Provisions 31 Dec.	**(144)**	**(40)**

22 Projects in progress

The Group's main business activity is to develop and manufacture products and systems based on orders received. The Group reports gross balance sheet values attached to long-term construction contracts. Gross amounts due from customers for contract work (projects in progress) are classified as an asset, and gross amounts due to customers for contract work (prepayments from customers) and accrued project costs are classified as an asset or liability.

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 earned operating revenues less accumulated invoicing for all current contracts, where accumulated operating revenues exceed accumulated invoicing.

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.

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Projects in progress	1 610	968
Prepayments from customers	(1 320)	(1 938)
Accrued project costs	(248)	(461)
Net projects in progress	**42**	**(1 431)**

The Group has long-term production contracts in both business areas. 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 consolidated earnings. The projects performed by Kongsberg Defence & Aerospace 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:

Amounts in MNOK	*2008*	*2007*
Total orders	24 923	23 916
Operating revenues for the year	5 201	4 607
Accumulated operating revenues	15 832	15 677
Accumulated variable expenses	12 187	12 306
Remaining operating revenues	9 091	8 239
Prepayments received	1 320	1 938
Remaining variable expenses on loss-making projects	139	75

UNCERTAINTY ASSOCIATED WITH ESTIMATES

Revenue is recognised on the contracts as the estimated progress of the contracts. Progress 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 combination 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 the projects. The 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 were to cancel contracts. The situation is being monitored closely, and measures have been initiated to reduce exposure to cancellations.

23 Financial instruments

A) DERIVATIVES

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Other long-term assets		
Interest rate agreement attached to loans	-	1
Total derivatives other long-term assets	**-**	**1**
Current assets		
Excess value "forward contracts", hedges of forecasted sale	15	196
Excess value currency options, hedges of forecasted sale	-	14
Excess value "forward contracts", project hedges	108	274
Excess value loan hedges	3	2
Total derivatives, current assets	**126**	**486**
Non-current liabilities		
Interest swap agreements attached to sale and lease-back and loans	13	6
Total derivatives, non-current liabilities	**13**	**6**
Current liabilities		
Negative value "forward contracts", hedges of forecasted sale	1 388	8
Negative value "forward contracts", project hedges	1 403	26
Negative value currency options, hedges of forecasted sale	81	-
"Forward contracts" that do not satisfy the hedging criteria	28	-
Interest rate swaps attached to loans	3	-
Total derivatives current liabilities	**2 903**	**34**

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:

	31 Dec 08		*31 Dec 07*	
Amounts in MNOK	*USD*	*EUR*	*USD*	*EUR*
Accounts receivable	389	74	106	25
Accounts payable	(26)	(13)	(4)	(4)
Net exposure before currency hedging	363	61	102	21
Forward foreign exchange contracts project hedges	912	350	615	207

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 they 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:

	Average exchange rates		Spot price at 31 Dec.	
	2008	*2007*	*2008*	*2007*
USD	5.60	5.90	7.00	5.41
EUR	8.21	8.03	9.87	7.96

Currency hedging

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

2008 *Amounts in million*	*Value in NOK at 31 Dec based on agreed exchange rate*	*Net excess (+)/ negative (-) in NOK at 31 Dec 08*	*Total hedged amount in USD 2008*	*Average hedged exchange rate in USD 31 Dec 07*	*Total hedged in EUR at 31 Dec 08*	*Average hedged rate in EUR 31 Dec 08*
Hedge category						
Futures agreements, hedges of forecasted sale[1)]	10 275	(1 373)	810	6.39	600	8.49
Currency options, hedges of forecasted sale[2)]	535	(81)	45	-	30	-
Total hedges of forecasted sale	**10 810**	**(1 454)**	**855**	**-**	**630**	**-**
Project hedges (fair value hedges)	8 602	(1 308)	912	6.02	350	8.71
Loan hedges (fair value hedges)[3)]	756	-	81	7.07	1	9.83
Total	**20 168**	**(2 762)**	**1 848**	**-**	**981**	**-**

2007 Amounts in million	*Value in NOK at 31 Dec based on agreed exchange rate*	*Net excess (+)/ negative (-) in NOK at 31 Dec 08*	*Total hedged amount in USD 2008*	*Average hedged exchange rate in USD 31 Dec 07*	*Total hedged in EUR at 31 Dec 08*	*Average hedged rate in EUR 31 Dec 08*
Hedge category						
Futures agreements, hedges of forecasted sale[1)]	3 292	188	208	6.30	243	8.14
Currency options, hedges of forecasted sale[2)]	261	14	45	-	-	-
Total hedges of forecasted sales	**3 553**	**202**	**253**	**-**	**243**	**-**
Project hedges (fair value hedges)	5 263	248	615	5.81	207	8.19
Loan hedges (fair value hedges)[3)]	123	2	-	-	-	-
Total	**8 939**	**452**	**868**	**-**	**450**	**-**

1) Excess/negative value attached to effective hedges of forecasted sale (futures agreements and currency options) are recognised directly to equity. 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 a put option in USD at an exchange rate of NOK 5.81 = USD 1, at the same time as it issues a call option at a rate of about NOK 6.21. Similarly for EUR, put options are acquired at an average rate of NOK 7.77 = EUR 1, and call options at an average rate of NOK 8.52 = EUR 1. The total value of the options will be positive when the USD and EUR exchange rates decline and negative when they rise.

3) Loan hedges are currency hedges related to foreign currency loans.

The recognised fair value of hedges that apply to transactions that are no longer expected to occur, accounted for MEUR 18 in hedges of forecasted sales, with an impact on the profit of MNOK 28 (operations-related).

In addition to the exchange rate on 31 December, the fair value of "forward contracts" is affected by future interest points. The future interest percentage points within the various time intervals are received from Reuters which, in turn, retrieves data from different market players. See also Note 4 "Fair value".

Sensitivity analysis

A 20 per cent strengthening of NOK against USD and EUR on 31 December 2008 would have increased equity by the amount mentioned below. The analysis assumes that the other variables will remain constant. As KONGSBERG has a hedging strategy that generally hedges all contractual currency flows and receivables in foreign currency, a change in foreign exchange rates would not have a full-blown effect on the profitability of signed contracts even if the currency changes. Any changes in the value of the currency options have not been taken into account in the table below. The sensitivity analysis made on 31 December 2007 analysed the effect of a 10 per cent strengthening of NOK against USD and EUR.

Estimated equity effect (after tax):

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
USD	816	81
EUR	852	140
Total	**1 668**	**221**

A corresponding weakening of NOK against the above-mentioned currencies would had the same outcome, but with the opposite sign, 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 08					*31 Dec 07*				
Amounts in MNOK	*Recognised amount*	*Projected cash flow*	*2009*	*2010*	*2011*	*Recognised amount*	*Projected cash flow*	*2009*	*2010*	*2011*
Interest swap agreements										
Assets	-	-	-	-	-	1	1	-	1	-
Liabilities	(3)	(3)	(3)	-	-	-	-	-	-	-
Forward foreign exchange contracts										
Assets	15	15	6	6	3	196	196	129	61	6
Liabilities	(1 388)	(1 438)	(721)	(449)	(268)	(8)	(8)	(8)	-	-
Currency options										
Assets	-	-	-	-	-	14	14	-	14	-
Liabilities	(81)	(81)	(60)	-	(21)	-	-	-	-	-
Total	**(1 457)**	**(1 507)**	**(778)**	**(443)**	**(286)**	**203**	**203**	**121**	**76**	**6**

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 08					31 Dec 07				
Amounts in MNOK	*Recognised amount*	*Projected cash flow*	*2009*	*2010*	*2011*	*Recognised amount*	*Projected cash flow*	*2008*	*2009*	*2010*
Interest swap agreements										
Assets	-	-	-	-	-	1	1	-	1	-
Liabilities	(3)	(3)	(3)	-	-	-	-	-	-	-
Forward foreign exchange contracts										
Assets	15	15	3	6	6	196	196	63	96	37
Liabilities	(1 388)	(1 438)	(389)	(574)	(475)	(8)	(8)	(4)	(4)	-
Currency options										
Assets	-	-	-	-	-	14	14	-	14	-
Liabilities	(81)	(81)	(60)	(21)	-	-	-	-	-	-
Total	**(1 457)**	**(1 507)**	**(449)**	**(589)**	**(469)**	**203**	**203**	**59**	**107**	**37**

The projected cash flow is the undiscounted value of currency futures. For 2007, the discounted effect was considered insignificant, while for 2008 the discounting effect was significant owing to the higher volume of forward foreign exchange and option contracts and the considerably higher net value of "forward contracts".

D) INTEREST RATE RISK ON LOANS

Long-term interest-bearing debt

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Unsecured bond loan	700	700
Loan facility	1 000	-
Other loans	22	5
Total long-term interest-bearing loans	**1 722**	**705**

All loans have floating interest rates.

Interest swap agreements (floating to fixed interest):

Amounts in MNOK	*Due date*	*Time to maturity 31 Dec 08*	*Interest rate*	*Amount 2008*	*Excess (+)/ negative (-) 31 Dec 08*	*Amount 2007*	*Excess (+)/ negative (-) 31 Dec 07*
Interest rate swaps 2	17 June 09	0.5	5.4%	300	(3)	300	1
Interest rate swaps 3	17 Dec 08	-	5.6%	-	-	100	-
Total interest swap agreements				**300**	**(3)**	**400**	**1**

Interest swap agreements cover the interest rate risk on the floating parts of the Group's debt portfolio, see the following specification on loans. Interest rate swap 3 covered parts of a bond loan (MNOK 100 at 31 December 2007) and was redeemed in 2008. Interest rate swap 2 covers a bond loan with a floating interest rate. The interest hedges are defined as cash flow hedges, and excess/negative values are recognised directly in consolidated equity.

Other interest swap agreements
KONGSBERG has signed interest rate swaps from floating to fixed interest for a nominal amount of MNOK 150. The agreements are related to leases signed for sale and leaseback, as mentioned in Note 30 "Sale and leaseback". Changes in the value of an interest swap agreement are recognised over the profit or loss.

At 31 December 2008, the interest rate swap agreement had the following value:

Amounts in MNOK	*Due date*	*MNOK*	*Years remaining*	*Interest rate*	*Excess (+)/ negative (-) at 31 Dec 08*	*Excess (+)/ negative (-) at 31 Dec 07*
Interest rate swaps	2 Nov 11	150	2.8	6.3%	(13)	(6)

Loans and credit facilities

Amounts in MNOK	*Due date*	*Nominal interest rate 2008*	*Term to maturity 2008*	*Face value*	*Carrying amount*	*Due date*	*Nominal interest rate 2008*	*Term to maturity 2008*	*Face value*	*Carrying amount*
	At 31 Dec 08, the Group had the following loans and credit facilities					At 31 Dec 07, the Group had the following loans and credit facilities				
Credit facility 1	1 July 13	3.8%–6.3%	4.5	1 000	1 000					
Bond loan ISIN 00103 6178.5	30 March 12	6.4%	3.3	300	300	30 March 12	6.4%	4.3	300	300
Bond loan ISIN 00101 2638.4	10 June 09	6.8%	0.4	400	400	10 June 09	6.8%	1.4	400	400
Other loans				22	22				5	5
Total loans			**3.3**	**1 722**	**1 722**				**705**	**705**
Credit facility 2 (undrawn borrowing limit)	19 Dec 10		2.0	800	0	1 July 13		5.5	1 000	0

The bond loan that falls due in 2009 is classified as long-term, as the loan can be refinanced within the undrawn borrowing limit on credit facility 2, which falls due on 19 December 2010

At 31 December 2008, credit facility 1 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 rate is the 1–3–6 month NIBOR + a margin that depends on the ratio between net interest-bearing debt/EBITDA and can vary from 0.20 per cent to 0.575 per cent.

At 31 December 2008, credit facility 2 is a syndicated credit facility of MNOK 800. 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 19 December 2010. The interest rate is the 1–3–6 months NIBOR +2 per cent.

The certificate loans were issued in NOK and are listed on the Oslo Stock Exchange. The interest terms for a loan for the nominal amount of MNOK 400 3-month NIBOR +0.75 per cent and 3 month NIBOR +50 per cent for a bond loan for the nominal amount 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.

The loan facilities require that net interest-bearing debt shall not exceed three times the EBITDA, but can be as much as 3.5 times that level for three consecutive quarters at the most. The covenants attached to the loan agreements are satisfied.

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 2007.

Effect of an interest rate increase of 50 bp

Amounts in MNOK	*31 Dec 08 Result*	*31 Dec 08 Equity*	*31 Dec 07 Result*	*31 Dec 07 Equity*
Investments with floating interest rates	1	-	5	-
Loans with variable interest rates	(9)	-	(4)	-
Interest swap agreements	1	1	2	2
Cash flow sensitivity (net)	(7)	1	3	2

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 08

Amounts in MNOK	*Recognised amount*	*Contractual flows*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014 and later*
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 non-current liabilities	79	(80)	(23)	(57)	-	-	-	-
Accounts payable and other current liabilities	1 271	(1 271)	(1 271)	-	-	-	-	-
Financial liabilities that are derivatives								
Forward foreign exchange contracts selected as hedges (gross negative value)	2 819	(2 888)	(1 757)	(723)	(346)	(34)	(28)	-
Currency options	81	(81)	(60)	(21)	-	-	-	-
Total	**5 950**	**(6 361)**	**(3 598)**	**(867)**	**(412)**	**(389)**	**(1 054)**	**-**

31 Dec 07

Amounts in MNOK	Recognised amount	Contractual flows	2008	2009	2010	2011	2012	2013 and later
Financial liabilities that are not derivatives								
Unfunded bond loans and other loans (gross negative value)	700	(822)	(46)	(433)	(19)	(19)	(305)	-
Other loans and non-current liabilities	215	(215)	5	(147)	(63)	-	-	-
Suppliers and other current liabilities	487	(487)	(487)	-	-	-	-	-
Financial liabilities that are derivatives								
Forward foreign exchange contracts selected as hedges (gross negative value)	35	(35)	(30)	(4)	(1)	-	-	-
Total	**1 437**	**(1 559)**	**(558)**	**(584)**	**(83)**	**(19)**	**(305)**	**-**

F) SUMMARY OF FINANCIAL ASSETS AND LIABILITIES

2008

Amounts in MNOK	Derivatives used for hedging	Derivatives not qualified for hedging	Loans and receivables	Available for sale	Other financial liabilities	Non financial assets and liabilities	Total
Assets – tangible fixed assets							
Investment in available-for-sale shares	-	-	-	260	-	-	260
Other non-current assets	-	-	156	-	-	4	160
Assets – current assets							
Derivatives	126	-	-	-	-	-	126
Receivables	-	-	2 346	-	-	169	2 515
Projects in progress			1 610	-	-	-	1 610
Cash and short-term deposits	-	-	283	-	-	-	283
Financial liabilities – non-current							
Interest-bearing loans	-	-	-	-	1 722	-	1 722
Derivatives	-	13	-	-	-	-	13
Other non-current liabilities	-		-	-	57	3	60
Financial liabilities – current							
Derivatives	2 875	28	-	-	-	-	2 903
Accounts payable and other liabilities	-	-	-	-	1 271	1 348	2 619

2007

Amounts in MNOK	Derivatives used for hedging	Derivatives not qualified for hedging	Loans and receivables	Available for sale	Other financial liabilities	Non financial assets and liabilitites	Total
Assets – tangible fixed assets							
Investment in available-for-sale shares	-	-	-	356	-	-	356
Other non-current assets	1	-	139	-	-	12	152
Assets – current assets							
Derivatives	486	-	-	-	-	-	486
Receivables	-	-	1 456	-	-	234	1 690
Projects in progress	-	-	968	-	-	-	968
Cash and short-term deposits	-	-	947	-	-	-	947
Financial liabilities – non-current							
Interest-bearing loans	-	-	-	-	705	-	705
Derivatives	-	6	-	-	-	-	6
Other non-current liabilities	-	-	-	-	210	7	217
Financial liabilities – current							
Derivatives	34	-	-	-	-	-	34
Accounts payable and other liabilities	-	-	-	-	487	923	1 410

Financial instruments recognised directly to equity

Amounts in MNOK	*2008*	*2007*	*2006*
Effective percentage of change in fair value attached to hedges of forecasted sale including deferred gain	(1 663)	298	17
Fair value related to hedges of forecasted sale including deferred gain transferred to the profit or loss	(66)	(28)	(28)
Effective percentage of change fair value related to interest swap agreements	(5)	8	7
Fair value attached to interest swap agreements transferred to the profit or loss	1	6	22
Net changes in the fair value of available-for-sale shares	(66)	(25)	87
Taxes on items recognised directly to equity	485	(80)	(5)
Financial instruments recognised directly to equity, after tax	**(1 314)**	**179**	**100**
Recognised in			
Equity holders of the company	(1 314)	179	100
Minority interests	-	-	-
Financial instruments recognised directly to equity, after tax	**(1 314)**	**179**	**100**
Recognised in			
Shares, fair value	(66)	(25)	87
Hedge reserve	(1 248)	204	13
Financial instruments recognised directly against equity, after tax	**(1 314)**	**179**	**100**

	2008				**2007**			
Pre-tax amount in MNOK	*Hedges of forecasted sale and deferred gains[1)]*	*Interest swaps*	*Shares available for sale*	*Total*	*Hedges of forecasted sale and deferred gains[1)]*	*Interest swaps*	*Shares available for sale*	*Total*
Excess/(negative) value at 1 Jan.	394	1	90	485	124	(13)	115	226
Changes in excess/(negative) value during the period	(1 663)	(5)	(66)	(1 734)	298	8	(25)	281
Recognised gains/losses during the period	(66)	1	-	(65)	(28)	6	-	(22)
Excess/(negative) value 31 Dec.	**(1 335)**	**(3)**	**24**	**(1 314)**	**394**	**1**	**90**	**485**

1) The deferred gain on cash flow hedges was MNOK 119 at 31 December 2008 (MNOK 192 at 31 December 2007), attributable to projects. The gains arise when the due dates for prognosis hedges are reached and new due dates are agreed for the projects. Any gains/losses that arise are deferred and realised in tandem with the progress of the project.

List of fair value and the carrying amount on financial assets and financial liabilities

	Carrying amount/ fair value	
Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Financial assets		
Cash and short-term deposits	283	947
Available-for-sale shares	260	356
Other long-term receivables	156	139
Receivables	2 346	1 456
Forward foreign exchange contracts, project hedges	108	274
Forward foreign exchange contracts, hedges of forecasted sale	15	196
Currency options, hedges of forecasted sale	-	14
Forward foreign exchange contracts, loan hedges	3	2
Interest swap agreements to hedge by borrowing, interest hedges	-	1

	Carrying amount/ fair value	
Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Financial liabilities		
Interest-bearing loans	1 722	705
Other non-current liabilities	57	210
Accounts payable and other liabilities	1 271	487
Interest swap agreements to hedge by borrowing, interest hedges	3	-
Interest swap agreements attached to sales and leasebacks	13	6
Forward foreign exchange contracts, project hedges	1 403	26
Forward foreign exchange contracts, hedges of forecasted sale	1 388	8
Forward foreign exchange contracts that did not satisfy the hedging criteria	28	-
Currency option, hedges of forecasted sale	81	-

The fair value of interest-bearing loans was MNOK 1 635 at 31 December 2008. Fair value was not measured on interest-bearing loans at 31 December 2007, as the difference from the carrying amount was not considered significant.

The fair value of interest-bearing loans is based on the net present value of future interest payments and repayment of the principal on loans, discounted by the market interest one might expect to have to pay for a similar loan at 31 December 2008.

The interest used to discount estimated cash flows, where relevant, is based on Norges Bank's interest basket on the date of balance sheet recognition, in addition to a constant credit risk supplement.

24 Cash and short-term deposits

Nominal amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Current money market investments	-	700
Bank deposits, operating accounts	283	247
Total	**283**	**947**

The Group's cash management is centralised with Kongsberg Gruppen ASA and handled by the Group's corporate financial services unit.

25 Share capital and share premium

SHARE CAPITAL

At 31 December 2008, the Group's share capital consisted of 30 000 000 shares with a nominal value of NOK 5 each.

SHARE CAPITAL TRENDS

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

LIST OF THE LARGEST SHAREHOLDERS ON 31 DECEMBER 2008

Shareholders	*Number of shares*	*%-age*
State repr. by the Ministry of Trade and Industry	15 000 400	50.00%
The National Insurance Fund	2 946 810	9.82%
Arendals Fossekompani	2 388 199	7.96%
MP Pensjon	1 203 200	4.01%
Skagen Vekst	730 000	2.43%
Orkla ASA	711 800	2.37%
Verdipapirfondet Odin Norge	668 540	2.23%
Verdipapirfondet Odin Norden	547 637	1.83%
Odin Offshore	250 000	0.83%
DNB NOR Norge (IV)	217 672	0.73%
Total	**24 664 258**	**82.21%**
Other (ownership interest < 0.85 %)	5 335 742	17.79%
Total number of shares	**30 000 000**	**100.00%**

TREASURY SHARES

At year-end, Kongsberg held 17 594 treasury shares for use in employee share programmes. The shares were purchased under the authorisation issued by the AGM, which allows for the buy-back of up to 5 per cent of the shares outstanding.

Number of shares	
Holding of treasury shares at 31 Dec. 2007	18 585
Treasury shares	150 000
Treasury shares conveyed to employees	150 991
Holding of treasury shares at 31 Dec. 2008	**17 594**

Divestments of treasury shares are recognised at market value on the date of the sale, while the employee discount was booked as wages - MNOK 10.4 in 2008 and MNOK 7 in 2007.

SHAREHOLDERS, BY SIZE OF HOLDING

Number of shares	*Number of owners*	*Holding %*
1 – 100	3 322	0.67%
101 – 1 000	2 251	2.46%
1 001 – 10 000	391	3.17%
10 001 – 100 000	67	8.19%
100 001 – 1 000 000	13	13.72%
More than 1 000 000	4	71.80%
Total	**6 048**	**100.00%**

Of the 6 048 shareholders on 31 December 2008, 415 were non-Norwegian, and they owned a total of 5.79 per cent of the shares.

DIVIDENDS

	2008	*2007*
Dividend paid in MNOK	150	75
Dividend paid in NOK per share	5.00	2.50

The Board of Directors has proposed dividends for 2008 of MNOK 165. This is equivalent to NOK 5.50 per share.

26 Equity

CONSOLIDATED RECONCILIATION OF EQUITY

	Equity holders of the company									
Amounts in MNOK	*Share capital*	*Share premium*	*Treasury shares*	*Hedge reserve*	*Shares fair value*	*Translation difference, foreign exchange*	*Retained earnings*	*Total*	*Minority interests*	*Total equity*
Equity at 1 Jan. 2007	**150**	**832**	**-**	**80**	**115**	**(25)**	**522**	**1 674**	**10**	**1 684**
Total recognised income and expenses	**-**	**-**	**-**	**204**	**(25)**	**(29)**	**1 000**	**1 150**	**5**	**1 155**
Treasury shares	-	-	-	-	-	-	(2)	(2)	-	(2)
Dividends	-	-	-	-	-	-	(75)	(75)	-	(75)
Change, minority interests	-	-	-	-	-	-	-	-	(4)	(4)
Equity at 31 Dec. 2007	**150**	**832**	**-**	**284**	**90**	**(54)**	**1 445**	**2 747**	**11**	**2 758**
Equity at 1 Jan. 2008	**150**	**832**	**-**	**284**	**90**	**(54)**	**1 445**	**2 747**	**11**	**2 758**
Total recognised income and expenses	**-**	**-**	**-**	**(1 247)**	**(66)**	**92**	**502**	**(719)**	**4**	**(715)**
Treasury shares	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	(150)	(150)	-	(150)
Change, minority interests	-	-	-	-	-	-	-	-	1	1
Equity at 31 Dec. 2008	**150**	**832**	**-**	**(963)**	**24**	**38**	**1 797**	**1 878**	**16**	**1 894**

27 Provisions

LONG-TERM PROVISIONS

Amounts in MNOK	*Sale and leaseback*
1 Jan. 2008	106
Provisions	13
Effect of discounting	6
Reversed	(9)
Provision used	(14)
31 Dec. 2008	**102**

From 1999 to 2007, Kongsberg sold properties located in the Kongsberg Industrial 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 financial expenses.

CURRENT PROVISIONS

Amounts in MNOK	*Warranty*	*Other*	*Total*
1 Jan. 2008	294	63	357
Provisions	134	33	167
Reversed	(8)	(4)	(12)
Provision used	(142)	-	(142)
31 Dec. 2008	**278**	**92**	**370**

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 & Aerospace, warranty periods usually extend from one to five years, but can last for up to 30 years under certain circumstances.

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.

28 Other liabilities

OTHER NON-CURRENT LIABILITIES

Amounts in MNOK	*Note*	*31 Dec 08*	*31 Dec 07*
Liabilities related to the sale of property in 2007		22	160
Estimated supplementary remuneration related to earn-outs in connection with acquisitions	6	35	50
Other items		3	7
Total		**60**	**217**

OTHER CURRENT LIABILITIES

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Accounts payable	1 124	444
Public duties payable	267	176
Payable tax	155	81
Provision for holiday pay	247	184
Liabilities related to the sale of property in 2007	147	43
Liabilities related to bonuses	192	129
Other items	471	353
Total	**2 603**	**1 410**

29 Assets pledged as collateral and guarantees

Information on pledged assets shows which Group assets will be available to pledgees in a bankruptcy or liquidation situation.

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 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.

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Prepayments and completion guarantees in respect of customers	1 768	960

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

30 Sale and leaseback

In the period from 1999 to 2007, KONGSBERG sold some properties in the Kongsberg Industrial Park. 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 17 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 27 "Provisions".

Amounts in MNOK	*Year of sale*	*Rental 2009*	*Rental 2010–2014*	*Rental beyond 2014*	*Remaining term of lease*	*Rental sublease 2009*	*Weighted average sub-leasing period*
Agreement 1 – A total of 28 000 m² industrial/office	1999	38	205	-	6 years	34	6 years
Agreement 2 – A total of 38 000 m² industrial/office	2001	31	166	146	10 years	33	2 years
Agreement 3 – A total of 6 000 m² industrial/office	2002	6	31	20	9 years	6	5 years
Agreement 4 – A total of 10 000 m² industrial/office	2006	16	85	133	13 years	17	13 years
Agreement 5 – A total of 39 000 m² industrial/office	2007	20	261	606	16 years	20	16 years
Total		**111**	**748**	**905**		**110**	

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, one of which is under construction and scheduled for completion by 1 January 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.

31 Related parties

COMPENSATION TO EXECUTIVE MANAGEMENT AND THE BOARD OF DIRECTORS

The stipulation of salary and compensation

The Board has drawn up this statement containing guidelines for the stipulation of salaries and other compensation for executive management. This statement will be put before the Annual General Meeting (AGM) for a decision pursuant to the provisions in the Norwegian Public Limited Liability Companies Act.

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 review is based on market polls of similar positions. The structure of the incentive system for the other members of executive management is determined by the Board, and put before the AGM for an advisory vote. The terms of employment are proposed by the CEO, and are subject to the approval of the Chair of the Board.

THE MAIN PRINCIPLES OF THE COMPANY'S SALARY POLICY FOR EXECUTIVE MANAGEMENT

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

- **Managerial salaries are to be competitive, but not leading – KONGSBERG aspires to attract and retain skilled leaders.**
  Wage packages (the sum total of all salaries and benefits received) shall normally be approximately the average for managerial salaries for comparable managers in similar businesses in the manager's home country.
- **Managerial salaries are to be motivational, i.e. they should be structured to motivate managers to strive to achieve constant improvements in operations and KONGSBERG's performance.**
  The main element of managerial salaries should be the regular salary, although variable additional incentives should be available to motivate managers' efforts on behalf of KONGSBERG. The variable benefits should be reasonably proportionate to KONGSBERG's performance during the year in question. For the variable benefits to provide incentives for additional effort, the criteria must be linked to factors the individual manager has a chance to influence. KONGSBERG aspires to have a salary schedule based on team spirit within the Group and which encourages hard work that brings results over and above the individual manager's sphere of responsibility.
- **The salary schedule should be comprehensible and acceptable both inside and outside of KONGSBERG.**
- **The salary schedule should be flexible, allowing adjustments when needs change.**

To be able to offer competitive salaries, we must have a flexible wage system that can accommodate special adaptations. The hiring of managers who are residents of countries other than Norway raises special questions related to salaries. KONGSBERG aspires to offer wage packages that are competitive enough to attract and retain foreign managers, and the salary schedule must allow special solutions adapted to the particular needs of such managers.

PRINCIPLES FOR BENEFITS THAT CAN BE OFFERED IN ADDITION TO REGULAR SALARY

The point of departure for wage setting is the aggregate level of regular salary and other benefits. This level is to be competitive, but not leading. Regular salary should normally be the main element of a manager's earnings.

The following comments refer to the individual benefits in more detail. Unless specifically mentioned, no special terms, conditions or allocation criteria apply to the benefits mentioned.

a) The bonus scheme

KONGSBERG's top executives and most important decision-makers shall have direct financial interests in KONGSBERG's progress, and have compensation arrangements that provide incentives for improvement. The long-term bonus schemes are stipulated by the Board, and expensed as cost of labour.

KONGSBERG has a bonus scheme for managers which is determined by the Board of Directors. The scheme encompasses approx. 90 managers. The current bonus system was adopted by the Board in 2006. The scheme is reviewed annually. Some adjustments were made in 2007 and 2008. The Board intends to continue the scheme in 2009, adapting it to the new organisation.

The bonus system is linked to performance and expenditure. The bonus is weighted between a manager's own sphere of responsibility and higher levels. In addition, a certain bonus is awarded for the achievement of personal, non-financial goals.

The bonus system rests on three independent components, of which the changes in the year's EBITA are the most important. Thus the accrued bonus will be positive when performance improves and negative in the event of significant setbacks. The year's accrued bonus, positive or negative, is credited to the bonus bank, and then 1/3 of any positive balance in the bonus bank is paid out once the accounts have received final Board approval. The bonus system distinguishes between accrued bonuses (credited to the bonus bank) and paid bonuses (disbursed from the bonus bank). Individual participants' annual accrual to the bonus bank can account for a maximum of 75 per cent of their regular salary, while the disbursement of funds from the bonus bank can account for a maximum of 50 per cent of their regular salary. Generally, the bonus bank balance will not be disbursed if a manager leaves before retirement. The bonus scheme is designed so that managers who perform well over time will earn a bonus of 20–30 per cent of their regular salary.

b) Options and other types of benefits related to shares or the share price trend

KONGSBERG has no scheme for share options, or other instruments related to KONGSBERG's shares, for KONGSBERG's executive management in connection with their employment with KONGSBERG. There are no plans to introduce such schemes.

c) Pension plans

Early retirement agreements have been and can be signed. However, KONGSBERG wishes to limit the use of such agreements.

In 2006, the Group introduced new rules for early retirement for recently hired executive managers. The rules entailed the reciprocal right for the enterprise and the executive to ask to be released from the obligation to work from age 62, in return for a benefit equal to 65 per cent of annual salary, based on an accrual period of at least 15 years. In 2008, the Board made further amendments to the rules for early retirement, which are in compliance with the State Ownership Report. The new rules entail early retirement from age 65 at the latest, but with the reciprocal right for KONGSBERG and the executive to request early retirement from age 63. The benefit is 65 per cent of annual salary, assuming at least 15 years of accrual. However, retirement between 63 and 65 will reduce the crediting of entitlement to pension benefits for those with a defined contribution plan that applies from age 67. Up to 2006, executive management had an agreement that would allow them to quit working from age 60. Providing at least 10 years' accrual, the benefit was 90 per cent for leaving after age 60 and this was reduced by 10 per cent per year to 60 per cent of salary from 63 to 67.

Executive management shall normally have pension plans that guarantee them pensions that are proportional to their salary level.

Generally, this is accomplished by executive managers belonging to KONGSBERG's collective pension plan. In 2007, KONGSBERG decided to convert to a defined contribution plan for everyone under age 52 at 1 January 2008, and all new employees. This also applies to executive management. Moreover, there is a separate scheme for managers whose basic salary is more than 12G (G= the Norwegian National Insurance scheme's basic amount).

The Board decided in 2008 that crediting of entitlement to pension benefits for salary over 12 G should be converted to an operations-based contribution plan as from 1 January 2009. According to this system, the company's contribution is 18 per cent of the wage base that exceeds 12G, with the same investment selection is in the main scheme. Today's members who were under age 52 at 1 January 2008, as well as all new members, will switch to the contribution-based plan, while members aged 52 year or older at 1 January 2008 will remain in a closed, performance-based defined benefit plan that reflects the Group's old defined benefit pension plan.

d) Severance schemes

KONGSBERG's Chief Executive Officer should normally have an agreement that covers the company's need to ask him to leave immediately if doing so is considered to be in the KONGSBERG's best interest. Consequently, the severance scheme must be attractive enough for the CEO to accept an agreement involving a reduction in protection against dismissal. The CEO's severance scheme is described below. Agreements have been and can be signed regarding severance pay for other members of the corporate management group to ensure the composition of managers is appropriate for KONGSBERG's needs. Pursuant to the Working Environment Act, such agreements will not have a binding effect on executives other than the CEO.

Efforts will be made to design severance schemes that are acceptable inside and outside the Group. Such schemes will not provide entitlement to salary or compensation for more than 12 months after the term of notice. This also applies to members of executive management provided KONGSBERG takes the initiative for termination.

e) Benefits in kind

Managers will ordinarily be offered such benefits in kind as are common for comparable positions, e.g. complimentary telephone service, complimentary 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.

f) Other benefits

Other variable elements can be added to the compensation package or special benefits other than those mentioned above, where this is considered expedient for attracting and/or retaining a manager. No special limitations have been placed on the type of benefits in kind that can be agreed.

MANAGEMENT WAGES IN OTHER KONGSBERG COMPANIES

Other KONGSBERG companies are to observe the main principles of KONGSBERG's managerial salary policy as described above. One of the goals is to coordinate wage policy and the schemes used for variable benefits throughout the Group.

COMPENSATION TO THE CEO

Walter Qvam took over the position of CEO on 1 March 2008. The CEO's compensation consists of a fixed annual salary of 3 250 000 and a performance-based salary as described under the bonus scheme. The CEO has six months' reciprocal notice of resignation/termination. Beyond the term of notice, the CEO can maintain full pay until taking over a new position, but up to a limit of 12 months and provided it is KONGSBERG that wants him to resign. The CEO has an early retirement agreement for NOK 1 400 000 per year from age 65 to 67. The CEO and KONGSBERG can reciprocally request early retirement from age 63 or 64, and with NOK 1 300 000 or NOK 1 350 000, respectively, per year up to age 65. At age 67, the CEO is entitled to a pension which, including the National Insurance pension (assuming full entitlement) and the Group's ordinary pension plan, will result in benefits of NOK 1 200 000 from age 67 to 77, and NOK 1 000 000 from age 77 and for the rest of his life. Said sum will be adjusted for inflation annually on 1 January based on the consumer price index at 15 November 2007.

BRIEFING ON MANAGERIAL SALARY POLICY AND THE EFFECT OF COMPENSATION AGREEMENTS IN PRECEDING FINANCIAL YEARS

For fiscal 2008, KONGSBERG's executive management salary policy complied with the guidelines for the stipulation of salary and other compensation drawn up by the Board on 11 March 2008 and adopted by KONGSBERG's Annual General Meeting in 2008.

In the Group's accounts for 2008, the accrued bonus, including social security, totals MNOK 56 (MNOK 60 in 2007). Bonuses amounting to MNOK 31 (including social security contributions) were paid out to executive management in 2008. KONGSBERG has not otherwise signed or amended any agreements for compensation in the preceding accounting year that would impact KONGSBERG or the shareholders.

EXPENSED SALARIES AND OTHER BENEFITS SPECIFIED FOR THE MEMBERS OF EXECUTIVE MANAGEMENT FOR 2008 AND 2007

Amount in 1 000 NOK	*Year*	*Salaries*	*Paid bonus*[1)]	*Other benefits reported in the fiscal year*[2)]	*Total paid benefits*	*Option expense*	*Accrued bonuses*[3)]	*Year's pension service cost*	*Total expensed benefits*
Group Executive Board									
Walter Qvam	2008	3 033	0	177	3 210	0	2 269	2 507	7 986
Jan Erik Korssjøen, CEO until 1 March 2008[4)]	2008	471	1 102	28	1 601	0	325	50	874
	2007	2 802	692	176	3 670	13	2 100	783	5 874
Arne Solberg, CFO	2008	1 664	614	164	2 442	28	1 155	272	3 283
	2007	1 554	387	162	2 103	13	1 168	284	3 181
Stig Trondvold, Executive Vice President, Business Development	2008	1 593	586	159	2 338	28	1 114	815	3 709
	2007	1 480	471	155	2 106	13	1 112	799	3 559
Even Aas, Executive Vice President, Public Affairs	2008	1 330	465	183	1 978	22	866	190	2 591
	2007	1 178	393	177	1 748	10	885	528	2 778
Ellen Christine Orvin Raaholt, Executive Vice President, Human Resources	2008	1 360	507	217	2 084	28	942	780	3 327
	2007	1 299	318	164	1 781	13	968	848	3 292
Total salary, bonus and remuneration to management in parent company	**2008**	**9 451**	**3 274**	**928**	**13 653**	**106**	**6 671**	**4 614**	**21 770**
Total salary, bonus and remuneration to management in parent company	**2007**	**8 313**	**2 261**	**834**	**11 408**	**62**	**6 233**	**3 242**	**18 684**
Torfinn Kildal, president, Kongsberg Maritime	2008	2 285	816	147	3 248	4	1 553	419	4 408
	2007	2 128	516	175	2 819	13	1 547	442	4 305
Tom Birch Gerhardsen, president, Kongsberg Defence & Aerospace	2008	2 102	776	154	3 032	28	1 531	424	4 239
	2007	1 968	491	139	2 598	13	1 470	331	3 921
Total salary, bonus and remuneration to the corporate management board	**2008**	**13 838**	**4 866**	**1 229**	**19 933**	**138**	**9 755**	**5 457**	**30 417**
Total salary, bonus and remuneration to the corporate management board	**2007**	**12 409**	**3 268**	**1 148**	**16 825**	**88**	**9 250**	**4 015**	**26 910**

1) The bonus paid for 2008 comprises 1/3 of the bonuses earned for 2006 and 2007, which were expensed in the relevant period. Bonuses are recognised in the year the bonus is accrued.
2) Benefits other than cash refer to expensed discounts on shares in connection with the employee share programme, the taxable portion of accident and industrial injury insurance, 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) Accrued bonuses are related to the bonus system. The accrued bonus amount is transferred to a bonus bank, from which 1/3 of the amount is disbursed. The remaining bonus bank balance is disbursed in subsequent years, depending not least on future goal achievement and continued employment with the company.
4) Jan Erik Korssjøen was CEO up to 1 March 2008, and he was paid salary and remuneration up to 1 March 2008.

OTHER MATTERS INVOLVING THE CORPORATE MANAGEMENT BOARD

	Year	*Number of shares*	*Options exercised*	*Strike price*	*Options out-standing*	*Conditions, existing share options*	*Car loans (NOK)*	*Promis-sory note from*	*Re-payment schedule*	*Amount out-standing (NOK)*	*Interest rate*
Group Executive Board											
Walter Qvam, CEO	2008	940	-	-	-	see Note 9	627 000	20 Feb 08	10 years	569 525	3%
Jan Erik Korssjøen, CEO until 1 March 2008	2008	6 930	-	-	-	see Note 9	547 000	31 Dec 04	10 years	328 168	3%
	2007	6 930	198	106	125	see Note 9	547 000	31 Dec 04	10 years	382 876	1%
Arne Solberg, CFO	2008	7 590	125	168	-	see Note 9	572 000	20 Jan 06	10 years	400 388	3%
	2007	7 284	198	106	125	see Note 9	572 000	20 Jan 06	10 years	457 592	1%
Stig Trondvold, Executive Vice President, Business development	2008	3 334	125	168	-	see Note 9	539 000	20 April 04	10 years	269 480	3%
	2007	3 109	198	106	125	see Note 9	539 000	20 April 04	10 years	323 384	1%
Even Aas, Executive Vice President, Public Affairs	2008	2 386	100	168	-	see Note 9					
	2007	2 186	75	106	100	see Note 9					
Ellen Christine Orvin Raaholt, Executive Vice President, Human Resources	2008	1 247	125	168	-	see Note 9	558 000	20 April 05	10 years	348 750	3%
	2007	1 022	198	106	125	see Note 9	558 000	20 April 05	10 years	404 550	1%
Torfinn Kildal, president, Kongsberg Maritime	2008	8 369	125	168	-	see Note 9					
	2007	8 144	198	106	125	see Note 9					
Tom Birch Gerhardsen, president, Kongsberg Defence & Aerospace	2008	6 817	125	168	-	see Note 9					
	2007	6 592	198	106	125	see Note 9					

SHARES OWNED BY, AND REMUNERATION TO THE BOARD MEMBERS

	Year	*Number of shares*		*Board remuneration*
Board				
Finn Jebsen, Chair of the Board of Directors	2008	5 000	(through the Company Fateburet AS)	330 667
	2007	5 000	(through the Company Fateburet AS)	313 333
Benedicte Berg Schilbred, Deputy Chair	2008	17 500	(through the Company Odd Berg AS)	175 667
	2007	17 500	(through the Company Odd Berg AS)	166 667
Erik Must[1)], director	2008	131 500	(owned personally and through the company Must Invest AS)	155 000
	2007	131 150	(owned personally and through the company Must Invest AS)	146 667
Siri Beate Hatlen, director	2008	-		155 000
	2007	-		146 667
Roar Marthiniussen, director	2008	3 350		155 000
	2007	3 279		146 667
Jan Erik Hagen, director	2007	506		46 667
Kai Johansen, director from 8 May 2007	2008	-		155 000
	2007	-		100 000
Audun Solås, director	2008	-		155 000
	2007	1		146 667
John Giverholt[2)], director	2008	-		155 000
	2007	-		146 667
Total remuneration to the Board	**2008**	**-**		**1 436 334**
Total remuneration to the Board	**2007**	**-**		**1 360 002**

1) Erik Must is chair of the Board of Arendals Fossekompani ASA, which owns 2 388 199 shares in Kongsberg.

2) John Giverholt is CFO at Ferd AS, which owns 150 000 shares in Kongsberg.

EXPENSED BENEFITS, EXECUTIVE MANAGEMENT

Amount in NOK 1 000	*2008*	*2007*	*2006*
Short-term benefits	18 319	16 640	17 228
Pension benefits	5 457	4 050	4 339
Other long-term benefits	6 503	6 167	5 582
Share-based payment	138	88	78
	30 417	**26 945**	**27 227**

Other long-term benefits are 2/3 of the accrued bonus.

TRANSACTIONS BETWEEN RELATED PARTIES

The Norwegian Government as the largest owner

The State as repr. 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 repr. 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 due from State customers was MNOK 38.6 at 31 December 2008, while other liabilities in respect of state Suppliers added up to MNOK 7.7 at 31 December 2008. Kongsberg invoiced State customers MNOK 550 in 2008. Goods and services procured from State suppliers in 2008 amounted to MNOK 31.

32 List of Group companies

The following companies are included in the consolidated accounts:

Company name	*Home country*	*Stake 31 Dec 08*	*Stake 31 Dec 07*
Kongsberg Gruppen ASA	Norway	Parent	Parent
Kongsberg Defence & Aerospace AS	Norway	100	100
Kongsberg Spacetec AS	Norway	100	100
Kongsberg Satellite Services AS	Norway	50	50
Kongsberg Terotech AS1)	Norway	50	50
Kongsberg Procurement Center AS	Norway	100	100
Kongsberg Næringspark AS	Norway	100	100
Kongsberg Asset Management AS	Norway	100	100
Kongsberg Næringseiendom AS	Norway	100	100
Kongsberg Næringsparkutvikling AS	Norway	100	100
Kongsberg Næringsbygg 2 AS	Norway	100	100
Kongsberg Næringsbygg 3 AS	Norway	100	100
Kongsberg Næringsbygg 5 AS	Norway	100	100
Kongsberg Næringsbygg 6 AS	Norway	100	100
Kongsberg Næringsbygg 7 AS	Norway	100	100
Kongsberg Seatex AS	Norway	100	100
Vehicle Tracking and Information Systems AS	Norway	100	100
Nerion AS	Norway	100	100
Kongsberg Maritime AS	Norway	100	100
Kongsberg Norcontrol IT AS	Norway	100	100
SeaFlex AS	Norway	100	100
Applied Radar Physics AS	Norway	100	53.6
Kongsberg Intellifield AS	Norway	100	100
Sense Vision AS	Norway	Merged	100
Systems in Motion AS	Norway	100	100
Kongsberg Maritime Engineering AS	Norway	100	-
Kongsberg Maritime Srl.	Italy	100	100
Simrad Srl	Italy	100	100
Kongsberg Maritime Holland BV	The Netherlands	100	100
Kongsberg Shipmedics Sp. zo.o.	Poland	51	51
Simrad Spain SL	Spain	100	100
Kongsberg Maritime Sweden AB	Sweden	100	100
Kongsberg Defence Oy	Finland	100	-
Kongsberg Maritime GmbH	Germany	100	100
Kongsberg Intellifield GmbH	Austria	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

Company name	*Home country*	*Stake 31 Dec 08*	*Stake 31 Dec 07*
Kongsberg Maritime Ltd.	Great Britain	100	100
Simrad Leasing Ltd.	Great Britain	100	100
Kongsberg Process Simulation Ltd.	Great Britain	100	100
Kongsberg Intellifield Ltd	Great Britain	100	100
GeoAcoustics Ltd	Great Britain	100	-
Gallium Visual Systems Inc	Canada	100	100
Kongsberg Maritime Simulation Ltd.	Canada	100	100
Kongsberg Maritime Canada Ltd	Canada	100	100
Kongsberg Mesotech Ltd.	Canada	100	100
Kongsberg Maritime Simulation Inc.	USA	100	100
Simrad North America Inc.	USA	100	100
Kongsberg Maritime Inc.	USA	100	100
Kongsberg Underwater Technology Inc.	USA	100	100
Kongsberg Defense Corporation Inc.	USA	100	100
Kongsberg Process Simulation Inc.	USA	100	100
Kongsberg Intellifield LLC	USA	100	100
Geo Acoustics Inc	USA	100	-
Seaflex Riser Technology Inc	USA	100	100
GlobalSim Inc	USA	100	-
Hydroid Inc	USA	100	-
Kongsberg Maritime Brasil d.o.	Brazil	100	-
Kongsberg Asia Pacific Ltd.	Hong Kong	100	100
Kongsberg Maritime Hoi Tung Holding Ltd.	Hong Kong	90	65
- Kongsberg Maritime China (Shanghai) Ltd.	China	100	100
- Kongsberg Maritime China (Zenhjang) Ltd.	China	56.2	-
Kongsberg Maritime Ship Systems	South Korea	100	100
Kongsberg Maritime Korea Ltd.	South Korea	96.9	96.9
Kongsberg Norcontrol IT Pte.	Singapore	100	100
Kongsberg Maritime Pte. Ltd.	Singapore	100	100
GeoAcoustics Asia Pacific Pte Ltd	Singapore	100	-
Kongsberg Process Simulation PVT Ltd. (Fantoft Process Technologies Ltd)	India	100	100
GeoAcoustics India	India	100	-
Kongsberg Maritime India Pvt. Ltd.	India	100	-
Kongsberg Norcontrol IT Pty. Ltd.	South Africa	100	100
Kongsberg Hungaria Engineering Service Development and Trading Llc	Hungary	100	100

1) Kongsberg Terotech AS has been reclassified as available for sale.

33 Foreign exchange rates

	Exchange rate 1 Jan 08	*Average exchange rates 2008*	*Exchange rate 31 Dec 08*
Danish kroner (DKK)	1.0675	1.1012	1.3238
Swedish kroner (SEK)	0.8455	0.8541	0.9042
British pounds (GBP)	10.8100	10.3276	10.1210
United States dollars (USD)	5.4110	5.5952	6.9989
Singapore dollars (SGD)	5.5300	5.2733	5.7744
Singapore dollar (SGD)	3.7650	3.9609	4.8728
Euro (EUR)	7.9610	8.2100	9.8650
South Korean won (KRW)	0.5781	0.5140	0.5406
Chinese yuan (CNY)	0.7407	0.8067	1.0259
Arab Emirates dihrams (AED)	1.4751	1.5222	1.9228

	Exchange rate 1 Jan 08	*Average exchange rates 2008*	*Exchange rate 31 Dec 08*
Hong Kong dollars (HKD)	0.6937	0.7189	0.9034
Indian rupees (INR)	0.1374	0.1279	0.1434
Japanese yen (JPY)	4.8281	5.4431	7.7570
South African rand (ZAR)	0.7979	0.6883	0.7520
Hungarian forints (HUF)	3.1423	0.0328	0.0370
Australian dollars (AUD)	4.7634	4.7422	4.8503
Swiss francs (CHF)	4.8029	5.1882	6.6375
New Zealand dollars (NZD)	4.2019	3.9690	4.0618
Polish zlotys (PLN)	2.2160	2.3458	2.3644

Income statement, balance sheet and cash flow statement

Kongsberg Gruppen ASA

INCOME STATEMENT FOR 1 JANUARY – 31 DECEMBER

Amounts in MNOK	*Note*	*2008*	*2007*
Operating revenue		167	290
Personnel expenses	4, 5	(88)	(83)
Depreciation		(4)	(3)
Other operating expenses	4	(90)	(68)
Total operating expenses		**182**	**154**
Operating profit (EBIT)		**(15)**	**136**
Interest from Group companies		109	88
Losses on sale of shares		(17)	-
Impairment on shares/receivables		(116)	(2)
Foreign exchange gains/(losses)		7	1
Interest to Group companies		(88)	(58)
Other interest expenses		(40)	(54)
Group contribution received		48	60
Financial items, net		**(97)**	**35**
Earnings before tax (EBT)		**(112)**	**171**
Income tax expense	6	10	2
Net profit/(loss) for the year		**(102)**	**173**
Distributable reserves and equity transfers			
Proposed dividend		(165)	(150)

STATEMENT OF CASH FLOWS

Amounts in MNOK	*2008*	*2007*
Earnings before tax (EBT)	(112)	171
Gain on sale of shares	-	(190)
Depreciations	4	3
Impairment/loss on financial assets	133	-
Change in accrual items, etc.	1	33
Net cash flow from operations	**26**	**17**
Cash flow from investing		
Acquisition of property, plant and equipment	(1)	(3)
Receipts from sale of shares	22	557
Disbursements for the acquisition of shares, etc.	(88)	(241)
Net cash flow from (used in) investing activities	**(67)**	**313**
Cash flow from financial activities		
Increase in loans	1 000	-
Repayment of loans	-	(300)
Payment of dividends	(150)	(75)
Net payment/receipt of funds for the purchase/sale of treasury shares	(14)	(12)
Change, inter-Group accounts	(1 501)	773
Change, overdraft facilities	6	(66)
Net cash flow from (used in) financing activities	**(659)**	**320**
Net increase (decrease) in cash and short-term deposits	**(700)**	**650**
Cash and short-term deposits at 1 Jan. 2008	**700**	**50**
Cash and short-term deposits at 31 Dec. 2008	**-**	**700**

BALANCE SHEET AT 31 DECEMBER

Amounts in MNOK	*Note*	*2008*	*2007*
Assets			
Non-current assets			
Deferred tax asset	6	57	44
Tangible fixed assets		6	9
Shares in subsidiaries	3	2 023	2 023
Other shareholdings		197	231
Non-current loans to subsidiaries		2 281	1 231
Other non-current receivables		94	124
		4 658	**3 662**
Current assets			
Receivables from subsidiaries		159	145
Cash and short-term deposits		-	700
		159	**845**
Total assets		**4 817**	**4 507**
Equity, liabilities and provisions			
Share capital		150	150
Share premium reserve		832	832
Total paid-in capital		**982**	**982**
Retained earnings		171	439
Total retained earnings		**171**	**439**
Total equity	2	**1 153**	**1 421**
Non-current liabilities and provisions			
Pension liabilities	5	130	118
Non-current interest-bearing loans	7	1 700	700
Non-current debt to subsidiaries		1 146	1 583
Other long-term liabilities		22	160
		2 998	**2 561**
Current liabilities and provisions			
Provision for dividends		165	150
Other current liabilities		235	115
Overdraft facilities		266	260
		666	**525**
Total equity, liabilities and provisions		**4 817**	**4 507**

Notes

Kongsberg Gruppen ASA

1 Accounting principles

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. The investment is valued at the acquisition cost of the shares unless impairment loss has been necessary. Such assets are impaired to fair value when the decrease in value is 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 current 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 nominal amounts 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 individual risk assessments of the individual debts. In addition, a general provision is made to cover potential losses on other trade receivables.

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

SHORT-TERM INVESTMENTS
Short-term 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 the age of 52 at 1 January 2008. Employees with defined benefit plans who were aged 52 or 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. Pension expenses and pension liabilities are based on assumptions about 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 in the income statement include payable taxes and the change in deferred taxes during the period. 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 reversed 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.

STATEMENT OF CASH FLOWS
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

Amounts in MNOK	*Share capital*	*Share premium*	*Retained earnings*	*Total equity*
Equity at 31 Dec. 2006	**150**	**832**	**422**	**1 404**
Net profit for the year	-	-	173	173
Treasury shares	-	-	(2)	(2)
Dividends for 2007	-	-	(150)	(150)
Unrecognised actuarial gains/losses on pension expenses pension expenses	-	-	(4)	(4)
Equity at 31 Dec. 2007	**150**	**832**	**439**	**1 421**
Net profit for the year	-	-	(102)	(102)
Treasury shares	-	-	-	-
Dividends for 2008	-	-	(165)	(165)
Unrecognised actuarial gains/losses on pension expenses pension expenses	-	-	(1)	(1)
Equity at 31 Dec. 2008	**150**	**832**	**171**	**1 153**

For more information about the company's share capital, see Note 25 "Share capital and share premium" to the consolidated accounts.

3 Shares in subsidiaries

Amounts in MNOK	*Date of acquisition*	*Business office*	*Stake in %*	*Carrying amount 31 Dec*
Kongsberg Defence & Aerospace AS	1997	Kongsberg	100	506
Kongsberg Næringspark AS	1987	Kongsberg	100	5
Kongsberg Holding AS	1987	Kongsberg	100	0
Kongsberg Basetec AS	1992	Kongsberg	100	106
Kongsberg Maritime AS[1)]	1992	Kongsberg	89	1 101
Kongsberg Forsvar AS	1995	Kongsberg	100	0
Kongsberg Asset Management AS	1995	Kongsberg	100	5
Norsk Forsvarsteknologi AS	1987	Kongsberg	100	0
Kongsberg Næringseiendom 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	0
Kongsberg Næringsbygg 6 AS	2007	Kongsberg	100	0
Kongsberg Næringsbygg 7 AS	2007	Kongsberg	100	0
Nerion AS	2002	Trondheim	100	0
Kongsberg Hungaria KFT[2)]	2003	Budapest	10	0
Autronica AS	2003	Trondheim	100	0
Kongsberg Reinsurance LTD	2001	Dublin	100	4
Kongsberg Procurement Center AS[3)]	2005	Kongsberg	20	1
Total				**2 023**

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

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

3) The remaining shares in the Kongsberg Procurement Center AS are owned by Kongsberg Defence & Aerospace AS and Kongsberg Maritime AS, with 40 per cent each.

4 Personnel expenses and remuneration

As regards salary and remuneration to corporate management and the directors, reference is made to Note 31 to the consolidated accounts "Related parties".

AUDITOR'S FEES

Amounts in NOK 1 000	*2008*	*2007*
Corporate auditor Ernst & Young		
Statutory audits	890	850
Other assurance services	55	66
Other services	316	300
Total fee, Ernst & Young	**1 261**	**1 216**

PERSONNEL EXPENSES

Amounts in MNOK	*2008*	*2007*
Salaries	48	44
Accrued social security tax	9	10
Pensions	15	6
Other benefits	16	23
Total personnel expenses	**88**	**83**

5 Pensions

KONGSBERG has a service pension scheme, consisting of a defined contribution plan and a defined benefit plan. The service pension scheme applies to all the Group's employees in Norway.

Defined contribution plan
The Group introduced a defined contribution plan in 2007 for all employees under age 52 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 1G and 6 G, and 8 per cent the wage base from 6G up to 12 G. The employees can influence the management of the assets through three investment choices, i.e. having 30, 50 or 80 per cent, respectively, of shares in the portfolio. The Group also has a collective, operations-based contribution plan for salaries between 12G and 15G. The Group's contribution to this scheme is 18 per cent of the share of the wage base in excess of 12G, up to a ceiling of 15G. Employees have the same investment choice in the supplementary scheme as in the main scheme. Employees with defined benefit plans, aged 52 and older at the time of the transition, stayed with the defined benefit plan. The premiums are expensed as they accrue.

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 basic amount (G), stipulated annually by the Norwegian parliament. Under the defined benefits plan, pension benefits depend on the individual employee's number of years of service and salary upon retirement. Pension costs are distributed over the employee's vested period. The scheme provides 65 per cent of 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.

Up to 2006, members of corporate management had an early retirement agreement from age 60. Assuming at least 10 years of accrual, the benefit was 90 per cent for severance from age 60, decreasing by 10 per cent per year to 60 per cent of salary from age 63 to age 67.

In 2006, the Group introduced new rules for early retirement for newly hired members of corporate management. The rules entail the reciprocal right for the company and the executive to request severance from age 62, in return for 65 per cent of annual salary, providing at least 15 years of accrual. In 2008, the Board of Directors adopted further changes in the rules for early retirement which are now in compliance with the State Ownership Report. The new rules facilitate early retirement at age 65 at the latest, but with a reciprocal right for the company and the executive to request early retirement from age 63. The benefit is 65 per cent of the annual salary, providing at least 15 years of accrual. If the employee resigns between ages 63 and 65, however, this will reduce pension accrual for the defined contribution retirement pension that applies from age 67.

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

	31 Dec 08	31 Dec 07
Discount rate	4.0%	5.0%
Expected rate of return	6.0%	6.0%
Salary adjustment	3.5%	4.5%
Pension base level adjustment	3.5%	4.5%
Pension adjustment	1.0%	2.0%
Voluntary retirement	4.5%	4.5%

The year's pension costs were calculated as follows:

Amounts in MNOK	*2008*	*2007*
Service cost	5	6
Interest cost on accrued pension liabilities	5	4
Estimated return on pension plan assets	(1)	(1)
Settlement of pension plan	-	(5)
Amortisation, plan changes	3	1
Accrued social security	1	1
Total net pension expenses	**13**	**6**
Cost of defined contribution plans	**2**	**-**

Amounts in MNOK	*2008*	*2007*
Total gross pension liabilities	(135)	(122)
Gross value of pension plan assets	19	15
Net pension liabilities	**(116)**	**(107)**
Unrecognised plan changes	2	3
Accrued social security	(16)	(14)
Net pension liabilities on balance sheet/funds	**(130)**	**(118)**

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 Income tax

INCOME TAX EXPENSE

Amounts in MNOK	*2008*	*2007*
Payable tax	3	3
Change, deferred taxes	(13)	(5)
Taxable income/expense	**(10)**	**(2)**

Amounts in MNOK	*2008*	*2007*
Earnings before tax (EBT)	**(112)**	**(171)**
Taxes estimated at a tax rate of 28 per cent of the pre-tax profit	(31)	48
Gain on sale shares	(7)	(53)
Impairment on shares	28	-
Other permanent differences	-	3
Taxable income/expense	**(10)**	**(2)**

DEFERRED TAX LIABILITY AND DEFERRED TAX ASSET

Amounts in MNOK	*2008*	*2007*
Pension expenses	36	33
Other	21	11
Recognised deferred tax asset	**57**	**44**

7 Non-current liabilities to credit institutions

Amounts in MNOK	*2008*	*Due*
Credit facility 1	1 000	1 July 13
Bond loan ISIN 00103 6178.5 (floating interest)	300	30 March 12
Bond loan ISIN 00101 2638.4 (floating interest agreements)	400	10 June 09
Total	**1 700**	
Credit facility 2 (undrawn borrowing limit)	800	19 Dec 10

The bond loan that falls due in 2009 is classified as non-current, since the loan can be refinanced within the undrawn borrowing limit of credit facility 2, which is due on 19 December 2010.

The certificate loans were issued in NOK and are listed on the Oslo Stock Exchange. The loans are capitalised at their amortised cost.

At 31 December 2008, credit facility 1 is a syndicated credit facility totalling MNOK 1 000 and credit facility 2 is a syndicated credit facility of MNOK 800. The agreements were signed with four banks: DnB NOR, Nordea, SEB and Fokus Bank. The agreements were made through Norsk Tillitsmann (Norwegian Trustee) and credit facility 1 will mature in July 2013, while credit facility 2 will run until December 2010. The credit facilities are subject to the following covenant for key financial figures:

a) net interest-bearing should not exceed three times EBITDA, but can be up to 3.5 times for a maximum of three quarters. The covenant in the loan agreements is satisfied.

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

8 Guarantees

In the period from 1999 to 2007, Kongsberg has sold some properties in Kongsberg Industrial Park. The properties have been leased back on long-term leases that will 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 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 generally leased to external tenants. Provisions attached to this are discussed in Note 27 "Provisions" in the consolidated accounts.

The total rental for which the parent company has guaranteed, attached to the sale and leaseback agreements is MNOK 1 764.

PREPAYMENT AND COMPLETION GUARANTEES

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

	2008	*2007*
Pre-payments and completion guarantees for customers	1 768	960

Kongsberg Gruppen ASA has non-committed framework agreements for guarantees with banks and insurance companies.

Auditor's report 2008

ERNST & YOUNG

Ernst & Young AS

To the Annual Shareholders' Meeting of
Kongsberg Gruppen ASA

Auditor's report for 2008

We have audited the annual financial statements of Kongsberg Gruppen ASA as of 31 December 2008, showing a loss of MNOK 102 for the Parent Company and a profit of MNOK 587 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 coverage of the loss. 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 and the accompanying notes. The financial statements of the Group comprise the balance sheet, the statements of income and cash flows, the statement of recognised income and expense and 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 2008, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the 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 2008, and the results of its operations and its cash flows and the 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 coverage of the loss is consistent with the financial statements and complies with law and regulations.

Oslo, 19 March 2009
ERNST & YOUNG AS
Knut Aker
State Authorised Public Accountant (Norway)
(sign)
Note: The translation to English has been prepared for information purposes only

III Business areas

Strong growth and improvement in performance

CONTENTS

Highlights in 2008

- Division of Kongsberg Maritime and Kongsberg Defence & Aerospace into four new business areas as at 1 January 2009
- Strengthening of market positions in China, India, Brazil and the USA
- New strategic contracts signed

NEW ORDERS

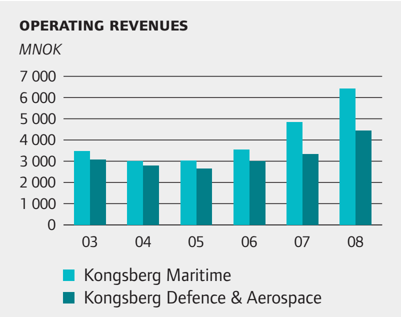
Kongsberg Maritime

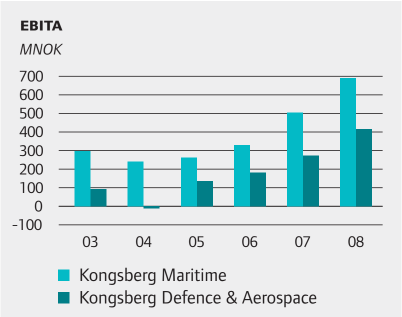
MNOK 7 733

NEW ORDERS

Kongsberg Defence & Aerospace

MNOK 6 835





KONGSBERG's position in the offshore market

The offshore market comprises exploration for, and the development, recovery and transport of oil and gas. It also includes support functions such as supply services and operational support, as well as maintenance and service on platforms and vessels. KONGSBERG is supplier of products and services to all these segments.

The demand for energy will grow in the long term. Consequently, the consumption of oil and gas is also increasing, and currently constitutes the majority of all energy consumption.

Intense efforts are being made to boost recoverable reserves, both to increase the recovery rate on existing fields, and to find new deposits.

In 2008, KONGSBERG had a good influx of new orders for purpose-built offshore vessels, drilling rigs and floating production vessels (FPSO). FPSOs are complex vessels, and KONGSBERG is well qualified for making large-scale deliveries in the years ahead. KONGSBERG has fortified its market position by capturing more market shares and gaining steadily more acceptance for its integrated product philosophy.

The high pace of chartering new offshore vessels and platforms in recent years has taken up a high percentage of shipyard capacity. This has resulted in higher prices and long lead times, a situation that appears to be slowing the pace of contracting new vessels in 2009.

Dynamic positioning is one of KONGSBERG's most important, most renowned products. Along with automation and surveillance systems, this has contributed to a continued buoyant position in the offshore market and new areas of application were instrumental in boosting new orders in 2008.

Integrated operations is an important target area for the Group. This is a relatively new market and we are well positioned to become a substantial player.

KONGSBERG delivers dynamic positioning systems for offshore supply ships, among others.

Market drivers and trends

INVESTMENT IN THE VALUE CHAIN

Rising demand for oil and gas is expected to boost activities in:

- Exploration, especially in the deepwater segment
- Development in general and late phase production

GROWTH IN DIFFERENT GEOGRAPHICAL AREAS

The investments vary considerably between the different geographical areas. It is usually governed by oil reserves and the level of exploration and production activities.

- Brazil and West Africa are international growth areas
- In the slightly longer perspective, the Barents Sea be a growth area
- The North Sea basin is stable, and is still an important point stepping stone for the supply industry's chances of international success, e.g. in the Barents Sea

Our most important product areas for the offshore market

DYNAMIC POSITIONING SYSTEMS
- Steering systems that make it possible to keep a vessel/platform in the same position under demanding weather conditions.

SUBSEA (UNDERWATER ACTIVITIES)
- High-technology hydroacoustic products for seabed surveying, and subsea communication and positioning.

AUTOMATION AND SURVEILLANCE SYSTEMS
- Systems for surveillance and for controlling engines, cargo, manoeuvring and the propulsion of the vessel.
- Simulators and training systems for most of the system products.

PROCESS AUTOMATION
- Systems for the control and coordination of operations on an oil platform or a production vessel.
- Safety systems for alarms or the interruption of production due to system malfunctions, when people are in danger or in the event of fire or gas leaks.
- Dynamic process simulators to design and verify processing facilities and control systems.
- Integrated operations.

NAVIGATION SYSTEMS
- Equipment for ships' bridges.

- Several fields in the North Sea are expected to reach the sunset phase of production in the next five years. This will stimulate greater investment in technology for effective late-phase production
- The fields in the Middle East are stable, while activities in the Gulf of Mexico are growing slightly

NEW TECHNOLOGY – NEW MARKET NICHES

More demanding oil and gas fields create new market niches. This produces a need for new technological solutions.

- More late-phase production and focus on producing smaller fields
- Better utilisation of existing infrastructure
- Improved production technology and methods - integrated operations

KONGSBERG's position in the merchant marine market

The market for merchant vessels includes all kinds of ships, from simple dry cargo carriers to more advanced LNG/LPG tankers. Passenger ships in cruise and ferry traffic are also an important part of the merchant marine.

The contracting of new vessels is closely related to the expected development of transport needs. Stricter environmental standards for international shipping are an increasingly important factor that will impact orders for new vessels. The demand for new commercial vessels has been strong in recent years, and leading shipbuilders' production capacity is booked solid for the years immediately ahead.

In 2008, KONGSBERG saw an increase in new orders for commercial vessels.

KONGSBERG also supplies systems for navigation, positioning, monitoring and control of cargo and engines for different types of commercial vessels. Deliveries increase in scope and value in proportion to how advanced the vessel is. The Group is a global market leader in systems integration, automation and monitoring systems for merchant vessels.

KONGSBERG is a strong brand name in international maritime communities. The company has built up a comprehensive distribution and service network, and we have our own local subsidiaries in the most important growth markets. It is important to have a presence in these markets since vendors with a firm local footing often have an advantage.

Market competition is keen. KONGSBERG's systems represent 'the central nervous system' in the operation of modern commercial vessels. By including as many functions as possible, the Group gains a competitive edge. A worldwide 24/7 support network gives customers the help they require any time, anywhere.

KONGSBERG has delivered a system for boiler and steam control, gas control and tank measurement, as well as an integrated automation system for "Arctic Lady", an LNG carrier.

Market drivers and trends

SHIPBUILDING

- Shipyard capacity is expanding, especially in China and South Korea. Both countries are building new shipyards and productivity is on the rise among established shipbuilders. In addition, new shipyards are being built in Vietnam, the Philippines and India.
- The leading shipyards in Asia now have well-filled order books. Mid-sized shipyards in South Korea and China have backlogs equivalent to nearly three years' capacity. The situation in the world economy nevertheless makes the backlog somewhat uncertain.

TYPES OF SHIPS AND GEOGRAPHICAL BREAKDOWN

It is crucial to be in the vanguard of new trends. New trends outpace the growth in the general market. This applies to most types of vessels and in most different geographical areas.

Our most important product areas for the merchant fleet

DYNAMIC POSITIONING SYSTEMS
- Steering systems that make it possible to keep a vessel/installation in the same position under demanding weather conditions.

NAVIGATION SYSTEMS
- Equipment for ships' bridges.

AUTOMATION AND MONITORING SYSTEMS
- Systems for monitoring and controlling engines, cargo, vessel manoeuvring and propulsion.

SIMULATORS AND TRAINING SYSTEMS
- Systems for the commercial fleet and other applications.

PROCESS AUTOMATION
- Systems for the control and coordination of onboard processes for LNG transport. Dynamic process simulators to design and verify processing facilities and control systems.

- Growing emphasis on more environment-friendly energy calls for a switch in power production from coal and oil to natural gas. This creates a need for more LNG tankers. In the short term, new orders depend on new gas fields being designated for development and that the terminals are actually built. LNG production vessels are a solution which, in some cases, can reduce the need to build terminals.
- The anticipated asymmetry between production and demand for oil will probably have positive consequences on the tanker market in the longer term.

KONGSBERG's position in the defence market

The defence market requires products and systems for ground-based, air-based and sea-based defence. The market is excepted from international free trade agreements, entailing that most countries opt for national suppliers or require offset agreements in connection with procurements from foreign vendors.

The US market is the world's largest defence market, accounting for nearly 50 per cent of overall global defence spending. However, the US market is extremely difficult for foreign players to penetrate.

KONGSBERG has carved out a position in the US market through direct deliveries of proprietary systems and through cooperation with US alliance partners. In 2008, approx. 57 per cent of the company's operating revenues in the defence segment came from the US market.

The principal underlying the Protector Remote Weapon Station is that the weapon and sensors are mounted outside the vehicle, while the operator operates them from a protected position inside the vehicle.

KONGSBERG is in a good position for further growth in the US. A production line has been built up for the Protector Remote Weapon Station (RWS) in Pennsylvania. The plan is for all US Armed Forces' orders for this type of systems to be delivered from the facility in the US. The market for weapon control systems is relatively new and it has tremendous potential. In November 2008, the Norwegian government selected the US F-35 Lightning II – Joint Strike Fighter (JSF) to succeed the F-16 fighter craft.

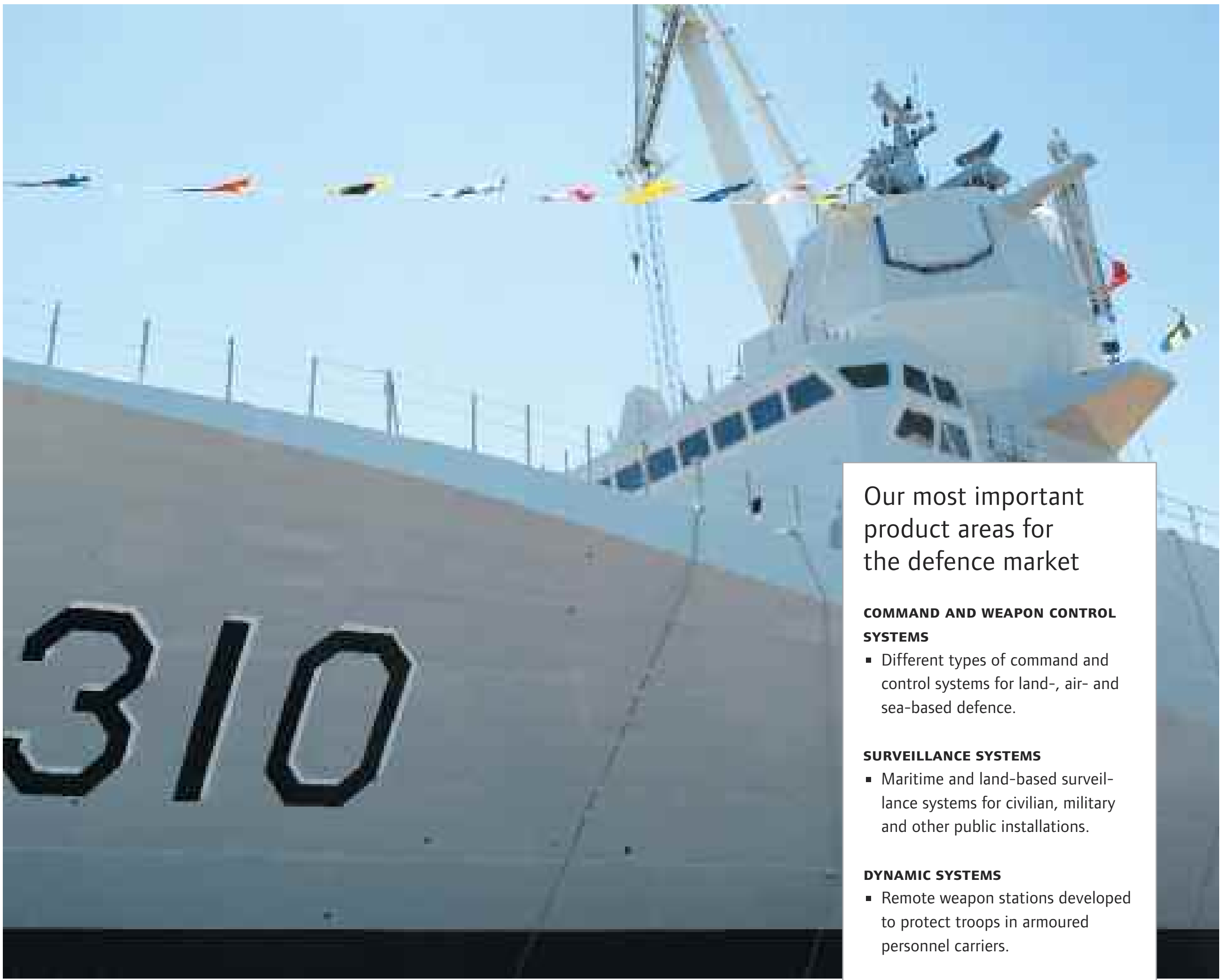
KONGSBERG had already negotiated framework agreements with US companies Lockheed Martin and Northrop Grumman related to the production of components made of advanced composite and titanium materials for the aircraft. A whole new factory for this has been built in Kongsberg. It is expected that the first aircraft components will be completed in 2009. Efforts are also being invested in the development and integration of the Joint Strike Missile (JSM) for the JSF. If KONGSBERG succeeds with this, it could have huge potential.

Today's defence procurements are, to a greater extent than previously, aimed at participants in multinational and peace-

Market drivers and trends

NORWEGIAN DEFENCE SPENDING
- The Norwegian Armed Forces is undergoing comprehensive reorganisation. Among other things, it is expected that the process will improve the efficiency of non-operative activities. The savings are expected to be used to give more priority to operations and investments in materiel. This means that investment funding for the next few years will largely be tied-up in existing programmes.

NORWEGIAN ARMED FORCES' INVESTMENT CONTRACTS TO NORWEGIAN SUPPLIERS
- About 40 per cent of the Norwegian Armed Forces' investment contracts go to Norwegian suppliers.
- The Armed Forces has chosen the US F-35 Lightning II, JSF, as its new fighter craft. Offset agreements from this investment will lead to bustling activity at KONGSBERG in connection with engineering production and the production of aircraft components in advanced composite.



keeping operations. Great importance is attached to protecting own personnel and maintaining a high degree of safety. Kongsberg is well positioned for this, not least through the Protector Remote Weapon Station (RWS). Moreover, growing emphasis is being placed on monitoring natural resources, and on protecting against terrorist acts and environmental crime within national borders.

By international standards, Kongsberg is a small player. In a market characterised by many large players, small players must generally concentrate on niche products to achieve success. Both in collaboration with international alliance partners and on our own, we have developed many systems and products that have proven competitive at the international level.

Our most important product areas for the defence market

COMMAND AND WEAPON CONTROL SYSTEMS

- Different types of command and control systems for land-, air- and sea-based defence.

SURVEILLANCE SYSTEMS

- Maritime and land-based surveillance systems for civilian, military and other public installations.

DYNAMIC SYSTEMS

- Remote weapon stations developed to protect troops in armoured personnel carriers.

COMMUNICATIONS SOLUTIONS

- Different types of tactical radio and communications systems, predominantly developed and delivered for land-based defence.

ANTI-SHIP MISSILES

- Develop and manufacture Penguin anti-ship missiles and the new NSM (Naval Strike Missile).

AEROSTRUCTURES

- Advanced composite and titanium components for the fighter craft F-35 (JSF).

MARKET PROTECTIONISM

- Due to strict security requirements and the protection of different countries' domestic defence industries, it is often difficult for a defence supplier to win defence contracts outside its own borders. There is considerable protectionism in the USA and Europe alike. However, this does not rule out opportunities generated by long-term relationships and niche products. This is one benefit of Kongsberg's good relations with large foreign defence enterprises.

The business area

Kongsberg Maritime

KONGSBERG MARITIME

- Offshore & Marine
- Subsea

THIS MAP INDICATES THE COUNTRIES IN WHICH KONGSBERG MARITIME HAS SET UP OPERATIONS

Norway, Sweden, England, Scotland, Germany, Italy, The Netherlands, Poland, Spain, China, India, Japan, South Korea, Singapore, Canada, USA, Brazil

No. of employees
3 068

No. of employees, Norway	1 822
No. of employees, outside Norway	1 246

Division Offshore & Marine

The division delivers systems for dynamic positioning and navigation, marine automation, cargo management and level sensors, maritime training simulators and position reference systems.

2008 was a good year for Offshore & Marine. Major deliveries were made in 2008 to projects such as Marathon Oil's Alvheim oil field on the Norwegian Continental Shelf in the North Sea, Aker Floating Production's first vessel for floating production in India, *Aker Smart*, and to the world's largest cruise ship, *Oasis of the Sea*, operated by Royal Caribbean International. The division's products still enjoy good market shares.

Dynamic positioning systems for offshore vessels have been a successful product for many years, and the growth continued in 2008. In the rig market, KONGSBERG has a strong position, especially when it comes to dynamic positioning, navigation and automation. Over the past year, the division has supplied equipment to 12 rigs and vessels. Two of the rigs that carry KONGSBERG equipment are the world's largest drilling rigs, i.e. *Aker Spitsbergen* and *Aker Barents*, designed for use in Arctic areas.

Vessel automation for merchant vessels encompasses systems for engine, cargo and propulsion control. Sales orders for commercial vessels are substantial. For years, KONGSBERG has had a strong presence in and good relations with shipyards in China and South Korea. This has laid the foundation for a strong position in this market.

The division also delivers automation and control systems for gas carriers (LNG – Liquefied Natural Gas), and is involved in a series of LNG carriers that are on order, under construction or in operation. The division makes systems for the latest generations of LNG carriers. These vessels have conventional propulsion systems in which degassing of the increasingly more valuable cargo is reliquefied (reliquefaction) instead of being used for the boilers and propulsion. The division also delivered its first regasification facility in 2008, to the LNG vessel Golar Spirit, which is currently docked in Brazil and being used as a landing terminal for gas.

Navigation comprises integrated bridge equipment for merchant vessels and offshore vessels, helping complete the division's range of products.

In 2008, strategic acquisitions and co-operation agreements were concluded in an effort to further complete the product portfolio. This includes companies with products for low-voltage power distribution on commercial vessels, optimal operation of ships' engines and different measuring and stability tools.

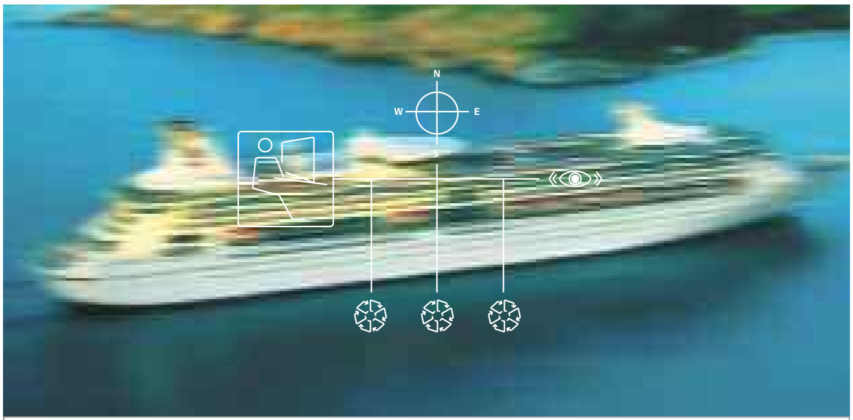
The subsidiary Kongsberg Seatex offers advanced position reference systems for maritime vessels and offshore installations. The company had a good year, especially for seismic and reference systems for dynamic positioning.

The division hired roughly 150 new co-workers in 2008, with the most pronounced growth in India, China and South Korea. The growing demand from the merchant marine and offshore market is also the reason that the division increased its New Orleans staff from 17 to 40 in 2008. This influx of fresh knowledge and expertise, combined with seasoned employees, will be profoundly important for the division in the years ahead.

Kongsberg enjoys a

sound position

in the rig market, especially with a view to dynamic positioning, navigation and automation.



Integrated navigation for optimal and automatic monitoring and control of machinery, cargo and safety.

THEME

Innovation is crucial for goal achievement

Kongsberg Maritime's ability to revitalise, differentiate and innovate continuously is decisive in an ever more competitive market. We are motivated by the desire to reach our targets in the short and the long term. Over time, innovation may be the most important instrument we have for achieving these goals.

In 2020, the high seas will trafficked by vessels that release substantially less carbon dioxide (CO_2), and have lower operating expenses and better safety standards. The bridge will be far better organised place to work, thanks to integrated, intelligent systems.

'Arctic shipping' and 'Green shipping' are two of the development projects being performed to meet future standards. Norwegian shipping releases as much CO_2 as the rest of the country collectively. With technologies known today, pollution can be reduced by half in the decades ahead. The ships of the future will probably have hulls that are shaped differently, other types of propellers, better engines and slower speeds. The vessels will probably take advantage of wind and solar energy alike.

At the same time as the vessels' designs and engines will improve, their electronic equipment will evolve. This is being driven by requirements for safe carriage by sea, reducing the strain on the environment and cost-efficient operations.

We will also have better systems for running and monitoring engines. To a greater extent, the systems will identify what ought to be adjusted or repaired, and when this should be done. Other systems will calculate how the vessel ought to be loaded and trimmed to optimise the benefits of the improved hulls. Communications with the operating organisation onshore will facilitate access to expertise not found on board every vessel, helping to ensure fast problem resolution and the sharing of experience between vessels.

We will also see new ways of presenting data in response to the increasing volume of information presented. Tomorrow's systems will be better able to filter out data that is not significant for the operations the vessel is carrying out at any given time. Thus the systems will help ensure safer voyages without asking more of the crew.

KONGSBERG MARITIME IS BUILT ON A PLATFORM OF INNOVATION

The development of dynamic positioning is a prime example of engineering and innovation combined with a spirit of adventure. The basis for the system's success was laid in the late 1970s, when researchers at what has since become NTNU (Norwegian University of Science and Technology) conceived the idea of "productification" in Kongsberg and addressed the shipping industry. In 1999, dynamic positioning won 2nd place as "Engineering Feat of the Century 1900-2000", a contest organised by Teknisk Ukeblad. The title was based on criteria such as technical boldness, imagination, innovation and social impact. Dynamic positioning is also Kongsberg Maritime's greatest commercial successes. Oil production in the North Sea would have been practically impossible without dynamic positioning. Our future depends on us managing to create new success stories. We must continuously improve today's solutions and products step by step, and also dare to think outside the envelope. Commercialisation and the creation of more added value are prerequisites for successful innovation.

PRODUCT

Dynamic positioning

Dynamic positioning is a method for maintaining a vessel's position above the seabed using the vessel's own propellers rather than anchors. The positioning system collects data on wind, waves, and the effects of currents, direction and current position. Through advanced engineering cybernetics, it extrapolates how much motor power should be applied to the different propellers and thrusters to keep the vessel in a constant position, ensuring smooth operations.

Following their breakthrough in the mid-1970s, KONGSBERG's dynamic positioning (DP) systems have been among the Group's most important and popular products. Since then, KONGSBERG has sold approx. 2 100 DP systems. In 2008 alone, roughly 350 systems were delivered to shipyards and shipping companies all over the world. Shipyards are KONGSBERG's largest customer group, with shipping companies scoring second.

DP systems are now used on all kinds of vessels, ranging from drilling and production vessels to cruise ships. KONGSBERG delivers all types of DP systems. The systems are also designed to cut fuel consumption and wear and tear on the propulsion system, and with a view to improving safety. Vessels that utilise dynamic positioning include supply vessels used in the oil and gas industry. A collision between a supply vessel and an oil platform could have disastrous consequences. A DP system ensures that the vessel maintains a safe, correct distance from the platform.

Originating with activities in the North Sea, the international market has developed, especially in South Korea, China, India, the US and Brazil. There have never been more DP contracts signed than in 2008. The order books are fully subscribed, and the backlog is high. KONGSBERG enjoys a strong position as a global leader, a position it expects to maintain.

THEME

Kongsberg goes green

Greenhouse gas emissions from vessel traffic are one of our greatest environmental challenges, and Kongsberg's new 'Green Ship' strategy will help reduce the fleet's emissions and fuel consumption. A key part of the strategy is a holistic system that takes account of how the vessel navigates optimally through weather and currents and how the vessel's engines and other systems can be run most efficiently.

The vessel "Höegh Detroit" tests Kongsberg Maritime's integrated ship's systems, offering the crew the best possible information, and allowing them to sail as efficiently as possible.

A recent report from IMO (International Maritime Organization) indicates that shipping accounts for emissions of 1.12 billion metric tonnes of CO_2 annually on a global basis. This means that 3.5 per cent of the world's aggregate CO_2 emissions are released at sea.

The shipping industry is striving to reduce energy consumption and cut emissions at every level. Kongsberg Maritime has focused intently on developing cost-efficient solutions to make shipping more environment-friendly.

HOLISTIC THINKING

Kongsberg has chosen to think in terms of holistic solutions that take account of the vessel itself as well as the conditions under which it sails. The idea is to give the crew the best possible information so that they can sail the vessel as efficiently as possible. The result is an overall system that monitors, controls and optimises engine room operations, at the same time as it makes recommendations about optimal speed, ballast and course. The system is module-based, and the goal is to integrate the green concept throughout Kongsberg Maritime's entire range of products.

OPTIMAL ENGINE OPERATIONS

Several of the modules in Kongsberg's green concept have been developed in collaboration with others. In a joint project with AVL of Austria, Kongsberg Maritime has integrated a sensor into ship propulsion systems to continuously monitor cylinder pressure. Along with data on fuel consumption, turbo pressure and scrupulous measurements of the torque on the propeller shaft, this allows the operator to fine tune the engines to function optimally at all times. This reduces energy consumption and greenhouse gas emissions.

INTELLIGENT ROUTE PLANNING

With Kongsberg equipment, it is possible to optimise routes by staying ahead of the weather. Along with Jeppesen Marine of the US, Kongsberg Maritime has developed a system for integrating vessel and weather data into a three-dimensional model. Modelling gives the crew the background information they need to choose optimal speed and routes based on prevailing weather conditions and currents.

Further, Kongsberg Maritime has developed functions for optimising ballast relative to the vessel and its cargo. Such optimisation reduces water resistance and thereby energy consumption. This is being done in conjunction with the Norwegian company Lodic.

IMPACT ON THE ENVIRONMENT

Based on the equipment Kongsberg offers today, calculations show a reduction of 6-10 per cent in fuel consumption, and about the same for CO_2 emissions.

Preliminary calculations indicate that the cost of switching to new Kongsberg equipment will be recovered in just one single year.

COOPERATION WITH HÖEGH

Kongsberg is working with the shipping company Höegh to develop the concept known as "Green Ship". Lately, Höegh has worked hard to find solutions to meet the environmental standards that apply in the shipping industry. One of the company's vessels, "Höegh Detroit", has installed Kongsberg's integrated ship system for 18 months of testing.

"From our vantage point, the most important purpose of a monitoring system is to optimise engine performance. This will enable us to operate the vessel as economically as possible. Another advantage is that the system makes it possible to detect potentially catastrophic faults early on, e.g. unusually high temperatures. This can translate into significant savings when replacing damaged equipment, and not least for preventing stoppages", says Per Bjørnsen, senior maintenance manager at Höegh.

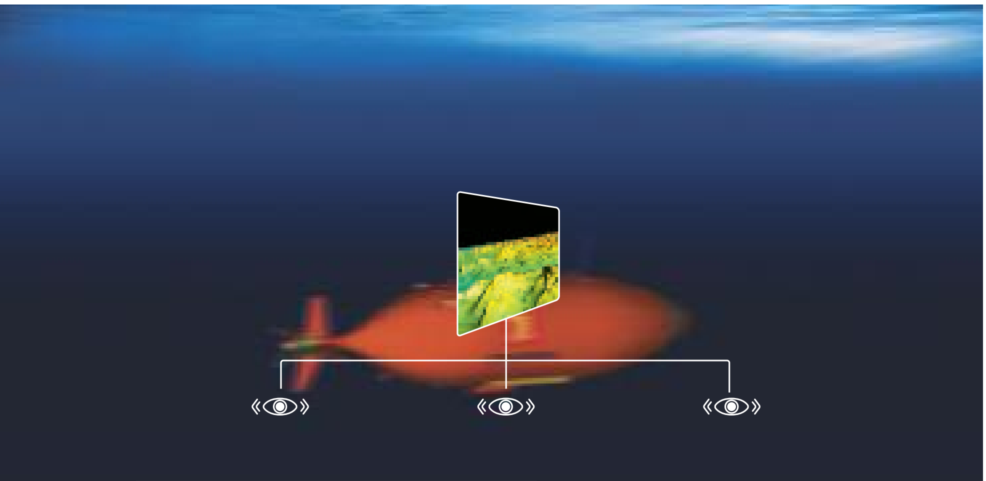
Subsea Division

The division operates predominantly in offshore oil and gas markets, surveying (seabed mapping, surveying and investigations), defence, fisheries and oceanography. The products are based on hydroacoustics, sensor knowledge, advanced signal processing and underwater engineering.

The division had a strong influx of new orders and achieved good results in 2008, improving its position in the different markets. The largest contracts are for upgrading Norway's Ula Class submarines and equipping several research vessels. The business has been further strengthened by the acquisition of Hydroid Llc. and GeoAcoustics Ltd. Integration of the new operations is well underway.

Offshore oil and gas activities were the largest market segment in 2008. This led to good results for both underwater cameras and sonar applications on remotely operated vehicles (ROV). There has been strong demand for acoustic positioning systems (HiPAP) and emergency communication systems for blowout preventers in 2008. HiPAP is used inter alia as a position reference for dynamic positioning systems, as an important instrument in the surveying industry and for positioning in connection with underwater construction work.

The markets for self-propelled (autonomous) underwater vehicles (AUVs) are expanding rapidly. The acquisition of the AUV company Hydroid in the US ensures better market access, a broader product portfolio and a greater global presence.



By emitting acoustic signals under water and measuring the strength and direction of their echo, the AUV can survey the seabed.

The acquisition of GeoAcoustics of the UK has brought the division more expertise in advanced sonar technology.

The division has seen growth in new orders for products for the surveying and fisheries markets. Products that demonstrate new dimensions in performance and reliability have been launched in both areas. In the surveying market, this refers to multibeam echosounder systems for seabed surveying at great depths. The unit has delivered quite a number of the new large sonars that facilitate and streamline the catching of fish in areas where they are relatively inaccessible. To the defence market, the division offers products for mapping, mine hunting, anti-submarine warfare and surveillance. Activities have been buoyant, and the division made progress in this product area in 2008.

It is crucial for the division to maintain a high level of research and development to maintain its positions in the various markets. This is done by concentrating on human resources development and self-development. In addition, the division has entered into binding cooperation with educational and research institutions in Norway and abroad. In a continuous renewal process, it is also important to have strong contact with the market and good knowledge of applications (software expertise). An important success factor for the division is to take advantage of shared knowledge and technology to develop different products in different markets.

The division expects continued growth in 2009.

Kongsberg Oil & Gas Technologies

Kongsberg Oil & Gas Technologies is one of KONGSBERG's target areas and is currently in the process of being built up. For the moment, its figures are reported as part of Kongsberg Maritime.

KONGSBERG OIL & GAS TECHNOLOGIES

THIS MAP INDICATES THE COUNTRIES IN WHICH KONGSBERG OIL & GAS TECHNOLOGIES HAS SET UP OPERATIONS

Norway, England, Austria, India, USA

No. of employees 241

No. of employees, Norway	220
No. of employees, outside Norway	21

Kongsberg Oil & Gas Technologies delivers complete systems for management, control, optimisation and safety in connection with operations on oil platforms, production vessels and drilling vessels.

2008 was characterised by a high level of activity and strong influx of new orders. One of the largest contracts was for automation and safety systems for StatoilHydro's North Sea installations. The contract has a duration of two years and covers the Statfjord A, B and C platforms, as well as the Haltenbanken platforms.

The influx of orders has been especially strong for floating production facilities and drilling rigs. In 2008, efforts were invested in delivering integrated control systems for safety and process automation for several floating production units. Two of these are now in operation, Alvheim for Marathon Oil in the North Sea and AF Dhirubhai (Aker Smart 1) in India.

The company has a strong position in dynamic simulation in Norway. The business unit built up its simulator activities in England in 2008, and expanded its process control and simulator operations in India. Processing facilities have been the main target area thus far, and the division has delivered simulators for design support, system verification and operator training. Important projects include a training simulator for Bohai, the world's largest floating production, storage and offloading vessel (FPSO), as well as training simulators and production monitoring systems for the oil company Reliance. The unit has been working on a life cycle simulator system for British Petroleum (BP) for the Skarv field in the Norwegian Sea, and BP has ordered an engineering simulator for the rebuilding project on the Valhall oil field on the Norwegian Continental Shelf in the North Sea.

The unit can also very accurately simulate the status of pipelines from the oil well all the way to the production facility. This is done using new technology developed by SINTEF in collaboration with Total and ConocoPhilips. KONGSBERG has been chosen as a partner for the industrialisation of this technology, which has been designated LedaFlow®.

Since 2006, strategic efforts have been made to develop a broader supplier position in the oil and gas industry at the national and international levels alike, by offering a more complete range of products and services.

Kongsberg Intellifield delivers systems and solutions for real-time remote operation of drilling operations and production optimisation for the international oil and gas industry.

Among other contracts, the subsidiary has won two framework agreements for software and deliveries of Intelligent Collaboration Environments (ICE) in global collaboration with Baker Hughes Inteq. An agreement has also been signed with Petroleum Development Oman of Oman to design, build and supply an ICE for data collection in integrated operations. The contract also covers consultancy services. A software solution was also supplied to the world's largest oil company, Saudi Aramco, for 3D visualisation of the company's oil reservoirs.

Seaflex has also had a good year with a view to consultancy, simulation and engineering services related to technology for flexible and fixed risers.

PRODUCT

Integrated operations

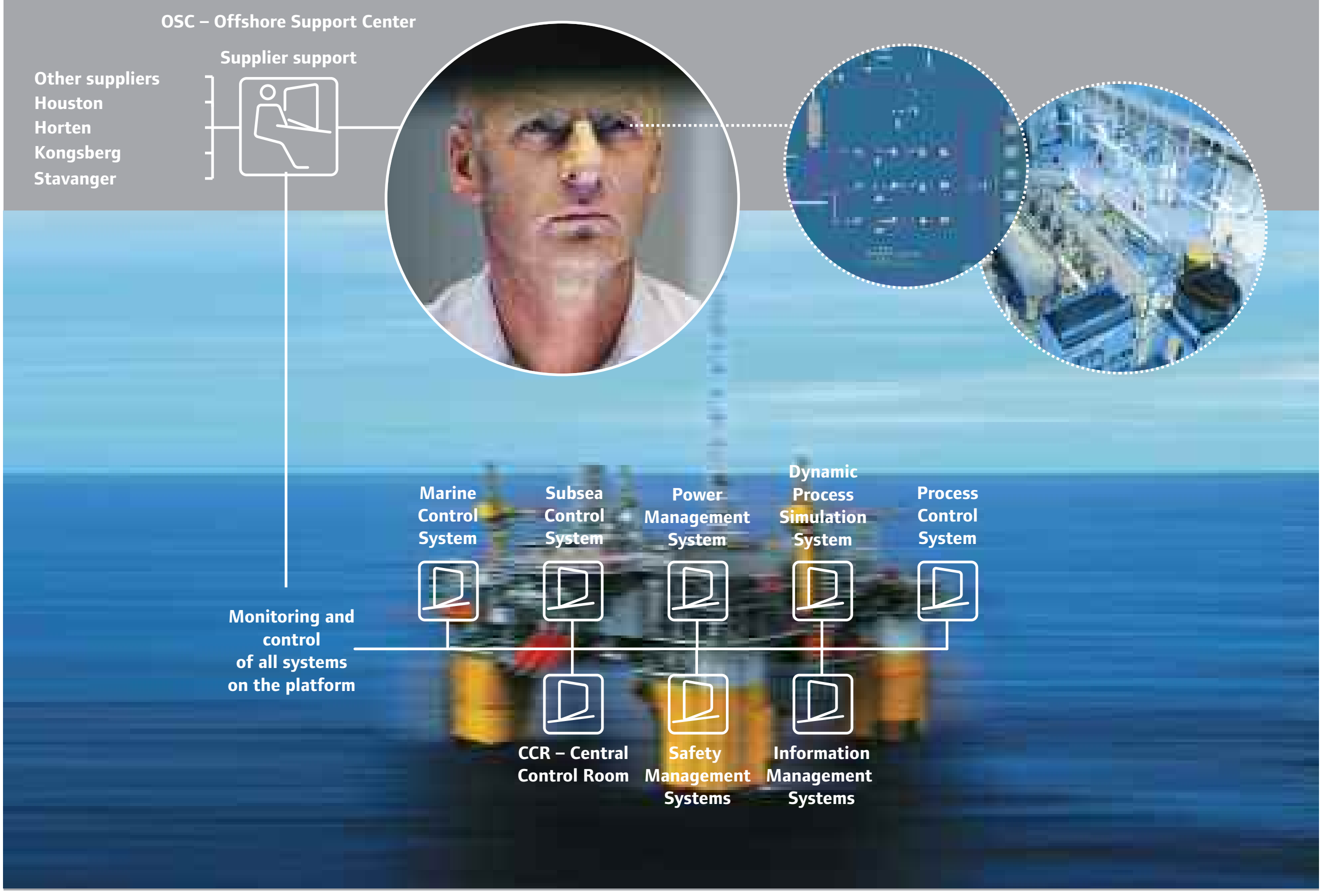
Integrated operations involve improving interaction between personnel, work processes and technology through the active use of audio, video, data and information systems for communication, remote monitoring and remote control. The main objective of integrated operations is to create an environment for better, faster decisions, so that oil and gas fields can to a greater extent be operated and controlled from land. This will lead to new cooperative relationships within oil companies and between vendors and oil companies. Studies on the Norwegian Continental Shelf indicate that active use of integrated operations can decrease operating costs by 20-30 per cent, while increasing production worth many tens of billions of NOK.

Integrated operations are an important target area for Kongsberg Oil & Gas Technologies, with a significant potential for growth in the years ahead.

The BA focuses on developing further as an internationally leading supplier of technology, products and services for integrated operations for offshore and onshore operations alike.

It was a breakthrough in 2008 when the subsidiary Kongsberg Intellifield won acceptance for its technical solutions for a number of installations the world over. Kongsberg Intellifield was the first out with a server solution for gathering data from drilling operations. The solution can be used by any party and for data from all types of instruments and service providers related to drilling operations. In December 2008, Kongsberg Intellifield received Teknisk Ukeblad's award for "Engineering Feat of the Year for 2008" for this work.

Kongsberg Oil & Gas Technologies is a leader in the design of intelligent systems for integrated operations and the development of advanced 3D applications for decision-support through the subsidiary Kongsberg SIM. Integrated operations will continue to be a strategically important growth area in the global oil and gas market of tomorrow, so the BA will focus on operator companies and larger service companies with upstream operations such as drilling and production. There is strong emphasis on integrated operations as a tool in all of the most important oil and gas regions.



The business area

Kongsberg Defence Systems

KONGSBERG DEFENCE SYSTEMS

- Missile Systems
- Naval Systems & Surveillance
- Integrated Defence systems
- Aerostructures

THIS MAP INDICATES THE COUNTRIES IN WHICH KONGSBERG DEFENCE SYSTEMS HAS SET UP OPERATIONS

Norway, Finland, England, Hungary, Greece, The United Arab Emirates, Kuwait, Saudi Arabia, India, Singapore, South Africa, USA, Canada, Antarctica

No. of employees
1 298

No. of employees, Norway	1 233
No. of employees, outside Norway	65

Missile Systems Division

The division develops, manufactures and delivers advanced technology for international aerospace activities.

MISSILES

In 2008, the division completed industrialisation and initiated serial production of new anti-ship missiles (Naval Strike Missile – NSM) for the Norwegian Navy. The NSM has been designated the Navy's main weapon on the new Norwegian Nansen Class frigates and the new Norwegian Skjold Class missile torpedo boats. In January 2009, a successful test firing of the missile was conducted, concluding the development phase. Deliveries to the Navy will commence in 2010 and last until 2014. In December 2008, a contract worth MNOK 800 was signed with the Polish Ministry of Defence for NSMs and a command and control system. The contract is an important reference contract for the export of NSMs and it strengthens the chances for further sales on the international market.

Joint Strike Missile (JSM) is the designation for a future missile that will be tailor-made for fighter craft. Australia and Norway have funded studies to examine opportunities for adapting the JSM to the F-35 Lightning II – Joint Strike Fighter (JSF) fighter craft. The fully developed missile will be carried inside the fuselage of the JSF and be a potential weapon system option for all JSF customers. The missile can also be adapted other types of fighter craft.

The Penguin missile is the world's leading anti-ship missile for deployment on naval helicopters. In 2008, the Group won contracts valued at MNOK 440 for Penguin missiles. This includes a contract with the Brazilian Navy worth MNOK 140. Penguin missiles will be carried by Brazil's new naval helicopters. All the Penguin contracts in recent years have been a consequence of long-term, mutually binding cooperation with Sikorsky Aircraft Corporation (SAC). SAC is currently exploring several interesting market opportunities.

AEROSPACE

KONGSBERG is Norway's largest supplier to ESA, the European Space Agency. The division has provided equipment for numerous space programmes, and for many of the satellites and booster rockets that carry satellites into outer space. In February 2009, contracts with a scope of about MNOK 120 were signed for deliveries for the Ariane 5 booster rocket.

THEME

Joint Strike Fighter – far-reaching industrial opportunities for KONGSBERG

The Norwegian Government's choice of the F-35 Lightning II – Joint Strike Fighter (JSF) as the future fighter craft for the Norwegian Armed Forces engenders far-reaching industrial opportunities for KONGSBERG.

KONGSBERG was considered an important Norwegian industrial partner for manufacturing fighter craft, regardless of which aircraft was ultimately chosen. KONGSBERG has already secured contracts for the JSF, and will be in a good position to compete for further contracts as the project unfolds.

The Norwegian Government chose the JSF because the aircraft was the only option to comply with all the operability standards posed by the Government.

The JSF is a supersonic, multi-role, 5th generation stealth fighter developed and financed by a consortium of nine countries: the USA, Canada, the UK, Australia, Italy, Turkey, the Netherlands, Denmark and Norway. There are three versions of the aircraft: F-35 A (CTOL) is the ordinary version designed for operation at ordinary airports. F-35 B (STOVL) can take off on very short runways and land vertically, and the F-35 C version is designed for aircraft carriers. Norway has chosen the F-35 A. US manufacturer Lockheed Martin will handle development and production of the aircraft, while Northrop Grumman and BAE Systems are Lockheed Martin's main partners for the project.

The JSF is arguably the most flexible fighter craft the world has ever seen, and it is intended to supersede a wide range of current aircraft with vastly different areas of application, e.g. the F-16, F/A-18, A-10 and Harrier.

The JSF differs from other fighter craft in a number of areas. One of the main characteristics of the JSF is its low visibility on radar thanks to stealth technology. US' experience of combat and exercises indicates that stealth technology offers a huge tactical advantage.

Another distinctive feature of the JSF is the advanced sensor systems with which the aircraft is equipped. Many different active and passive systems are collected in a Electro-Optical Distributor Aperture System (DAS) that makes it possible to detect most threats and targets. The systems are linked to form a protective sphere around the aircraft, allowing the pilot a full view of about the situation. Advanced radar, sensor and weapons systems ensure a highly effective aircraft under any conditions.

Joint Strike Fighter: To date, KONGSBERG has secured contracts to make components for the tail fins and rudders.

The preliminary JSF contracts awarded to KONGSBERG are linked to the new 30 000 m² composite plant that was officially opened in November 2008. The plant combines advanced engineering production and advanced composite production, both of which are of the utmost importance to the JSF. Advanced composite production is absolutely decisive for the JSF's unique ability to elude radar. The JSF will be the cornerstone of the composite plant, which will serve military and civilian markets alike.

KONGSBERG has signed a framework agreement with Lockheed Martin for the production of rudders and the leading edges of the two tail fins on the JSF fighter craft. The contract has a potential scope of about NOK 6 billion if the plant were expanded to full-scale production. Further, a framework agreement is being negotiated with Northrop Grumman for the production of different panels and hatches for the main body of the fuselage. Northrop Grumman is responsible for the centre section of the aircraft. The deal could have a scope of more than NOK 2 billion over the life of the programme.

A third contract involves cooperation with the third party supplier Marvin Engineering in California, and applies to the air-to-air missile pylons on the wings. This could also have a significant scope.

Thus far, KONGSBERG has won its JSF contracts on quality and price, which is a good point of departure in the competition for further deliveries to the JSF.

"The most exciting aspects of JSF production are the large volumes and very long-term perspective. The USA alone is expected to buy 2500 aircraft, and partner countries will probably order several hundred aircraft. This can translate into deliveries for the next 30 years", comments Christian Hauglie-Hanssen, senior vice president for Aerostructures at Kongsberg Defence Systems.

PRODUCT

Naval Strike Missile

The Naval Strike Missile (NSM) is a small autonomous aircraft that is 4 metres long and weighs about 400 kilos. It has a scope of 185+ kilometres. The missile has properties that enable it to follow the terrain at a very low altitude at high subsonic speed (below the sound barrier). It is built of composite material and has a surface and shape that make it difficult to detect on radar.

Kongsberg has collaborated with the Norwegian Defence Research Establishment and the Norwegian Navy since the development contract was signed with the Navy in December 1996. The project is arguably one of Norway's most advanced development projects. The NSM has been designated the Navy's main weapon on the new Norwegian Nansen Class frigates and the new Norwegian Skjold Class missile torpedo boats. The missile is now in serial production.

The missile is equipped with an infrared imaging seeker based on the world's foremost seeker technology. Using satellite navigation (GPS), inertial navigation and a laser altimeter, the missile knows exactly where it is. The missile contains a large number of processors that process data in real time for guidance and navigation, as well as for target detection through image recognition. The missile selects its trajectory to the target using map coordinates. In the final phase, its flight pattern is unpredictable, making it difficult to shoot down. In January 2009, a successful test firing of the missile was conducted with a live warhead, concluding the development phase.

The anti-ship missile is the most advanced missile of its kind in existence today. That creates demand for the missile and makes it attractive on the market. A contract was signed with the Polish Ministry of Defence for NSMs that will be used along with a command and weapon control system corresponding to Kongsberg's renowned NASAMS air defence system. The contract represents a new area of application for the NSM, where the missiles will be launched from trucks in a coastal artillery system.

Joint Strike Missile (JSM) is the designation for a future missile that will be tailor-made for fighter craft. The missile is new, but based on some of the technology used in the NSM. Australia and Norway have funded studies to examine opportunities for adapting the JSM to the F-35 Lightning II - Joint Strike Fighter (JSF) fighter craft. The fully developed missile will be carried inside the fuselage of the JSF and be a potential weapon system for all JSF customers. The missile can also be adapted other types of fighter craft.

The missile's infrared target seeker guides the missile towards the right targets using advanced electro-optics and image processing.

Aerostructures Division

The division's main activity is to make aerostructures of composite and titanium.

RELATED INFORMATION
→ www.kongsberg.com/Aerostructures

KONGSBERG has been engaged in composite production since the 1990s. The division makes missile structures of composite and cockpit floors for the NH90 helicopter. It used to make rudders and flaps for the Eurofighter fighter craft, as well as panels for a series of satellite programmes.

In 2008, KONGSBERG built a new factory in Kongsberg for the advanced production of composite and titanium with a view to offset agreements in connection with the purchase of new fighter craft. The plant covers some 30 000 m^2 and was officially opened in November. The State posted a guarantee for the plant to compensate for the risk KONGSBERG had to assume if the State decided to not to buy fighter craft.

In November 2008, the Norwegian Government announced its choice of the American fighter craft F-35 Lightning II – Joint Strike Fighter (JSF) as successor to today's F-16 fighter craft operated by the Norwegian Air Force. The division is now working on lining up the industrial contracts. One of the agreements involves the further formalisation of the framework agreement for more than NOK 6 billion signed in 2007 with Lockheed Martin and Northrop Grumman for the production of aircraft components in composite and titanium. This agreement was contingent upon Norway's choice of fighter craft. Now that the Norwegian government has made its choice, the opportunities inherent in this framework agreement have been further strengthened. The first JSF components will be made and qualified in 2009.

The division also does extensive engineering production and metal working, with deliveries to the offshore and subsea markets as well as for KONGSBERG's weapon control system (RWS). In addition, the division performs overhauls and maintenance services for the helicopter market.

KONGSBERG's new state-of-the-art factory for making composite and titanium is one of the largest industrial buildings erected in Norway in recent years.

The first components for Norway's new fighter craft will be manufactured and qualified in 2009.

Composite – tomorrow's material today

In November 2008, KONGSBERG opened a large-scale plant for advanced production of aircraft components in composite and titanium. The plant will make rudders, fuselage panels and air-to-air pylons for Norway's new F-35 Lightning II – Joint Strike Fighter (JSF).

Composite consists of two different materials, where the combination imbues the material with better properties than what each of the two constituents have separately. KONGSBERG's expertise lies in polymer composites or CFRP (Carbon Fibre Reinforced Plastic), a combination of carbon fibre and a plastic matrix.

One of the main advantages of composite is that it is light weight, and that it offers an optimal ratio between weight, strength and stiffness. Composite is a flexible material that can be tailored for different purposes. It consists of many layers, meaning its strength and flexibility can be adapted as required. The material has good fatigue properties, i.e. it has a longer life than conventional metal structures, needs little maintenance and does not rust.

KONGSBERG manufactures composites for the aircraft and aerospace industry. The Group started out by making the wing of the Penguin missile in composite, then developed and produced cockpit floors for the NH90 helicopter made by Eurocopter. The Group has also made rudders and internal flaps for the Eurofighter, a crucial step for penetrating the fighter craft market.

COMPOSITE PRODUCTION, STEP BY STEP

The process for making a simple composite structure:

1

Pre-Preg (carbon fibre pre-impregnated with resin (adhesive binder)) is the starting material for KONGSBERG's composite production. The material looks like woven fabric, and comes on large rolls. The fabric must be stored in a freezer at a steady -23°C to prevent the adhesive from hardening prior the production process.

2

The Pre-Preg cloth is cut in layers of different sizes and shapes, depending on what is being made.

3

The next step is to place the Pre-Preg layer on layer into a casting mould. The direction of the fibres is predefined for each layer to determine strength and stiffness. A laser projector can draw the outline of the layer to facilitate its placement in complex structures.

4

Plastic film then envelopes the composite material and the air is removed. This is to seal everything before the mould is tempered in an autoclave.

5

The autoclave hardens the composite material at a pressure that is typically 7 bars at 180 degrees Celsius. This operation takes five to 12 hours. Autoclaving is used to ensure high quality and the repeatability of production.

6

The component is then machined, that is, the outer edges are trimmed and the holes drilled. This operation is fully automatic at KONGSBERG's new, state-of-the-art composite plant. Once a part is finished, it is inspected by ultrasound to check the integrity of the material and ensure that contains no pores or foreign objects. The part is completed after surface treatment. Then different metal parts such as fasteners, gaskets etc., can be mounted.

Naval Systems & Surveillance Division

RELATED INFORMATION
→ www.kongsberg.com/NavalSystems

The division makes command and weapon control systems for naval vessels, and systems for surface and underwater surveillance of sea, coastal and harbour waters, as well as training equipment and simulators.

New contracts with a total scope of

approx. NOK 1.0 billion

Several important contracts were won in open international competitions in 2008. Kongsberg Defence & Aerospace signed a contract with the Norwegian Defence Logistics Organisation (NDLO) for Combat System Integration Infrastructure, a new passive sonar system and for upgrading the tactical simulators on Norway's six Ula Class submarines. The contract has a scope of roughly MNOK 179.

Two contracts with a value of MNOK 150 were also signed for command and control systems, dynamic positioning systems and the upgrading of a tactical bridge simulator for the Norwegian mine clearance vessels.

The division has delivered weapon, sonar and navigation systems for the new Norwegian Nansen Class frigates. The Norwegian Navy has taken delivery of three of the five frigates. KONGSBERG has signed a maintenance contract with the Navy and participates in testing and the evaluation of the frigates in Norwegian waters. Deliveries to the frigates have been in collaboration with US manufacturer Lockheed Martin and the Navantia Shipyard in Spain. The division is working on several international prospects based on the experience gained with the Norwegian submarine and frigate projects.

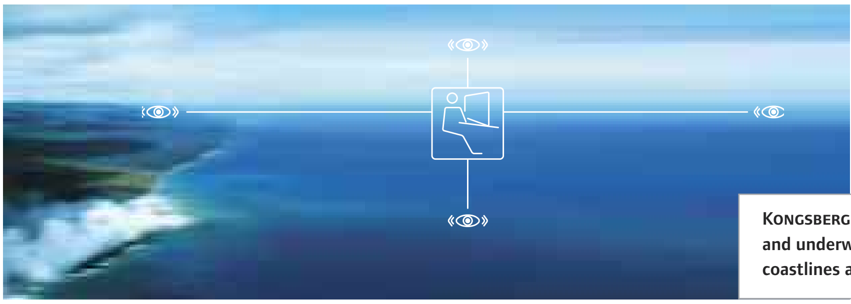
Deliveries of the command and weapon control systems for the new Norwegian Skjold Class missile torpedo boats continue. The first vessels are in a testing and evaluation phase, in collaboration with the Norwegian Navy. KONGSBERG cooperates with Umoe Mandal and DCNS of France on the Skjold programme. The Simulation and Training Department had a good influx of new orders in 2008. Simulators for the Protector Remote Weapon Station (RWS) are an important product, and contracts have been signed with the US Army, among others.

Surveillance is a target area. In 2008, the division won a contract in conjunction with ASELSAN of Turkey for an integrated system for underwater surveillance. The system is to be part of the overall system for surface and underwater surveillance for the protection of the two Turkish naval bases, AKSAZ and FOÇA (YUNUS), and the contract is valued at approx. MNOK 130.

The division is also responsible for the subsidiaries Kongsberg Norcontrol IT, Kongsberg Spacetec and Kongsberg Satellite Services. Kongsberg Norcontrol IT delivers systems for the surveillance of harbours and coastal waters. The subsidiary Kongsberg Spacetec in Tromsø delivers ground systems for earth observation satellites and is the international market leader in the development of technology for ground stations for downloading and processing satellite data.

Kongsberg Satellite Services is jointly and equally owned by KONGSBERG and the Norwegian Space Centre. The company downloads, analyses and communicates data from satellites that monitor weather as well as the environment. The satellite downloading station TrollSat on Antarctica was opened in 2008. As the only supplier in the world, the company can now offer customers the downloading and delivery of data from satellites in polar orbit as they pass over both the Arctic and Antarctica. A contract was also signed with Raytheon of the US in connection with the satellite programme NPOESS. The contract is valued at roughly MNOK 100.

The division also aims to strengthen its position as a supplier of surveillance systems for the Barents Sea region, not least with a view to the development of oil and gas deposits.



KONGSBERG delivers systems for surface and underwater surveillance of the sea, coastlines and harbours.

Integrated Defence Systems Division

RELATED INFORMATION
→ www.kongsberg.com/AirDefenceSystems

The division delivers air defence systems and command, control and surveillance systems, as well as tactical radio and communications systems.

Several countries will be choosing their supplier and procuring air defence in 2009. The division therefore

expects growth

in this area in 2009.

Command and control systems collect, interpret and present data so that air defence system operators can take the decisions needed to launch missiles.

2008 was a year of burgeoning activity and emphasis on project implementation. In 2008, the division's air defence systems operations delivered NASAMS II to Norway and the Netherlands.

NASAMS is a mobile air defence system developed in conjunction with the Norwegian Air Force and defence contractor Raytheon of the US. The strategic co-operation agreement with Raytheon generally involves KONGSBERG supplying decision-support tools and command and control systems, while Raytheon supplies missiles, radars and other equipment for the air defence systems. NASAMS II is a further development of the system, including an upgrading of the decision-making component and the radar, as well as a new electro-optical sensor. Several countries are interested in this latest configuration of the air defence system.

NASAMS has also been operational around the clock in Washington, D.C. since the 2005 US presidential inauguration.

In December 2008, a contract was signed with Poland's Ministry of Defence valued at approx. MNOK 800. The contract is for a coastal artillery system featuring Naval Strike Missiles (NSM), where the missiles are launched from trucks. A command and weapons control system corresponding to NASAMS is also included in the contract.

The NASAMS system is under continuous development; the most recent advance is the development of a longer range AMRAAM missile in collaboration with Raytheon of the US and Nammo of Norway. Successful tests were conducted in 2008, including tests at Andøya Rocket Launching Field.

2008 was an important year for marketing the air defence systems, and several countries will be selecting suppliers and procuring air defence in 2009. The division therefore expects growth in this area in 2009.

The division's tactical radio and communications systems are predominantly aimed at export customers. In 2008, the division won a strategically important contract with the Norwegian Armed Forces for a new generation of radio lines for high-speed data transfer. This boosted export sales.

Army systems has seen further development and deliveries of the Odin 2 weapon system for the Norwegian Armed Forces. This fire control system for artillery supports the use of heavy artillery, mortars and rocket artillery. Another functionality developed for the Protector (RWS) in 2008 facilitates the coordination of a force's weapon control systems. The system is called Blue Force Protector.

The subsidiary Gallium Visual Systems in Canada specialises in simulating air traffic control services, as well as in visualisation and mapping systems for military applications. Gallium's InterMAPhics map system has been integrated so that it can be used in systems sold by KONGSBERG.

The business area

Kongsberg Protech Systems

KONGSBERG PROTECH SYSTEMS

THIS MAP INDICATES THE COUNTRIES IN WHICH KONGSBERG PROTECH SYSTEMS HAS SET UP OPERATIONS

Norway, USA

The business area's main product is the Protector Remote Weapon Station (RWS), which was developed to protect military personnel in armoured vehicles. The system has carved out a leading position in this market.

The principal underlying the Protector weapon control system is that weapons and sensors are mounted on the outside of the vehicle, while the operator remotely controls the system from a protected position inside the vehicle.

Six new countries chose the Protector RWS in the past year, and KONGSBERG has contracts with Norway, the USA, Canada, the UK, Australia, France, Finland, Ireland, Switzerland, the Czech Republic, Portugal, the Netherlands, Luxembourg, Slovenia, Kuwait and Sweden. Since 2001, KONGSBERG has delivered a total of more than 4 000 RWS systems. This makes KONGSBERG the world's largest producer of remotely operated weapon stations (RWS) for armoured personnel carriers.

In August 2008, KONGSBERG opened a new factory in Johnstown, Pennsylvania (USA) to make the weapon control systems for the CROWS framework contract signed in 2007 (see the fact box). The build-up in the USA helps reduce foreign currency risk and brings us closer to the customer, ensuring even better service and follow up.

Production capacity for the BA as a whole was more than doubled in 2008. The Remote Weapon Station is in demand for several types of vehicles and the product still has a huge untapped market potential. Several countries are planning to acquire similar systems, and there are additional possibilities in countries that have already signed contracts.

The RWS has been developed and improved on a continuous basis. A new, lighter version for smaller vehicles has been developed and sold to the US and Norway. A version of the Protector for deployment on vessels (Sea Protector) has been developed and is currently being tested by the Finnish Navy, among others.

No. of employees 533

No. of employees, Norway	422
No. of employees, outside Norway	111

FACTS

The BA signed a framework agreement with the US Army in 2007 worth NOK 8 billion for 6 500 weapon control systems for the CROWS programme over five years. Eighteen months into the Framework Agreement, call-off orders total NOK 4.25 billion. NOK 2.52 billion of the BA's new orders in 2008 were ascribable to the Framework Agreement.

Protector RWS – protecting military personnel

The Protector Remote Weapon Station was developed to protect military personnel inside armoured vehicles. Weapons and sensors are mounted on the outside of the vehicle, while the operator remotely controls the system from a protected position inside the vehicle. The Remote Weapon Station can be mounted on all types of vehicles.

The Protector has been in full-scale production since December 2001. Altogether, more than 4 000 RWS systems have been delivered since then. The RWS has been tested in combat zones, and has rapidly become a world leader in its segment. KONGSBERG has booked orders from 16 countries.

The BA signed a framework agreement with the US Army in 2007 with a scope of NOK 8 billion for up to 6 500 weapon control systems for the CROWS programme over five years. Eighteen months into the Framework Agreement, call-off orders total NOK 4.25 billion. NOK 2.52 billion of the BA's new orders in 2008 were called off under the framework agreement.

The framework agreement with the US Army makes KONGSBERG by far the pre-dominant and largest supplier of weapon control systems to the USA, and a world leader in this niche. The framework agreement led us to expand our capacity considerably in Pennsylvania (USA), adding another 12 000 m^2 plant.

Today's Protector is the 4th generation Remote Weapon System qualified for international operations. KONGSBERG spends considerable resources on improving and further developing the weapon control system. Protector currently consists of three main products: Protector M151, Protector Lite and Sea Protector. The M151 has been the most high-volume product so far. It is lightweight, easy to integrate and requires no reduction in the vehicle's armour, offering great flexibility for customer-specific modifications. Launched in 2006, Protector Lite is well suited for smaller vehicles and armoured trucks armed with smaller calibre weapons. KONGSBERG was first in the world to win a contract for this product. It lends itself for deployment on several new vehicle programmes, and KONGSBERG believes this could be a new growth product.

(IV) Corporate Governance and Financial Information

Growth and improvement are key to the Group's strategy

CONTENTS

Highlights in 2008

- Corporate governance is discussed and considered by the corporate Board of Directors every year
- Focus on internal control, risk management and procedures for compliance and follow up
- The Group is considered "investment grade", i.e. low risk relative to financing

Kongsberg has supplied weapon, sonar and navigation systems to the new Norwegian Nansen Class frigates.

EXECUTIVE MANAGEMENT

Walter Qvam	Chief Executive Officer
Arne Solberg	Chief Financial Officer
Torfinn Kildal	President, Kongsberg Maritime AS
Harald Ånnestad	President, Kongsberg Defence Systems
Egil Haugsdal	President, Kongsberg Protech Systems
Even Aas	Executive Vice President, Public Affairs
Stig Trondvold	Executive Vice President, Business Development

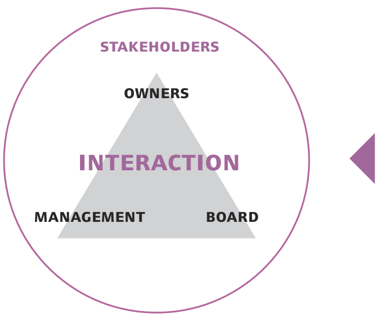
THE BOARD OF DIRECTORS

Finn Jebsen	Chair of the Board
Benedicte Berg Schilbred	Deputy Chair
Erik Must	Director
Siri Hatlen	Director
John Giverholt	Director
Roar Marthiniussen	Director (employee representative)
Audun Solås	Director (employee representative)
Kai Johansen	Director (employee representative)

Corporate Governance

Responsible interaction between the owners, 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.



How we understand the concept

The Group's value platform and corporate Code of Ethics are fundamental for 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 communities in which the Group operates.

Treatment of the topic in 2008

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

THE NUES PRIZE

Each year, the Norwegian Corporate Governance Committee (NUES) awards a prize for the best corporate governance report in an annual report. KONGSBERG won the prize for the presentation in its 2007 Annual Report. This is the second time KONGSBERG has been accorded this honour. The first time was for the annual report for 2004, which was the first time the prize was awarded.

CORPORATE GOVERNANCE AT KONGSBERG

The General Meeting elects five shareholders' representatives to the Board based on nominations from the Nominating Committee. Two-year terms of office.

The ultimate responsibility for strategy and management of the company. Advice regarding and oversight of routine management.

Strategy and operational management.

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 4 December 2007. 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'*.

Articles of Association – Kongsberg Gruppen ASA

Most recently revised by the ordinary Annual General Meeting on 8 May 2007

§ 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 30 000 000 shares with a nominal value of NOK 5 each. 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 private 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, or the Deputy Chair and another Director may co-sign.

§ 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 remuneration to senior employees.

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 The Nominating Committee shall consist of three members who shall be shareholders or representatives of 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 AGM 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 AGM 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 recommendations.

Norwegian Code of Practice

→ **Oslo Stock Exchange:** www.oslobors.no/ob/cg

→ **The Norwegian Corporate Governance Committee:** www.nues.no

→ **KONGSBERG:** www.kongsberg.com

The following is a detailed discussion of each individual section of the Norwegian Code of Practice. The review takes its point of departure in the final revised version of the Code from 4 December 2007.

DEVIATIONS FROM THE CODE

POINT 6 There are two parts to this point. The entire Board has not usually attended the general meeting. Thus far, the items on the agenda for the general meeting 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 recommendation for independent chairing of meetings.

POINT 10 There are currently no separate internal control routines for following up the company's value platform and Code of Ethics. Meanwhile, the Group has set up an Ethics Council whose purpose is to contribute to high ethical awareness, promote good behaviour and ensure a good reputation in and for KONGSBERG.

The description of the individual items is generally structured in accordance with 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 Group will comply with the Norwegian Code of Practice for Corporate Governance. A discussion and clarification of the Group's value platform may be found in the Sustainability Report (page 113) and on www.kongsberg.com.

The Group has drawn up its own corporate Code of Ethics, most recently revised in April 2008. For more details, see pages 122–123, or the Group's website.

2

OPERATIONS

"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 Group's Articles of Association are printed on page 95 and on the Group's website.

The Group's objectives and main strategies are discussed on pages 10–15.

3

INVESTMENT CAPITAL AND DIVIDENDS

Equity

At 31 Dec. 2008, consolidated equity came to MNOK 1 894, or 15 per cent of total assets. The Board considers this satisfactory. The company's need for financial strength is considered at any given time 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 the Group's annual profit from ordinary operations, after tax.

The General Meeting 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 5 per share was paid for 2007, and the Board will propose a dividend of NOK 5.50 per share for 2008.

Capital increase

The Board is not authorised to undertake share issues.

Purchase of treasury shares

The general meeting can authorise the Board to buy back up to 10 per cent of its own shares. On 24 April 2008, the 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. The Board's acquisition of shares pursuant to this mandate can be exercised only between a minimum of NOK 100 per share and a maximum of NOK 750 per share. At 31 Dec. 2008, the Group owned a total of 17 594 shares, or 0.06 per cent of the total shares in the Group. The shares were purchased for the employee share scheme, but can also be sold on the market. Offered to all employees at a 20 per cent discount, 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 is based on the assumption that 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 between related parties
In 2008, the Board determined that there were no transactions 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 31.

Guidelines for directors and executives
The corporate Code of Ethics discusses the topic under the heading 'conflict of interest', without implying that this is directly covered by the Code of Practice. Similarly, this 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 importance to society. Under certain circumstances, where the State's participation is imperative and the Government must obtain an authorisation from the Storting, from time to time, it will be necessary to give the Ministry insider information. In such case, 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
An Annual General Meeting (AGM) is ordinarily held by 1 June each year. The AGM is scheduled for 7 May in 2009. Notification is usually sent out three weeks in advance. This is one week earlier than the statutory minimum requirement (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 date of the general meeting. 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 company's 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 its annual report.

Participation
It is possible to register by post, telefax or E-mail. The Board wishes to pave the way 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 item treated. Representatives of the Board, at least one member of the Nominating Committee and the auditor will attend the general meeting. Management is represented by the CEO and the CFO, at the very least.

In 2008, the AGM was held on 24 April, and 73.5 per cent (79 per cent in 2007) of the aggregate share capital was represented. A total of 65 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 will chair the general meeting. The CEO will review the status of the Group. The minutes of the AGM will be made available on the Group's website.

7

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

The Nominating Committee shall consist of three members who shall be shareholders or representatives of shareholders. The general meeting shall elect all members of the Nominating Committee, including the chair. The Nominating Committee itself proposes to the general meeting a list of candidates for the Committee. The term of office is two years. The Nominating Committee's remuneration is stipulated by the general meeting based on the Board's recommendation. The abovementioned elements appear in §9 of KONGSBERG's Articles of Association. The Committee works under instructions from the general meeting. These instructions were last revised by the ordinary general meeting 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) and Sverre Valvik, Managing Director, Arendals Fossekompani ASA (re-elected). Anne Grethe Dalane was elected chair of the Committee.

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 Fossekompani 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. None of the nominations for the Board were proposed through this channel in 2007.

The work of the Committee
Prior to the 2008 AGM, one meeting was held at which the Board reviewed the evaluation of its own work. The Chair presented the evaluation. In addition, the Committee contacted all major shareholders (stake > 1 per cent) for their opinions on items for discussion by the Nominating Committee. None of the members was up for election in 2008. All Board members are up for election in 2009.

8

THE BOARD – COMPOSITION AND INDEPENDENCE

Composition of the Board
The Board consists of eight members, and currently has the following composition: Finn Jebsen (Chair), Benedicte Berg Schilbred (Deputy Chair), Siri Hatlen, Erik Must, John Giverholt, Roar Marthiniussen, Kai Johansen and Audun Solås. The three latter directors have been elected by and from among the employees. Detailed information on the individual directors is available on page 104.

It is essential that the Board as a whole is 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.

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

The Board's autonomy
All shareholder-elected directors are considered autonomous and independent of the Group's corporate management. The same applies relative to important business associates. Arendals Fossekompani ASA, in which Erik Must directly and indirectly has a substantial stake, owned 7.96 per cent of Kongsberg Gruppen ASA at year end. Ferd AS, where John Giverholt is CFO, had a 0.5 per cent stake in Kongsberg Gruppen ASA at year end. The Board 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
The general meeting elects the five shareholder-elected representatives to the Board. The Nominating Committee draws up a recommendation for shareholder candidates to the Board in advance of the election. The roster of nominations is sent to the shareholders along with the notification of the general meeting. 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 Dec. 2008, the shareholder-elected directors held the following portfolios of shares in the Group: Finn Jebsen owns 5 000 shares through his wholly-owned enterprise Fateburet AS. Benedicte Berg Schilbred owns 17 500 shares through the company Odd Berg AS. Erik Must owns 31 150 shares personally and 100 000 shares through Must Invest AS.

9

THE WORK OF THE BOARD

Board responsibilities
The Board bears the ultimate responsibility for managing the Group and for 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 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 shall 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
The Board's rules of procedure are extensive and were last revised on 6 Feb. 2008. 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 in connection with a possible corporate takeover, confidentiality and professional secrecy, relations to legislation, regulations and rules of procedure.

The Board can decide to deviate from the rules of procedure in certain cases.

Instructions for the CEO

There is a clear division of responsibilities between the Board and executive management. The Chair is responsible for the Board's work being conducted in an efficient, correct manner and in accordance with the Board's terms of reference. The CEO is responsible for the Group's operational management. The Board has drawn up special instructions for the CEO.

Financial reporting

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

Notice of meetings and discussion of items on the agenda

The Board schedules regular board meetings each year. Ordinarily, there are eight meetings held each year. Additional meetings are convened on an ad hoc basis. In 2008, there were nine Board meetings and one Board seminar. The Board meetings had 97 per cent attendance in 2008.

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.

Besides the directors, Board meetings are attended by: the CEO, CFO, executive vice president, Public Affairs and vice president, 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 is pursuant to the rules of procedure for the Board.

Expertise

An extensive programme has been conducted to give new and old directors insight into the Group's business activities. In early 2007, the Board and corporate management toured the Group's operations in Northeast and Southeast Asia. The purpose of the trip was to improve the Board's insight into commercial activities in the area. In 2008, the Board visited different units in Norway.

PARTICIPATION IN MEETINGS

	Board meetings	Compensation Committee	Audit Committee
Finn Jebsen	9	5	
Benedicte Berg Schilbred	8		
Siri Hatlen	9		2
Erik Must	8	5	
John Giverholt	9		4
Roar Marthiniussen	9	5	
Audun Solås	9		4
Kai Johansen	9		

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 2008, there was one case before the Board, for which one of the directors withdrew due to a conflict of interest.

Use of Board Committees

The Group has stipulated the use of a Nominating Committee in the Articles of Association. Moreover, 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 2008, 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. Four meetings were held in 2008.

Members: John Giverholt, Siri Hatlen, Audun Solås.

The mandate for the Audit Committee is on the Group's website.

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, etc. for executives, as well as other matters related to compensation that the Committee believes to be of special importance to the Group. The Committee consists of the Chair, one shareholder-elected director and one employee-elected director. The CEO is entitled to participate in the Committee's meetings when he so desires, except when his own situation is under discussion. Five meetings were held in 2008.

Members: Finn Jebsen, Erik Must, Roar Marthiniussen.

The mandate for the Compensation Committee is on the Group's website.

The Board's self-evaluation

Each year a special Board seminar is organised on topics related to the Group's business activities 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 its efforts 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 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. See page 103 for a more detailed description.

The Board's annual review

The Board 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 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. Further, there is a statement about internal control activities under the heading Organisation and Governance on page 102.

11

DIRECTORS' FEES

The Annual General Meeting stipulates the Board's remuneration each year. The proposal for remuneration is made by the chair of the Nominating Committee. For 2008, total compensation to the Board added up to NOK 1 436 334. The remuneration breaks down as follows: The Chair NOK 330 667, deputy chair NOK 175 667, other directors NOK 155 000.

In addition, the members of the Audit Committee receive NOK 7 350 per meeting, up to a maximum of NOK 36 750 per year. The committee's chair receives NOK 8 400 per meeting, up to a maximum of NOK 42 000 per year. The members of the Compensation Committee receive NOK 5 250 per meeting, up to a maximum of NOK 26 250 per year. The committee's chair receives NOK 6 300 per meeting, up to a maximum of 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

REMUNERATION TO LEADING EMPLOYEES

Guidelines

The Board has drawn up separate guidelines for the stipulation of salaries and other remuneration 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 remuneration 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.

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 remuneration

The Board adopted a new bonus system in 2006. Performance-related remuneration is linked to value creation for shareholders or to the Group's earning performance over time. The prerequisites for performance-based remuneration are described in Note 31. Altogether, the Group has 90 managers who are covered by an incentive system that includes an element of individual performance. The criteria for the assessment encompasses changes in the Group's financial results, the business area's or the unit's performance, tied-up capital and the achievement of targets related to improvements and the long-term perspective.

Conditions

Remuneration to executive management and the Board is described in Note 31.

13

INFORMATION AND COMMUNICATIONS

The annual report and accounts – interim reporting

The Group ordinarily presents provisional annual accounts in late February. Complete accounts, the Directors' Report and the annual report are sent to shareholders and other stakeholders in March/April. Beyond this, the Group presents its accounts on a quarterly basis. The Group's Financial Calendar is published on the Group's website and in the Annual Report. The Sustainability Report is part of the Annual Report sent to all shareholders.

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 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 should react to any takeover bid. The Board 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 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

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 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 has discussed guidelines for the business relationship between the auditor and the Group.

The Group hired Arthur Andersen & Co. as its independent auditor upon its inception in 1987. In April 2002, Arthur Andersen & Co. in Norway was merged with Ernst & Young. In addition to ordinary auditing, the company has provided consultancy services related to accounting, tax and due diligence. Please see Note 12 to the consolidated accounts for a more detailed explanation.

At regular intervals, the Board 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 and executive management

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.

The CEO appoints members to the corporate management board. Corporate executive management currently consists of seven individuals. In addition to the CEO, the executive management group consists of the CFO, the presidents of the four business areas (Kongsberg Maritime, Kongsberg Defence Systems, Kongsberg Protech Systems), the executive vice president, Business Development and the executive vice president, Corporate Communications.

Corporate executive management usually meets once a fortnight, supplemented by routine 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.

Inter-group Boards of Directors

The Group's subsidiaries have their own Boards of Directors, comprised of 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 for primary insiders and insider trading. These guidelines are updated regularly pursuant to the rules that apply at any given time, and distributed to the primary insiders. The in-house guidelines impose on primary insiders an internal obligation to clear any purchase or sale of KONGSBERG shares with the CEO.

Organisation and management

The Group has grown rapidly in recent years in terms of operating revenues, the number of employees and its international presence. The goal is for this growth to continue. This calls for further focus on the Group's systems of governance.

ORGANISATION

KONGSBERG's management model consists of the General Meeting, the Board of Directors, the CEO and Group Executive Management. At year end, the business areas Kongsberg Maritime and Kongsberg Defence & Aerospace were both divided into two new business areas. As from 1 January 2009, the Group has four business areas with their own revenue, growth, improvement and performance targets. The changes have been made to ensure the Group is positioned to take advantage of opportunities for further growth.

The Group's organisational model attaches importance to clear accountability for results, so authority is largely delegated to the individual units. The corporate staff's main responsibilities are to draw up policies and principles that apply to the Group as a whole, to have certain subject-specific duties, to provide technical support for the BAs and to offer services in fields in which coordination is profitable.

STRATEGY

The Board bears the ultimate responsibility for the Group's strategy. Corporate management draws up proposals for strategies and long-term general objectives. The strategy and objectives are discussed and adopted by the Board. This annual process has a rolling five-year perspective. The process normally starts in March and ends in June. Each BA presents its plans for the upcoming reporting period. Based on the strategic planning document and the long-term objectives, operational goals and plans are drawn up for all profit centres.

BUDGETS

The budget process usually starts in mid-September. All profit centres take part in this work. Budgetary guidelines are drawn up at the corporate level, based on the strategy document and relevant external framework conditions. It is important to improve on past performance. The budget is subject to in-depth scrutiny by corporate management and the Board. The final budget is adopted by the Board in December, and then used as a tool for short-term financial management the following calendar year. The budget applies throughout the entire budget period, and has a binding effect on the managers of the individual units.

RISK MANAGEMENT

Comprehensive risk analyses are compiled quarterly and submitted to the Board of

In 2008, the Group set up a

designated compliance officer position

to ensure compliance with current legislation and regulations, emphasising ethics, anti-corruption and risk management.

Directors. The analyses mainly cover operational risk, business risk, legal risk and financial risk. Responsibility for operational risk lies with the individual BAs. Risk is largely ascribable to the completion of projects of great technical complexity, where the ability to deliver on signed contracts at the agreed time and with the agreed product quality, functionalities and price is decisive. Further, profits will be contingent on our own costs, suppliers' costs, interest expenses, currency exposure and risk attached to the customer's ability to pay. Business risk is related to market conditions, competitors and other general conditions prevailing in the markets in which we operate. Legal risk is related to any ongoing disputes before the courts and to projects that involve differences of opinion with customers/partners. Financial risk is mainly related to foreign exchange and interest rate fluctuations as well as funding.

In addition, the Board receives a special health, safety and environmental (HSE) report each quarter. The report contains a detailed list of absence due to illness, work-related accidents, near accidents and remedial measures implemented. The reports also include a list of implemented and planned HSE activities.

FOLLOW UP OF DAY-TO-DAY OPERATIONS

The Group Executive Board has monthly follow-up meetings with the BAs. These meetings address the follow up of objectives, large-scale projects and risk analyses, as well as other factors that deserve attention, in addition to the Group's financial and market status. Importance is attached to commenting on non-conformance relative to budgets, earlier years, planned activities and forecasts for the year. Corrective measures are then implemented, if so required.

NEW COMPLIANCE OFFICER POSITION

In 2008, the Group set up a designated compliance officer position to ensure compliance with current legislation and regulations, emphasising ethics, anti-corruption and risk management. The compliance officer's job description and terms of reference will be further developed in 2009. The chief compliance officer reports to the CEO.

INTERNAL CONTROL

Internal control at KONGSBERG covers the control procedures, analyses and initiatives, if any, implemented to ensure that the Group manages risk and reaches its targets on a predictable manner. KONGSBERG has no internal auditing.

Commissioned by the Audit Committee, an evaluation was made in 2008 of the Group's risk management, including internal control and the need for internal auditing, if any. The report was to determine whether KONGSBERG's internal control was good enough in the light of the Group's most important elements of risk. It was also to determine whether the processes for internal control associated with the most important risks were subject to satisfactory auditing procedures. The conclusion was that no internal auditing unit is needed, but that a new management model will be drawn up to ensure that internal control routines are appropriate to the company's risk profile at all times. Management reports to the Board's Audit Committee regarding these efforts. Otherwise, internal control generally operates as follows: Most internal control is part of the day-to-day operations of the BAs. Accounting controls are handled through different divisions of responsibilities, guidelines and approval routines. The Group's central accounting service bears overall responsibility for starting new ventures and following up guidelines and principles. The introduction of the International Financial Reporting Standard (IFRS) and Norway's new Bookkeeping Act have led to more stringent requirements for accounting-related follow-up and control. The corporate Board has a special Audit Committee.

Intra-Group financial transactions are subject to special control systems and routines. Financial risk is reduced by using appropriate financial instruments. Financial risk is managed by the Group's central financial service.

The responsibility for the commercial content of contracts and agreements rests with the individual BAs.

The Group has an Ethics Council that addresses topics related to the corporate Code of Ethics. Moreover, the Group has three ombudsmen for ethical questions.

The Board of Directors of Kongsberg Gruppen ASA

Finn Jebsen (59)

Chair of the Board
Position: Self-employed
Education: Economist, the Norwegian School of Economics and Business Administration in Bergen (1974), master's degree in Business Administration from the University of California, Los Angeles (1976)
Other: Former CEO of Orkla ASA
Number of years on the Board: 4
Number of shares in Kongsberg Gruppen ASA: 5 000 (through the wholly-owned enterprise Fateburet AS)
Directorships outside Kongsberg: Chair of the Board of Directors in Kavli Holding AS. Deputy Chair of KLP Forsikring. Director of Berner Gruppen AS, Anders Wilhelmsen Management AS and Norsk Hydro ASA

Benedicte Berg Schilbred (62)

Deputy Chair
Position: Executive Chair of the Board of the Odd Berg Group
Education: Graduate of the Norwegian School of Management and additional courses from the Norwegian School of Economics and Business Administration (1972)
Number of years on the Board: 8
Number of shares in Kongsberg Gruppen ASA: 17 500 (through the company Odd Berg AS)
Directorships outside Kongsberg: Chairman of the Board of Odd Berg AS, AS Tromsø Bunkerdepot, Tromsø Kulkran AS, Tromsø Fiskeindustri AS, Eximo AS, Tos Lab AS, Veita Senter AS, Bergship AS and AS Arctic Hunting. Director of Norway Pelagic Group AS

Erik Must (66)

Director
Education: Economist, Copenhagen School of Economics (1967)
Number of years on the Board: 4
Number of shares in Kongsberg Gruppen ASA: 100 000 (through Must Invest AS), 31 500 (personally)
Directorships outside Kongsberg: Chair of the Board of Directors of Fondsfinans ASA, Fondsfinans Asset management Holding AS, Arendals Fossekompani ASA, Gyldendal ASA and Erik Must AS. Member of the Boards of the NSTC Media Group and the Norwegian Museum of Cultural History, the Arentz Legacy and the Biotechnology Centre at the University of Oslo

Siri Hatlen (51)

Director
Position: Executive Vice President, Statkraft AS, will be taking over as managing director of Oslo University Hospital as from 1 July 2009
Education: Graduate Engineer, Norway's Technical College (1980) and additional courses (MBA) from INSEAD, Fontainebleau (1991)
Number of years on the Board: 6
Number of shares in Kongsberg Gruppen ASA: 0
Directorships outside Kongsberg: Chair of the Board of Directors of Norway's state-owned wine and spirits monopoly, Det Norske Samlaget Publishing House and SN Power AS. Director of NTNU

John Giverholt (56)

Director
Position: CFO, Ferd AS
Education: Economist, the University of Manchester (1976). Registered auditors' examination, the Norwegian School of Economics and Business Administration (1979)
Other: Formerly held managerial positions at Orkla ASA, Den norske Bank ASA and Norsk Hydro ASA.
Number of years on the Board: 4
Number of shares in Kongsberg Gruppen ASA: 0
Directorships outside Kongsberg: Director of Telenor ASA

Roar Marthiniussen (52)

Director (employee representative)
Position: Sales and Marketing Manager, Kongsberg Maritime AS
Education: Engineer from Horten College of Engineering
Number of years on the Board: 10
Number of years with the Group: 30
Number of shares in Kongsberg Gruppen ASA: 3 350

Audun Solås (50)

Director (employee representative)
Position: Chief Engineer, Kongsberg Defence & Aerospace AS
Education: Graduate Engineer, Royal College of Technology, Stockholm
Number of years on the Board: 4
Number of years with the Group: 18
Number of shares in Kongsberg Gruppen ASA: 0

Kai Johansen (41)

Director (employee representative)
Position: Chief trade union representative in Kongsberg Defence & Aerospace AS
Education: Tinius Olsen School where he earned a guild certificate as a machine operator.
Number of years on the Board: 2
Number of years with the Group: 24
Number of shares in Kongsberg Gruppen ASA: 0

Executive management

Walter Qvam (55)

Position: Chief Executive Officer
Education: Graduate Engineer from the Norwegian Institute of Technology (NTH) (1979) with additional courses from INSEAD in Singapore (1985)
Other: Has had executive positions with major Norwegian and international businesses in oil, gas and shipping (Det Norske Veritas), IT (Capgemini), transportation (Norwegian State Railways) and consultancy (Gemini Consulting). Took over as CEO of KONGSBERG on 1 March 2008
Number of years with the Group: 1
Number of shares in Kongsberg Gruppen ASA: 940
Directorships outside the Group: 0

Arne Solberg (56)

Position: Chief Financial Officer
Education: Economist from the Norwegian School of Management (1980)
Other: Formerly in leading positions in finance/administration at Elektrisk Bureau AS
Number of years with the Group: 22
Number of shares in Kongsberg Gruppen ASA: 7 590
Directorships outside the Group: Kitron ASA (chair of the Board) and Navico Holding (director)

Torfinn Kildal (54)

Position: President, Kongsberg Maritime AS.
Education: Economist from the Norwegian School of Economics and Business Administration (1977)
Other: Began his professional career with AS Kongsberg Våpenfabrikk, then had managerial positions with the SIMRAD Group
Number of years with the Group: 12
Number of shares in Kongsberg Gruppen ASA: 8 369
Directorships outside the Group: Argos Control AS (director)

Harald Ånnestad (48)

Position: President, Kongsberg Defence Systems
Education: Graduate Engineer from the Norwegian Institute of Technology (1984)
Other: Began his career in AS Kongsberg Våpenfabrikk, where he had a number of managerial positions
Number of years with the Group: 22
Number of shares in Kongsberg Gruppen ASA: 534
Directorships outside the Group: 0

Egil Haugsdal (48)

Position: President, Kongsberg Protech Systems
Education: Engineer from Gjøvik College of Engineering
Other: Began his career with AS Kongsberg Våpenfabrikk, and then had 10 years in managerial positions in logistics and production in the ABB Group
Number of years with the Group: 12
Number of shares in Kongsberg Gruppen ASA: 1 538
Directorships outside the Group: 0

Even Aas (47)

Position: Executive Vice President, Public Affairs
Education: Economist from the University of Oslo (1988)
Other: Formerly employed by the Norwegian Confederation of Trade Unions, political adviser and later state secretary for commerce and shipping at the Ministry of Foreign Affairs. Also worked for Telenor ASA
Number of years with the Group: 11
Number of shares in Kongsberg Gruppen ASA: 2 386
Directorships outside the Group: Federation of Norwegian Industries (director and on the Supervisory Board)

Stig Trondvold (55)

Position: Executive Vice President, M&A – Business Development
Education: Graduate Engineer from the Norwegian Institute of Technology (1976) and an MBA from IMD in Switzerland (1984)
Other: Began his professional career at SINTEF, followed by several managerial positions at AS Kongsberg Våpenfabrikk, Kongsberg Automotive AS, Kongsberg Automotive Technology AS, AP Kongsberg Ltd and Kongsberg Techmatic AS.
Number of years with the Group: 9
Number of shares in Kongsberg Gruppen ASA: 3 334
Directorships outside the Group: Kongsberg Innovasjon AS (Chair of the Board), National Institute of Technology, Norway (Chair of the Board), Research Board for Innovation – The Research Council of Norway (director)

Financial Information

Growth through organic development and acquisitions

Shares and shareholders

KONGSBERG's share price closed at NOK 328 at year-end 2008. Including the dividend of NOK 5 per share, the return on investments came to minus 1.8 per cent in 2008.

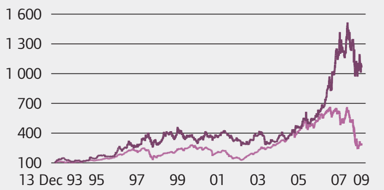
RELATED INFORMATION
→ www.kongsberg.com/Investor_Relations

SHAREHOLDER POLICY

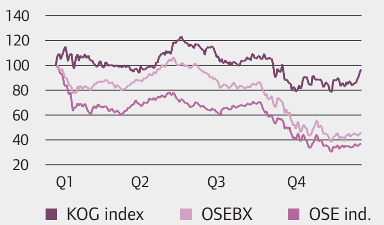
KONGSBERG's paramount objective is to enhance shareholder value. The Group's primary focus is on its four business areas. KONGSBERG plans to grow organically and through acquisitions in selected strategic market segments.

KONGSBERG attaches a great deal of importance to keeping the equity market and others well informed about the Group's profit trends and prospects. The information is to be relevant and up to date at all times. It will be published in a manner which ensures equal treatment, credibility and predictability, and which creates a sound platform for the equity market's valuation of the company. The Group strives to ensure a long-term competitive return on shareholders' investments that is commensurate with

SHARE PRICE TRENDS FROM LAUNCH
NOK
(Share price trend against Benchmark Index from the launch)



INDEX-LINKED SHARE PRICE PERFORMANCE 2008
NOK (Index = 100 at 1 January 2008)



DIVIDENDS AND EARNINGS PER SHARE

Amounts in NOK	*2008*	*2007*	*2006*	*2005*	*2004[1)]*	*2003[3)]*	*2002[3)]*	*2001[3)]*	*2000[3)]*
Earnings per share	19.44	16.17	8.30	7.19	3.66	4.23	7.21	4.18	(1.86)
Dividend	5.50	5.00	2.50	2.15	2.00[2)]	1.30	2.10	-	-

1) The figures have been adjusted for the effects of the transition to IFRS and the sale of yachting activities.
2) The proposed dividend for 2004 was based on the result prior to a charge of MNOK 150 related to the NSM project.
3) Not adjusted for the effects of the transition to IFRS, but presented in compliance with NGAAP and including yachting activities.

the risk involved.

The return is a combination of the share price trend and the dividends paid to the shareholders.

The Group's goal is for 30 per cent of the Group's annual profit from ordinary operations after tax to be returned to the shareholders as dividends.

DIVIDENDS AND EARNINGS PER SHARE

Dividends have been paid every year since 1993, except in 2000 and 2001. Dividends have averaged approx. 30 per cent of the company's net profit.

The ordinary AGM will be held on 7 May 2009. The Board will propose a dividend per share of NOK 5.50. If adopted, the dividend will be disbursed on 20 May 2009 to those listed as shareholders in the Norwegian Central Securities Depository on 7 May 2009. Upon payment of dividends to foreign shareholders, a deduction will be made for Norwegian withholding tax, pursuant to current provisions. The company's shares will be listed on the Oslo Stock Exchange ex-dividends as from 8 May 2009.

SHARE PRICE TREND IN 2008

Market capitalisation changed during the year from MNOK 10 170 to MNOK 9 840 (-3.2 per cent). The Group was launched on the Oslo Stock Exchange on 13 December 1993 with market capitalisation of MNOK 643.

The total investment performance of the share since its Stock Exchange launch was 1 092 per cent at year end. During the same years, the All-Share Index on the Oslo Stock Exchange rose by 186 per cent. The share price was reduced by NOK 11 per share in 2008 (-3.2 per cent) and ended at NOK 328 at year end, having closed at NOK 339 in 2007. The Oslo Stock Exchange All-Share Index and the Industrial Index dropped by 54 per cent and 63 per cent, respectively, during the same period.

SHARE LIQUIDITY

In 2008, approx. 3 million KONGSBERG shares were traded, divided among 14 703 trades. KONGSBERG shares were traded for MNOK 1 015 in 2008. Liquidity is nonetheless still described as being at a relatively low level and the company continues its efforts to promote interest in the share.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF HOLDING AT 31 DEC. 2008

Number of shares	*Number of shareholders*	*% of no. of shareholders*	*% of no. of shares*
1 – 1 000	5 573	92.15%	3.13%
1 001 – 10 000	391	6.46%	3.17%
10 001 – 100 000	67	1.11%	8.19%
100 000 – 1 000 000	13	0.21%	13.72%
Over 1 000 000	4	0.07%	71.80%

SHARE PRICE DATA BY QUARTER 2008

Amounts in NOK	*Q4 2008*	*Q3 2008*	*Q2 2008*	*Q1 2008*
Opening price	300.0	385.0	333.0	339.0
Closing price	328.0	300.0	385.0	333.0
Yield during the period	9%	(22%)	16%	(2%)
Highest closing price	328.0	390.0	417.0	390.0
Lowest closing price	267.0	298.0	318.0	321.0
Average closing price	291.4	351.6	367.7	347.7
Median	290.5	352.5	373.0	340.0
Volume in 1 000 shares	1 134	465	728	740

10 LARGEST SHAREHOLDERS (AT 19 FEBRUARY 2009)

Shareholders	*No. of shares*	*in %*
State repr. by the Ministry of Trade and Industry	15 000 400	50.00%
Folketrygdfondet (National Insurance Fund)	3 023 630	10.08%
Arendals Fossekompani ASA	2 388 199	7.96%
MP Pensjon	1 203 200	4.01%
Skagen Vekst	729 280	2.43%
Orkla ASA	711 800	2.37%
Odin Norge	667 740	2.23%
Odin Norden	547 887	1.83%
Odin Offshore	250 000	0.83%
DnB NOR Norge (IV)	226 623	0.76%
Total, 10 largest shareholders	**24 748 759**	**82.5%**
Total number of shares	**30 000 000**	**100.0%**

SHARE CAPITAL

Kongsberg Gruppen ASA has share capital of MNOK 150, divided among 30 million shares with a nominal value of NOK 5 per share. There is only one class of shares, and there are no one limitations on voting rights. When launched on the Stock Exchange on 13 December 1993, the Group had 5.85 million shares with a nominal value of NOK 20. In 1999, the number of shares was increased to six million in connection with a share issue directed at the employees. In May 1997, the share was split into four, increasing the number of shares to 24 million with a nominal value of NOK 5 per share. All key figures for 1997 and earlier years have been adjusted accordingly. In July 1999, six million new shares were issued, bringing the total up to the current level of 30 000 000 shares.

EMPLOYEE SHARE AND OPTION PROGRAMMES

The Group's annual employee share programme was conducted in summer 2008. This was the 12th time all employees were given the opportunity to buy Group shares at a 20 per cent discount. A total of 133 612 shares were sold at a price of NOK 300. Shares were awarded to 1 441 employees. As from 2007, the Group discontinued the scheme of awarding options in connection with the annual share programme.

In connection with the employee share programme in 2006, all those who acquired shares were allocated a number of options corresponding to half the number of shares acquired. The strike price for these options was NOK 168. Upon expiry of the options, the share was priced at NOK 392. The employees had a choice between purchasing shares at the agreed price or receiving a cash settlement for the gain. 158 employees chose to purchase a total of 17 379 shares in connection with this programme.

At year-end 2008, more than 1 500 employees owned a total of about 750 000 shares. This corresponds to 2.5 per cent of the shares in Kongsberg.

TREASURY SHARES

At Kongsberg's ordinary Annual General Meeting held on 24 April 2008, the Board was authorised to buy back shares. The authorisation is limited to 5 per cent of the share capital and applies for 12 months from the date of the AGM. At 31 December 2008, Kongsberg owned a total of 17 594 treasury shares. Acquired shares may only be disposed of on the market, as payment for acquisitions, or through the option and share scheme for employees.

SHARES OWNED BY BOARD MEMBERS AND MANAGEMENT

For information about the shares owned by directors and corporate management, see the consolidated accounts, Note 31.

INVESTOR RELATIONS

Kongsberg furnishes the equity market with relevant, comprehensive information as the basis for a balanced, correct pricing of the share. The Group attaches importance to maintaining an open dialogue with the equity market and media through stock exchange bulletins, press releases and other media initiatives, as well as through presentations for analysts and investors. The Group's website at www.kongsberg.com features a separate section for investor information. The section contains the Group's annual reports, interim reports and presentation material. The Group has been awarded distinctions for Good Information and Good English by the Oslo Stock Exchange.

In 2008, Kongsberg organised presentations and met with owners and potential investors both in Norway and abroad. Kongsberg aspires to be accessible to the market, and corporate management or parts of it are present at most such events. The full- and half-year presentations are also webcast. In September 2008, Kongsberg organised Capital Markets Day at its premises in Kongsberg. The event was well attended. Several members of the corporate management board gave presentations and there was a guided tour of the area, as well as demonstrations of some of the products. Another Capital Markets Day will be organised in 2009.

HISTORICAL SHARE INFORMATION

Amounts in NOK	2008	2007	2006	2005	2004	2003	2002	2001	2000	1993
Market capitalisation 31 Dec.	9 840	10 170	5 250	3 720	2 970	3 180	2 715	2 895	2 550	643[2)]
Change during the year	(3.2%)	93.7%	41.1%	25.3%	(6.6%)	17.1%	(6.2%)	13.5%	(32.5%)	-
Closing share price, 31 Dec.	328.00	339.00	175.00	124.00	99.00	106.00	90.50	96.50	85.00	32.25
Closing share price, 1st trading day	339.00	170.00	125.00	99.00	104.00	90.50	102.00	86.50	127.00	27.52
Highest closing share price	417.00	345.00	175.00	132.00	116.00	110.00	118.00	115.00	127.00	32.5
Lowest closing share price	267.00	167.00	122.00	91.00	76.75	74.00	86.00	83.00	80.00	30.25
Average closing share price	340.40	243.51	145.79	108.34	92.21	88.97	102.26	99.80	101.30	31.10
Number of shares traded (in 1 000)	3 043	4 229	2 990	5 297	7 861	11 736	2 458	9 379	9 278	
As a % of bonus shares[1)]	20%	28%	20%	35%	52%	78%	16%	63%	62%	
Number of transactions	14 703	5 158	1 980	3 345	4 552	4 329	1 558	2 274	3 305	
Number of trading days	252	242	225	247	252	238	218	231	250	

1) Of the shares in circulation. The State's interest of 50.001 per cent (15 000 400 shares) is not included.
2) Stock Exchange launch on 13 December 1993.

Financial risk and market conditions

KONGSBERG's goal is to create long-term value. Limiting financial risk is an important policy instrument.

CURRENCY

A large part of KONGSBERG's earnings are generated by export contracts, but the Group has a relatively small percentage of procurements in the same currencies. This means that KONGSBERG has considerable foreign currency exposure.

Our foreign currency exposure is particularly strong in the offshore market, where many competitors' cost bases are in USD. Many of the competitors on the merchant marine market are located in Europe. Keener competition from Asia is exacerbating the foreign currency risk in this segment as well. All new bids tendered by defence activities will be based on market rates. Defence market customers are less sensitive to currency fluctuations.

KONGSBERG has a policy to limit currency risk for the business areas and for the Group as a whole. KONGSBERG's actively considers the impact of foreign exchange as a competitive factor. All contractual currency flows are hedged (project hedges). The Group also hedges anticipated future currency flows (hedges of forecasted sales). These hedges and the hedging of major bids in foreign currency are based on the individual business area's market and competitive situation. Our currency hedging strategy offsets transient currency fluctuations at the same time as it allows time for operational adjustments pending any permanent changes in exchange rates.

At 31 Dec. 2008, the Group had hedged a total of NOK 19 billion in foreign currency, mainly in USD and EUR.

Hedging by objective

The Group's hedging strategy has a two to three-year perspective. It offsets transient currency fluctuations and allows time to make operational adjustments. We actively strive to decrease the effect of currency fluctuations, both by increasing the percentage of value creation abroad and by shifting more of our cost base to foreign currencies.

The hedging of net anticipated future foreign exchange earnings in USD and EUR is based on a hedge matrix that factors in levels and time. In principle, larger volumes are hedged through forward transactions at historically 'high' rates, and lower or no volumes at historically 'low' rates.

See Note 23 to the consolidated accounts for more details on hedging.

FUNDING

Satisfactory creditworthiness with financial institutions is a prerequisite for predictability when funding operating and investment programmes. KONGSBERG is rated 'investment grade', suggesting that the Group is associated with low risk. Good creditworthiness will reduce refinancing risk, thus reducing the cost of funding. In 2008, KONGSBERG increased its gross debt to MNOK 1 700. Borrowing requirements vary as a result of seasonal fluctuations and the terms of payment in major defence contracts. Any acquisitions will also impact the need for capital. On 1 Jan. 2009, KONGSBERG had the following loans in its central funding programme:

Bond issue NO001022638.4.	MNOK 400	Due June 2009
Bond issue NO001036178.5.	MNOK 300	Due March 2012
Syndicated loan (fully drawn)	MNOK 1 000	Due July 2013

KONGSBERG's funding needs are also covered by a syndicated credit facility (where a group of banks underwrites the credit facility) of MNOK 800 that will mature in 2010. The credit facility was undrawn at the beginning of 2009. Financial and liquidity management is coordinated by Kongsberg Finans, the Group's corporate financial services unit.

INTEREST

At the end of 2008, the Group's loan programme had an average fixed-rate period of six months. KONGSBERG's attitude to interest rate risk is related to its ability to service loans.

Interest swap agreements	*MNOK*	*Due*	*Term to adjustment*
DnB 13	300	17 June 2009	6 months

See Note 24 to the consolidated accounts for a more detailed explanation.

ACCESS TO LOAN CAPITAL

Access to loan capital was a recurring topic in the latter half of 2008, and the risk of not being able to refinance loans when they fall due has been a genuine problem for many companies. The new syndicated credit facility established in autumn 2008 allows KONGSBERG flexibility in connection with any refinancing of the bond loan that will fall due in June 2009.

HEDGING BY OBJECTIVE *Amounts in MNOK*	*Value based on agreed rates 31 Dec 08*	*Value based on agreed rates 31 Dec 07*	*Excess (+)/ deficit value 31 Dec 08*	*Excess (+)/ deficit value 31 Dec 07*
Hedging of forecasted values (cash flow hedges)	10 275	3 292	(1 373)	188
Currency options	535	261	(81)	14
Total cash flow options	**10 810**	**3 553**	**(1 454)**	**202**
Project hedges (value hedges)	8 602	5 263	(1 308)	243
Collateral for loans	756	123	-	2
Total	**20 168**	**8 939**	**(2 762)**	**452**

Important assets on the balance sheet

The value of the Group's total assets increased by 35 per cent from 2007 to 2008

PROPERTY

KONGSBERG has substantial real property consisting of real estate owned or leased by the Group. The majority of the properties are located in Kongsberg and Horten.

Owned by KONGSBERG

	Projected gross rental income in 2009 MNOK	*Capitalised value MNOK*	*Area m²*
Kongsberg	123.6	751	124 900
Horten	28.2	187	31 200
Total	**151.8**	**938**	**156 100**

The properties enjoy fully occupancy, consisting mainly of KONGSBERG companies. The overall property area is divided among several companies, all of which are wholly owned by Kongsberg Gruppen ASA and have an aggregate book value of MNOK 1 117. A new composite plant was built in 2008, entailing a substantial increase in the real property owned by KONGSBERG. Rental revenues reflect market rates for comparable properties in the area.

GOODWILL

Goodwill is an asset that arises in connection with acquisitions, and represents the difference between acquisition prices and identified and capitalised underlying assets and liabilities. Compared with other assets such as buildings, technology, receivables and stock in trade, goodwill is more abstract and consists of more elements. Our goodwill includes the value of acquired expertise and anticipated synergies ensuing from acquisitions. Synergies can consist of expertise, additional market access and distribution, sales and administration, and cost reductions due to more efficient processes or the coordination of central functions. Goodwill is no longer amortised, but rather calculated yearly to see whether the value is lower than the capitalised value. If the value is lower than the capitalised value, goodwill must be written down. At 31 Dec. 2008, goodwill accounted for approx. 14 per cent of the Group's total assets. See Notes 13 and 14.

Equity-financed development accounts for a significant share of our costs, totalling

MNOK 464

In addition, MNOK 55 was recognised for proprietary development.

OTHER INTANGIBLE ASSETS

Other intangible assets are generally the value of technology obtained through acquisitions and technology developed in-house. In recent years, we have acquired companies that have very valuable technology and where the technology is decisive for sales to customers. The technology is depreciated over its expected useful economic life. The remaining useful economic life is assessed annually.

Adding up to about MNOK 464, R&D accounts for a significant share of KONGSBERG's costs. In addition, R&D valued at MNOK 55 has been capitalised on equity-financed development projects. The criteria for balance sheet recognition are strict. There are extensive documentation requirements, and the probability of success must be documented before an equity-financed R&D project can be recognised on the balance sheet.

At an early stage, there is normally considerable uncertainty about whether a project can be brought to fruition, meaning many costs will accrue before the criteria for balance sheet recognition are satisfied. Accordingly, the capitalised percentage is relatively low. Even though R&D is not capitalised, it is still of significant value to the company. The percentage of R&D relative to revenue is a dimension figure that indicates how much we invest in R&D.

RECEIVABLES

At 31 Dec. 2008, the Group had total receivables of MNOK 2 515, cf. Note 21 to the consolidated accounts.

Amounts in MNOK	*31 Dec 08*	*31 Dec 07*
Accounts receivable	2 097	1 456
Other receivables	249	151
Prepayments to suppliers	169	83
Total	**2 515**	**1 690**

PROJECTS

The Group's main business objective is to develop and manufacture products and systems based on orders received. Balance sheet values attached to long-term production contracts are reported gross. Unpaid gross amounts from customers for contractual work are reported as assets.

Most of Kongsberg Maritime's projects have a duration of less than two years, and earnings on each individual project account for a limited share of consolidated earnings. The projects in the defence segment are generally of longer duration. Total earnings on an individual project within this BA make a substantial contribution to the Group's activities. See Note 22.

EQUITY INVESTMENTS

At the outset of 2009, equity investments classified as available for sale totalled MNOK 260. The most important items are Roxar ASA and Kitron ASA.

Key financial figures

Amounts in MNOK		*2008[2]*	*2007[1,2]*	*2006[2]*	*2005[3]*	*2004[3]*	*2003[4]*	*2002[4]*	*2001[4]*	*2000[4]*	*1999[4]*	*1998[4]*
OPERATIONS	Operating revenues	11 056	8 306	6 720	5 791	5 901	6 651	6 980	6 176	5 296	4 412	4 404
	- outside Norway	77%	71%	72%	67%	69%	76%	72%	74%	74%	62%	62%
	- civilian	62%	62%	57%	59%	54%	54%	58%	63%	64%	73%	71%
	Earnings before interest, taxes, depreciation and amortisation (EBITDA)	1 319	966	627	536	410	583	673	595	465	400	417
	EBITDA per employee in NOK	252	230	172	159	117	140	160	148	124	118	125
	Earnings before interest, tax and amortisation (EBITA)	1 122	796	464	378	239	383	485	437	287	249	278
	Earnings before tax (EBT)	861	685	390	314	180	190	291	191	188	205	279
	Profit for the year	587	490	252	262	118	125	216	123	(56)	233	171
	Effective tax rate	32%	28%	35%	32%	40%	34%	28%	38%	-	32%	33%
	Net cash flow from operating activities	(26)	1 037	623	631	328	83	264	321	46	409	423
	Operating margin prior to amortisation (EBITA margin)	10.1%	9.6%	6.9%	6.5%	4.1%	5.8%	6.9%	7.1%	5.4%	5.6%	6.3%
	Profit margin (EBT)	7.8%	8.2%	5.8%	5.4%	3.1%	2.9%	4.2%	3.1%	3.5%	4.6%	6.3%
	Orders received	14 635	14 338	7 672	5 683	5 323	7 421	5 725	5 967	7 648	4 123	4 604
	Backlog of orders	16 692	12 646	6 472	5 416	5 425	5 913	5 143	6 401	6 610	4 258	4 551
	Order backlog/Operating revenues	1.5	1.5	1.0	0.9	0.9	0.9	0.7	1.0	1.2	1.0	1.0
	Equity-financed development	464	374	320	325	286	302	318	282	184	185	172
	Capitalised development during the year	55	72	17	-	-	-	-	-	-	-	-
	Equity-financed development as a % of operating revenues	5%	5%	5%	6%	5%	5%	5%	5%	3%	4%	4%
CAPITAL	Total assets	12 450	9 214	7 356	6 586	6 258	6 008	5 597	5 629	5 371	4 012	3 949
	Employed capital	4 446	4 900	4 055	3 715	3 930	3 698	3 260	3 078	2 942	1 796	1 959
	Return on employed capital	16%	12%	8%	7%	4%	6%	9%	8%	7%	8%	7%
	Pre-payments from customers	1 320	1 938	1 497	1 617	1 044	931	818	1 028	957	858	552
	Net interest-bearing debt	1 439	(242)	294	282	1 101	1 164	795	776	1 029	(330)	456
	Net interest-bearing debt/EBITDA	1.1	(0.3)	0.5	0.5	2.7	2.0	1.2	1.3	2.2	(0.8)	1.1
	Gearing ratio	76%	(9%)	17%	19%	68%	64%	46%	50%	73%	(22%)	41%
	Equity	1 894	2 758	1 684	1 505	1 626	1 830	1 741	1 538	1 406	1 490	1 106
	Equity ratio	15%	30%	23%	23%	26%	30%	31%	27%	26%	37%	28%
	Investments	1 385	878	476	168	197	292	360	339	1 235	305	574
	Disbursements in connection with the purchase of operations and minority interests	544	281	225	62	15	115	108	41	717	8	206
	Depreciation and amortisation	281	214	179	165	174	292	269	267	240	187	228
EMPLOYEES	Number of employees	5 243	4 205	3 650	3 372	3 495	4 176	4 208	4 012	3 765	3 382	3 333
	Number of graduate engineers/engineers/technician	3 722	3 116	2 898	2 426	2 898	2 904	2 871	2 633	2 294	2 106	1 990
	Wage share	30%	34%	35%	35%	35%	33%	30%	30%	32%	32%	30%
OWNERS'	Market capitalisation	9 840	10 170	5 250	3 720	2 970	3 180	2 715	2 895	2 550	3 780	1 824
VALUE	Annual change in value	(330)	4 920	1 530	750	(210)	465	(180)	345	(1 230)	1 956	0
	EPS in NOK	19.44	16.17	8.30	7.19	3.66	4.23	7.21	4.18	(1.86)	8.84	7.04
	P/E	16.87	20.96	21.08	17.24	27.62	25.06	12.55	23.09	-	16.20	10.80
	Cash flow from operating activities per share	(0.87)	34.57	20.77	21.03	10.93	2.77	8.80	10.70	1.53	13.63	14.10
	Dividend per share in NOK	5.50	5.00	2.50	2.15	2.00	1.30	2.10	0.00	0.00	2.25	2.00

DEFINITIONS

EBITA	Earnings before interest, tax and amortisation as a % of operating revenues
Operating margin (EBIT)	Earnings before interest and tax as a % of operating revenues
Profit margin (EBT)	Earnings before tax as a % of operating revenues
Effective tax rate	Tax as a % of the profit/loss before tax
Net cash flow from operating activities	Please see the Statement of Cash Flows on page 28
Total assets	All assets
Employed capital	Total assets less short-term interest-free liabilities
Return on employed capital	EBT less tax as a % of average tied-up capital
Gearing ratio	Net interest-bearing debt as a % of equity
Equity	Capitalised equity and subordinated loans from the State (MNOK 300 from 1996-98)
Equity ratio	Equity as a % of total assets.
Wage share	Wages and social security expenses as a % of operating revenues.
Yearly change in value	Change in share price compared with preceding year.
Earnings per share	Net profit after tax divided by weighted average number of shares.
P/E Price/Earnings.	Market price at 31 December divided by earnings per share.
RISK	The year's adjustment on the tax-related incoming value of shares.

1) The figures are presented before non-recurring effects related to the settlement of the pension plan and gains on the sale of property.
2) The figures are compliant with IFRS (International Financial Reporting Standards) and joint ventures are subject to proportionate consolidation.
3) The figures are adjusted for the effects of the transition to IFRS and the sale of yachting activities, and joint ventures are subject to proportionate consolidation.
4) The figures are not adjusted for effects related to the transition to IFRS, but are presented in accordance with NGAAP. Joint ventures are reported as associates.

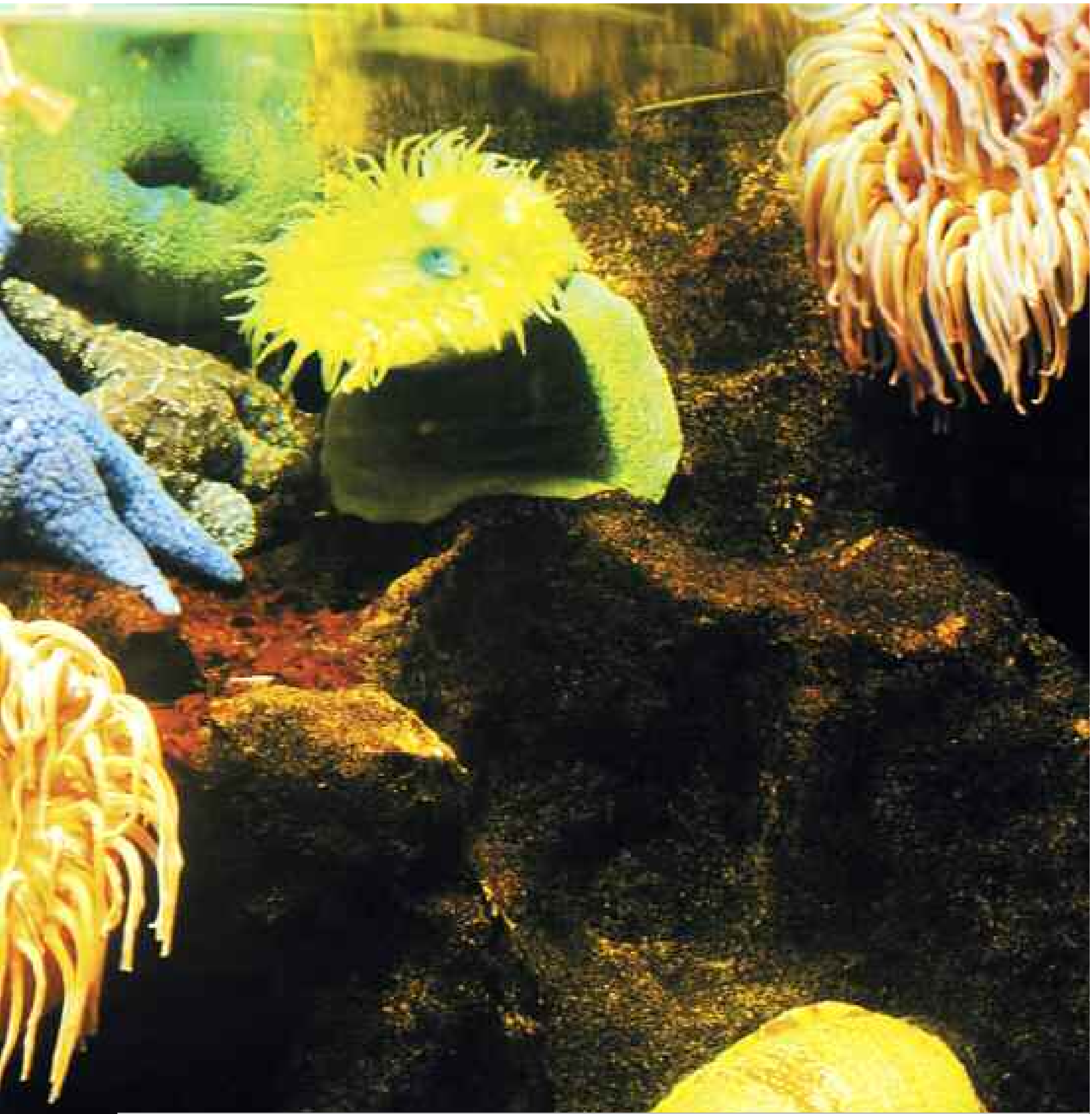
V Sustainability Report

Corporate social responsibility – an integral part of Corporate Governance

CONTENTS

Highlights in 2008

- New Code of Ethics approved by the Board of Directors
- Work started on managing risk associated with corporate social responsibility
- Emphasis on energy efficiency in the development of maritime products
- Reporting of CO_2 emissions in compliance with Greenhouse Gas Protocol – Scope 2



KONGSBERG's dynamic positioning systems are used on cruise ships, for example, to avoid dropping anchor near fragile coral reefs.

Values

KONGSBERG's value areas are part of our platform and support our vision: WORLD CLASS – through people, technology and dedication.

CUSTOMERS
Customers remain the centre of attention at all times as we focus on how to enhance each customer's value creation.

QUALITY
Reliability must permeate everything we do and make, so that customers have confidence in the Group's products and services. High quality shall be our hallmark.

BOLDNESS
Co-workers who think bold thoughts and managers who give those thoughts an opportunity to grow, could contribute to further innovation within the Group.

NETWORK BUILDING
Good interaction is essential both within and outside the Group. Coordination and the re-use of knowledge are profitable and motivating for employees.

Introduction – about the report

RELATED INFORMATION

→ **Global Reporting Initiative:**
www.globalreporting.org

KONGSBERG aspires to achieve sustainable development, i.e. to strike a good balance between financial results and corporate social and environmental responsibility. CSR work is to be an integral part of the Group's daily routines.

Systems of Governance for Corporate Social Responsibility

KONGSBERG's overall system of governance is linked to the 'Norwegian Code of Practice for Corporate Governance'.

ANNUAL GENERAL MEETING (AGM)
The AGM is the supreme governing body in the Group. The AGM guarantees shareholders their right to co-determination.

THE BOARD
The corporate Board of Directors bears the ultimate responsibility for KONGSBERG's contribution to sustainable development. The Sustainability Report is submitted to and dealt with by the Board.

EXECUTIVE MANAGEMENT
Executive management bears the ultimate responsibility for operations. This means they are responsible for compliance with legislation and regulations, and for following up policy as well as environmental and CSR targets.

THE BUSINESS AREAS
The practical efforts involved in corporate social responsibility and environmental activities are usually handled by the business areas.

ENVIRONMENTAL FORUM
The Environmental Forum is responsible for following up, evaluating and proposing changes to and adjustments in the Group's environmental policy. The Forum is also responsible for drawing up and proposing environmental goals at the corporate level, for following up the goals in the business areas, and for routines and reporting at the corporate level.

COMPLIANCE AND FOLLOW UP
In 2009, efforts will be made to devise routines and systems for compliance and follow up of the Group's CSR policy and objectives.

For additional information about our governing bodies, see pages 94–103.

This part of the report outlines our attitudes to and work with corporate social responsibility.

GLOBAL REPORTING INITIATIVE

The Sustainability section of the report is divided into three main chapters: financial management, corporate social responsibility (CSR) and environmental management. This report is based on the principles outlined in the Global Reporting Initiative (GRI). This report includes more criteria than preceding reports, but there are still criteria for which we have no answers. This is because we lack the information and data required by G3. Our ambition is to report on all G3 criteria of relevance to our business operations.

We consider this year's report to satisfy the requirements for level B in G3. This is the same reporting level as last year. The answers to the indicators can be found directly in the text. The last pages of the report refer to the individual GRI indicators and reference where they are dealt with in the report. The report has not been independently verified.

The Sustainability Report in its entirety has been discussed and endorsed by the corporate Board of Directors.

RESTRICTIONS

The information in this report is based on information collected from different parts of the organisation. Within the individual areas, the information is based on estimates. KONGSBERG current has no separate reporting system for CSR, but is striving to improve its procedures.

Since the 2007 report, KONGSBERG has concluded the acquisition of Hydroid and GlobalSim in the US. Further, the Chinese company Kongsberg Maritime China Zhenjiang has been acquired and a contract has been signed to acquire the British company GeoAcoustics. Environmental data from these companies is not included in this report, but will be included as from 2009.

All companies in which KONGSBERG has a stake of more than 50 per cent are included in the report.

GRI MODEL		C	C+	B	B+	A	A+
Compulsory	Self-declared			KONGSBERG			
Optional	Externally verified						
	GRI-verified						

Kongsberg's Policy for Corporate Social Responsibility

INTRODUCTION

Kongsberg aspires to achieve sustainable development, i.e. to strike a good balance between financial results and corporate social and environmental responsibility. The value created is to benefit owners, stakeholders and society-at-large.

The Group's CSR work will be on a par with the general national and international trends in the field. The quality and focus of this work are to be commensurate with the expectations of owners, customers and other stakeholders.

Kongsberg's CSR objective is to understand and deal with the local and global challenges that society faces in the geographical areas in which Kongsberg operates.

The Group's suppliers and other partners are expected to comply with basic principles for corporate social and environmental responsibility that coincide with Kongsberg's principles.

Integrity and candour are to be guiding principles for the Group's work with corporate social responsibility.

CORPORATE SOCIAL RESPONSIBILITY

Kongsberg has joined the UN's Global Compact initiative and is actively committed to promoting the initiative's 10 basic principles. Similarly, the Group will work to promote the spirit of the ILO conventions and the OECD's Guidelines for Multinational Enterprises. Kongsberg's employees are to comply with the Group's corporate Code of Ethics, which reflects attitudes expected and accepted by the community. The Code of Ethics will be updated to stay abreast of trends in society.

Co-workers

Kongsberg's employees will be challenged to use their skills and abilities to contribute to the Group's progress as well as their own. They will be taken seriously, treated with respect and given orderly working conditions. Kongsberg will strive to accommodate an abundance of diversity. Naturally, health and safety will be given priority and all Kongsberg employees will enjoy equal opportunity, regardless of gender, age, and cultural or religious background.

Human rights

Kongsberg will work systematically to promote internationally recognised human rights. All our operations will comply with the UN's Universal Declaration of Human Rights. Human rights abuses must not occur at Kongsberg.

Corruption

Kongsberg will work systematically to fight all forms of corruption. Corruption must not occur at Kongsberg.

Local involvement

Through social investments, we will make positive contributions to facilitate the development of the local communities in which the Group operates.

THE ENVIRONMENT

Kongsberg will act responsibly with a view to the footprint left by its activities on the outdoor environment. This means we will strive to reduce direct and indirect harmful influences on the outdoor environment, including the emissions of greenhouse gases resulting from our activities.

Kongsberg has joined the UN's Global Compact initiative and is committed to actively promoting the initiative's environmental principles. Similarly, the Group will strive to promote the eco-intentions of the OECD's Guidelines for Multinational Enterprises.

Climate

Kongsberg aspires to reduce its own direct and indirect greenhouse gas emissions produced by its operations. We will strive to achieve efficient, environment-friendly energy consumption in relation to the Group's operations.

The products

Pro-active efforts will be made to find innovative product solutions that can reduce greenhouse gas emissions in the areas in which we operate. Product development, production, distribution, and the use, re-use and recycling of Kongsberg products are to be compatible with sustainable social development. Kongsberg will strive to minimise the environmental burdens generated by its products.

Stakeholders

Kongsberg cooperates on environmental and safety issues with customers, partners and suppliers to find the most eco-friendly solutions possible in the short- and the long-term perspective.

Employees

Active efforts will be made to raise awareness and get the organisation and individuals involved in environmental issues.

FOLLOW UP

We will ensure that our work to promote to corporate social and environmental responsibility is planned in a professional manner and integrated into the Group's business strategy, becoming part of the Group's business planning and follow-up routines.

Kongsberg's Policy for Corporate Social Responsibility will provide an overarching framework for our work with corporate social and environmental responsibility, and the Policy will be evaluated at least every other year.

Our external reporting will adhere to the principles in the Global Reporting Initiative (GRI).

Kongsberg's Policy for Corporate Social Responsibility has been adopted by the corporate Board of Directors.

Activities – corporate social and environmental responsibility 2008

The following is a list of the main goals and activities for KONGSBERG in 2008.

Objectives	Activities	Status	Execution
Corporate Social Responsibility			
OPERATIVE INVOLVEMENT ▪ Involvement of the operating units in CSR targets and strategy	▪ Implementation of risk project related to reputation/CSR ▪ Gain support for CSR strategy among corporate management and the management teams at Kongsberg Maritime and Kongsberg Defence & Aerospace	▪ Pilot project conducted ▪ Partially completed	
ETHICS ▪ Revision of KONGSBERG's corporate Code of Ethics ▪ Instruction and training on ethical issues for discussion	▪ Information about the changes in the revised version ▪ Consider drawing up interactive e-learning modules ▪ Instruction and training that are an integrated part of the Group's leadership development programmes ▪ Theme in as an element of working environment surveys ▪ The follow up of leadership responsibility associated with compliance with the corporate Code of Ethics	▪ Ok ▪ Modules drawn up ▪ Partially completed ▪ Partially completed ▪ In as part of ethics training and compliance procedures	
Environment			
CLIMATE-RELATED MEASURES ▪ Continue efforts to reduce greenhouse gas emissions ▪ Capture employees' interest to raise awareness of greenhouse gas emissions ▪ Transportation	▪ Develop products and systems which enable our customers to reduce their own emissions. Product development shall insofar as possible take advantage of materials that takes the environment into account and insofar as possible be designed for re-use and recycling ▪ Exchanging ideas with other Norwegian companies/institutions ▪ Climate-related measures as a topic on the Intranet – Involve employees in brainstorming to promote reduction of greenhouse gas emissions ▪ Pave the way for less motoring	▪ New products launched, see p. 79, among others ▪ Not done ▪ Ok ▪ Some initiatives associated with collective traffic implemented	
ENERGY CONSERVATION ▪ Continue the ENOVA project under the auspices of Kongsberg Industrial Park ▪ Take special environmental considerations in new buildings	▪ Energy consumption in Kongsberg Industrial Park is to be reduced by 25 per cent by the end of 2008, compared with the 2003 level ▪ Implement energy conservation measures in respect of KONGSBERG units outside Kongsberg Industrial Park shall be implemented ▪ Energy efficiency measures at Kongsberg Defence & Aerospace	▪ Target postponed until 2010 ▪ Energy-efficiency measures in our units in Horten conducted ▪ Ok	
SOURCE SEPARATION ▪ Continue source separation under the auspices of Kongsberg Industrial Park	▪ The percentage of source separation of residual waste shall at a minimum be kept at the current level, i.e., 60 per cent of the total volume of waste	▪ The percentage of source separation in 74 per cent	

Objectives – corporate social and environmental responsibility 2009

The following is a list of the main goals and activities for Kongsberg in 2009.

Objectives	Activities
Corporate social responsibility	
▪ Involvement of the operating units in goals and strategy for corporate social responsibility	▪ Gain support for strategy and goals for corporate social responsibility among corporate executives and in the BAs' management teams as part of the Group's annual strategic processes
Anti-corruption	
▪ Revise procedures for compliance and follow up ▪ Carry out training on issues associated with corruption	▪ Prepare and approve governance documentation ▪ Carry out general training and special training for certain groups
Ethics	
▪ Training of all of employees ▪ Evaluate the Code	▪ All employees are to have gone through tailor-made training during the year ▪ Start evaluation of the existing Code by year end
Human rights	
▪ Improve the level of knowledge on issues associated with human rights ▪ Assess risk associated with our activities relative to human rights	▪ Implement in-house training on international rules and conventions related to human rights for selected co-workers ▪ Carry out risk and country analyses on issues related to human rights, including the assessment of partners and suppliers
Suppliers	
▪ Revise procedures and systems for following up suppliers	▪ Criteria for follow up, who should be followed up, how, when, consequences of non-compliance ▪ Cooperate with customers and suppliers on the follow up of the supplier network
The environment	
▪ Develop environment-friendly products ▪ Reduce our own greenhouse gas emissions	▪ Develop products which enable our customers to reduce their greenhouse gas emissions ▪ Initiate efforts to reduce our own greenhouse gas emissions

Here is some of the crew that has worked at *HOS Coral* in Pascagoula, Mississippi. This Platform Support Vessel is used to haul equipment and supplies back and forth from rigs in the Gulf of Mexico. It was handed over to the customer (Hornbeck Offshore) in March 2009.

Finances and value creation

A good balance between financial results and social and environmental responsibility

KONGSBERG creates value in the areas and countries in which we operate. This takes place directly by paying dividends to owners and wages to employees, and indirectly by purchasing goods and services from suppliers. Value is also created through considerable investments research and development.

KONGSBERG's operations affect a large number of stakeholders. Many of them are direct or indirect participants in the Group's value creation.

VALUE ADDED AND DISTRIBUTION OF PROFIT

Amounts in MNOK	*2008*	*2007*	*2006*	*2005*
Operating revenues (excluding non-recurring items)	11 056	8 306	6 720	5 791
Net personnel costs after adjustment for withholding tax	1 729	1 338	1 206	1 060
Purchase of goods and services	6 372	4 518	3 767	3 212
Interest to lenders	93	59	51	54
Support for organisations and public utility causes	2.0	1.9	1.8	1.6
Earnings before tax	**861**	**685**	**390**	**314**
Taxes	274	293	138	99
Profit for the year	587	490	252	262
Dividends paid to the shareholders	165	150	75	65
Retained earnings	422	836	177	197

OPERATING REVENUES, BY GEOGRAPHICAL AREA

Amounts in MNOK	*2008*		*2007*		*2006*		*2005*	
Norway	2 570	23%	2 417	29%	1 892	28%	1 920	33%
Rest of Europe	2 483	23%	1 981	24%	1 764	26%	1 402	24%
America	3 403	31%	2 038	25%	1 512	23%	1 180	20%
Asia	2 479	22%	1 762	21%	1 415	21%	1 181	20%
Other	121	1%	108	1%	137	2%	108	2%
Total	**11 056**	**100%**	**8 306**	**100%**	**6 720**	**100%**	**5 791**	**100%**

The following shows the cash flows generated by our operations and gives a breakdown of values, by our main stakeholders.

PAYROLL AND SOCIAL SECURITY EXPENSES

In 2008, personnel expenses totalled NOK 3.4 billion. That was an increase of NOK 0.5 billion compared with 2007. Payroll and social security expenses account for 29 per cent of the total operating expenses, which is similar to the figures from previous years.

PROCUREMENT OF GOODS AND SERVICES

KONGSBERG bought goods and services worth a total of NOK 6.4 billion in 2008. The procurements are distributed among roughly 10 000 suppliers, approx. 75 per cent of which are with or through Norwegian companies. The products are, however, largely manufactured abroad.

TAX EXPENSE

The Group's taxes for 2008 came to MNOK 274. Costs by geographical areas:

Amounts in MNOK	*2008*	*2007*	*2006*	*2005*
Norway	210	261	99	91
Rest of Europe	21	12	9	1
North America	26	10	4	3
Asia	17	10	26	4
Total	**274**	**293**	**138**	**99**

DIVIDENDS

The Board of Directors will propose to the AGM a dividend for 2008 of NOK 5.50 per share. If the proposal is adopted at the AGM on 7 May 2009, dividends will be paid as follows, provided the ownership structure at 10 February does not change:

Amounts in MNOK	*2008*	*2007*	*2006*	*2005*
The Norwegian State	82.5	75.0	37.5	30.2
Organisations/ enterprises	40.4	36.3	17.25	14.2
Securities funds	16.9	16.5	9.0	10.3
Insurance/ pension funds	9.5	9.9	4.5	3.8
Private individuals	7.3	6.6	3.75	3.2
Foreign owners	8.4	5.7	3.0	0.6
Total	**165.0**	**150.0**	**75.0**	**64.5**

CLIMATE CHANGES

According to researchers on the UN's Intergovernmental Panel on Climate Change (IPCC), we have only seen the beginning of climate changes thus far. Recent research suggests that the changes may come faster than previously expected and that they will have tremendous and costly consequences.

The consequences for KONGSBERG will be considered on an ongoing basis. The topic of climate has now been included in the Group's environmental objectives in relation to in-house operations as well as product development.

FINANCIAL SUPPORT

KONGSBERG received some MNOK 4 in reimbursement of tax from the Norwegian tax authorities. The reimbursement is related to development projects.

SOCIALLY RESPONSIBLE INVESTMENTS

More emphasis on corporate social responsibility among the capital market's players can, for example, be explained by the increased understanding among professional investors for the impact of environment-related and social issues on asset appreciation.

The Group has noted growing interest in these issues, especially from institutional investors.

KONGSBERG has supplied a K-Chief alarm monitoring system, K-Thrust thruster control and a class 2 DP system to *HOS Coral*.

KONGSBERG creates values in the areas and countries in which we operate.

Total personnel expenses

35 per cent

of operating expenses, including depreciation and amortisation

The world of KONGSBERG

Europe

Norway
Svalbard (Spitsbergen)
England
Greece
Italy
The Netherlands
Austria
Spain
Scotland
Sweden
Germany
Poland
Finland
Hungary

Operating revenues
MNOK 5 053

Number of employees
4 126

NORWAY
KONGSBERG is headquartered in Kongsberg. The Group's maritime operations are located in Kongsberg, Horten, Asker, Oslo, Sandefjord, Skien, Kristiansand, Stavanger and Trondheim. The facilities are engaged in development, production, testing, sales and service. Defence activities have their main base in Kongsberg, and also have facilities in Horten, Billingstad, Kjeller, Stjørdal, Tromsø and Svalbard (Spitsbergen). All these places engage in development, production, testing, sales and service.

GREAT BRITAIN
The main hub of KONGSBERG's offshore activities in the UK is located in Aberdeen, Scotland. Product development and the production of underwater cameras take place in Wick, Scotland, and we have smaller-scale engineering and support operations in Waterlooville in Hampshire, England. Kongsberg Norcontrol IT has a sales and service office in Bristol. In August 2008, KONGSBERG acquired the sonar company GeoAcoustics of Great Yarmouth, England.

REST OF EUROPE
The Group also has business operations in Sweden, Germany, the Netherlands, Hungary, Spain, Austria, Italy, Poland and Greece. These are all sales and service units. In response to expanding activity in Finland in recent years, the Group has set up an enterprise in Tampere, Kongsberg Defence Oy, which has been in operation since 1 January 2009.

Asia

India
China
Singapore
South Korea
Japan
The United Arab Emirates
Kuwait
Saudi Arabia

Operating revenues
MNOK 2 479

Number of employees
691

SOUTH KOREA
The Group's main maritime operations in South Korea are located in Jungkwan outside Busan. The company's responsibilities include sales, engineering, installation, commissioning and service/support, as well as some local production. For years, we have been building up a local presence with highly qualified co-workers in the world's largest shipbuilding nation. We want our customers to see us as a reliable local supplier that knows the customer's business operations and way of working, and communicates with the customer in his own language.

SINGAPORE
The maritime activities in Singapore generally focus on sales, installation, commissioning and service/support. Singapore has one of the world's largest harbours, and having a presence in such a maritime hub is absolutely essential. More than 17 000 ships are carrying KONGSBERG equipment. Singapore is also a major shipping and shipbuilding nation, making it very important for KONGSBERG to offer good service there. Kongsberg Norcontrol IT makes significant deliveries to Singapore's harbour surveillance systems, and is also represented in Singapore.

CHINA
The Group has built up a substantial business in China, operated in collaboration with KONGSBERG's long-standing partner, Hoi Tung. The main intention is to operate as a local supplier to the Chinese shipyard industry, and KONGSBERG now has offices in Shanghai, Dalian, Guangzhou and Zhenjiang. There is also a great deal of local production, predominantly of cabinets and the assembly of the computer equipment for them.

INDIA
Operations in Mumbai have predominantly been aimed at sales and service of simulator products and software development. The business grew considerably in 2008, in tandem with the rapid growth in the Indian market. During the year, a sales and service office was set up for the rest of the Group's maritime product portfolio for the Indian market.

India is devoting growing attention to maritime safety and coastal and harbour surveillance. Kongsberg Norcontrol IT has a sales and service office in Ahmedabad in Gujarat.

JAPAN
Kongsberg Maritime has a sales office in Japan.

THE MIDDLE EAST
The Group's has defence-related operations in the United Arab Emirates, Kuwait and Saudi Arabia, where the main emphasis is on operations and projects involving tactical radio and communications systems.

North America

USA
Canada

Operating revenues

MNOK 3 274

Number of employees

423

USA

KONGSBERG has maritime operations in Seattle (Washington), Houston (Texas), New Orleans (Louisiana), Pocasset (Massachusetts), Salt Lake City (Utah) and West Mystic (Connecticut). Pocasset is the site of development, sales and support for autonomous underwater vehicles (AUVs) in close cooperation with AUV activities in Norway. The other units are predominantly engaged in sales and customer support, but operations in Seattle are also driven by technological development and the adaptation of existing products to the US market.

In 2008, yet another factory for the production of weapon control systems was opened in Johnstown (Pennsylvania). Now KONGSBERG manufactures and maintains the Protector weapons control system for armoured personnel carriers in the USA for the US market. There is also a sales office for defence activities in Washington D.C.

CANADA

KONGSBERG's largest maritime operation in Canada is located in Vancouver. The company there is engaged in proprietary product development and production. The business in Vancouver is based on hydroacoustics-related technology, and is an integral part of Kongsberg Maritime's other hydroacoustics activities. In addition, Kongsberg Maritime has offices at two locations on the east coast, i.e. Nova Scotia and Newfoundland. All units are engaged in sales and customer support.

Defence activities are represented by Gallium Visual Systems Inc. in Ottawa. The company is known for its map graphics tool for military command and control systems.

South America

Brazil

Operating revenues

MNOK 129

Number of employees

0*)

BRAZIL

The Group 's operations in Brazil are closely associated with those of its local agent in Brazil: REM. The office handles sales, service and commissioning of offshore vessels, in addition to user training.

Business is booming on the oil fields outside Rio de Janeiro. The shipping industry has grown at a pace commensurate with the political and financial situation of the country. Kongsberg Maritime currently has a number of delivery and commissioning projects in the area that are handled by the local employees. The Training Centre in Macaé outside Rio de Janeiro offers a variety of training programmes for Brazilian crew members.

*) KONGSBERG has employees stationed abroad in most regions. We also occasionally use labour supplied by our partners.

Africa

South Africa

Operating revenues

MNOK 85

Number of employees

3

SOUTH AFRICA

Kongsberg Norcontrol IT has supplied surveillance systems for several South African harbours in recent years in connection with South Africa's harbour development programme. The company has software development operations in Durban, and sales and service activities in Cape Town.

Ethics

Good business ethics is a question of choosing right rather than wrong

RELATED INFORMATION
→ www.kongsberg.com/csr

The Group's Code of Ethics is an important part of our platform and it is intended to help ensure a good corporate culture.

KONGSBERG'S ATTITUDE TO ETHICS
KONGSBERG's corporate Code of Ethics expresses the Group's fundamental attitudes and provides guidance on how to behave when dealing with colleagues, customers, suppliers and society-at-large. KONGSBERG's corporate Code of Ethics emphasises that all employees and the Group's Board Directors must maintain high ethical standards when performing their duties.

KONGSBERG's corporate Code of Ethics applies to the Group's directors, managers, employees, all casual employees, consultants, agents, lobbyists and others who act on behalf of KONGSBERG. We also expect the Group's suppliers to honour ethical standards comparable to KONGSBERG's Code of Ethics.

REVISED CORPORATE CODE OF ETHICS
The corporate Code of Ethics was most recently revised in spring 2008; it will be evaluated and, if necessary, revised every other year. The main changes in the revision from 2008 are linked to additional managerial responsibility relative to compliance with the guidelines, trafficking and the ban on the procurement of sexual services, emphasis on the environment and climate, rules on the use of middlemen and the consequences of breaches of the guidelines.

TRANSPARENCY INTERNATIONAL
Transparency International (TI) is a non-profit, nonpartisan organisation intended to fight corruption at the national and international levels. Established in 1993, the organisation is based in Berlin. Through national chapters in 90 countries, the authorities are encouraged to implement effective legislation and policies against corruption. Along with international organisations, TI aspires to ensure transparency in international business transactions. TI also strives to increase the general public's awareness of corruption, and the organisation's corruption indices are recognised as being systematic and verifiable. Membership of TI is open to everyone who supports initiatives to reduce corruption.

Transparency International-Norway (TI-Norway) is the Norwegian chapter of Transparency International. Founded in 1999, TI-Norway has the same paramount objectives as the rest of the organisation. The Norwegian chapter is funded by membership dues, support from the State and support from business and industry.

KONGSBERG has been a member of TI since 2007.

IN-HOUSE TRAINING

In 2009, all KONGSBERG employees will complete basic and dilemma training. Specially adapted training will also be offered for selected groups.

THE ETHICS COUNCIL

The Group has an Ethics Council that had two meetings in 2008. The Ethics Council is chaired by the CEO and is otherwise composed of representatives of executive management and the employee directors on the corporate Board. There were no reports of breaches or suspected breaches of the Code of Ethics in 2008. The Group has special routines in place for notification of any breach of the corporate Code of Ethics.

RISK ASSESSMENT

In 2008, KONGSBERG conducted risk assessments in areas other than purely financial ones, e.g. an evaluation of the main topics associated with corporate social responsibility.

SANCTIONS

The Group has not been fined or subject to other types of sanctions as a result of anti-competitive business practices or failure to comply with legislation or regulations.

Anti-corruption

Corruption is a threat against a constitutional state, democracy and human rights since corruption detracts from ethical and moral values. In a global perspective, corruption is the greatest impediment to social and economic development in the third world. The world's aggregate development cooperation dwarfed by the money that disappears in of poor countries as a result of corruption and tax evasion. This engenders discrimination and impedes social justice. Corruption undermines fair competition between companies.

KONGSBERG'S MARKETS

KONGSBERG operates on maritime and defence markets. In global terms, the petroleum and defence markets are two of the sectors that are most susceptible to corruption. This means KONGSBERG's anti-corruption efforts are profoundly important.

KONGSBERG IS OPPOSED TO CORRUPTION

KONGSBERG is opposed to all forms of corruption. Our attitudes to corruption are clearly expressed in KONGSBERG's corporate Code of Ethics, our adherence to the UN's Global Compact and our membership of Transparency International. We work actively in our BAs to address issues relating to corruption.

ANTI-CORRUPTION EFFORTS

Our routines and systems for compliance and follow up will be updated in 2009. Extensive training will be offered in the area on the general level as well as in-depth training in selected parts of the organisation. The corporate Board of Directors and corporate management devote a great deal of attention to this.

SANCTIONS

The Group did not register any breaches of the anti-corruption provisions in 2008. The same has been true in previous years, so the company has never been involved in any kind of sanctions associated with corruption.

Human rights

Geographically and operationally speaking, the Group's current activities are not of a nature that presents any significant challenges in relation to human rights. However, increasing our international presence means that we must focus on ensuring that we do not directly or indirectly encroach upon recognised human rights.

KONGSBERG supports human rights through its endorsement of the UN's Global Compact. We adhere to the reporting standards prescribed in the Global Reporting Initiative (GRI). The following responses apply to some of GRI's human rights indicators:

SUPPLIERS

KONGSBERG uses more than 10 000 suppliers. Our Code of Ethics states that we expect our suppliers to adhere to ethical standards that coincide with KONGSBERG's ethical standards. This also includes human rights.

TRAINING

For the moment, KONGSBERG has not found it necessary to draw up and implement separate human rights training programmes for its employees. KONGSBERG's corporate Code of Ethics is nevertheless reviewed in all units. These guidelines touch on several issues related to human rights.

DISCRIMINATION

There have been no reports of episodes or incidents involving discrimination. KONGSBERG's corporate Code of Ethics states: "We will not accept discrimination of any kind, e.g. due to gender, race, religion or sexual orientation." Further, we are clearly opposed to all manner of human trafficking, including the procurement of sexual services.

CHILD LABOUR AND COMPULSORY LABOUR

The Group's activities are of such a nature that issues related to child labour and forced and compulsory labour are of little relevance. Nor have there been any reports of cases involving these topics.

INDIGENOUS RIGHTS

The Group has not been involved in violations of indigenous rights.

KONGSBERG and the defence business

KONGSBERG is Norway's premier supplier of high-technology defence systems. The defence market accounts for 38 per cent of the Group's aggregate turnover.

"All export of defence products requires permission from the Royal Norwegian Ministry of Foreign Affairs. This ensues from the regulatory framework adopted by the Storting, Norway's parliament, which states that defence products can only be sold to approved countries."

Walter Qvam
CEO

KONGSBERG is based on the following cornerstones to ensure ethically and socially responsible operations:

- There is broad political consensus that Norway should have an armed forces and a defence industry. KONGSBERG is a key part of this industry in Norway, as we have been for nearly 200 years.
- We maintain and develop a great deal of technological expertise which benefits us as well as society-at-large through our civilian business areas.
- We operate within the parameters of prevailing legislation and regulations and within generally accepted standards for ethics and corporate social responsibility.
- It is a dilemma that, in extreme situations, our products can help take lives. This that lies in the nature of the defence industry, whether it refers to the defence of our own country or our systems being used in conflict situations in other parts of the world.
- As stated in our Code of Ethics, we are clearly opposed to all forms of corruption. We have established in-house notification channels for any irregular decisions, actions or agreements. We joined Transparency International Norway in 2007. These are important signals about our staunch attitudes against and resistance to corruption.
- The Norwegian authorities practise one of the world's most rigid sets of regulations for the export of defence products. All export of defence products requires permission from the Ministry of Foreign Affairs. This ensues from the regulatory framework adopted by the Storting, which states that defence products can only be sold to approved countries.
- They also require an end-user declaration if we sell our products to countries outside NATO. In other words, the government of the buyer country guarantees that the product will be used for the agreed purpose. Where a delivery from us is just a small part of a larger system, the export regulations of the recipient country apply.
- KONGSBERG is generally a systems supplier. It requires considerable national infrastructure for our products and systems to be functional. This, in turn, means that it is highly unlikely that our products and systems can get lost in the shuffle.

WHAT TYPES OF DEFENCE PRODUCTS DOES KONGSBERG SELL?

KONGSBERG does not manufacture the types of weapons that are blacklisted by ethical funds, e.g. cluster bombs, land mines, nuclear weapons or small firearms. Most of our defence businesses deliver systems for weapon command and control, decision-support and communication.

Health, safety and the working environment

KONGSBERG's HSE efforts are to be preventative

KONGSBERG takes a systematic approach to health, safety and the working environment (HSE). We emphasise responsibility and participation at every level of the organisation to ensure compliance with current legislation and regulations. The main principle is that HSE work is to be preventative, fostering job satisfaction and a healthy working environment. HSE status is reported to the Board quarterly.

KONGSBERG has a steadily increasing number of employees outside Norway. This requires additional attention to and insight into HSE issues in the countries in which we operate.

ORGANISATION OF HSE WORK

HSE work is organised through formal bodies made up of representatives of management and the employees. In Norway, the formal bodies are the works councils, joint consultative committees, divisional committees and working environment committees. Outside Norway, responsibility for HSE is assigned to the management of the individual undertakings. HSE coordinators are also designated.

The Works Council

The Works Council is the forum where executive management and the trade union representatives meet to discuss items that involve two or more of the Group's businesses. The quarterly HSE reports are reviewed at Works Council meetings.

Structured cooperation

Each business area has a cooperation structure that complies with statutory and regulatory requirements, and satisfies the operational needs of the business units. In Norway, there is a works council and working environment committee in each business area, and there management and trade union representatives deal with items of relevance for the whole BA. There are also joint consultative committees in each division. In other countries, HSE is organised along the lines of Norway's structured cooperation, but adapted to local legislation, practice and the employees' need for representation. Group activities that fall outside the BAs have arranged structured cooperation in compliance with legislation and agreements.

In Norway, about 75 per cent of our employees are represented through these

Programmes related to the prevention of serious diseases

	Education/training		Consultancy		Preventative work		Treatment	
Course participant	Yes	No	Yes	No	Yes	No	Yes	No
Employee	▪		▪		▪		▪	
Employee's family in general		▪		▪		▪		▪
Employee's family when stationed abroad	▪		▪		▪		▪	
Local population		▪		▪		▪		▪

formal bodies. The comparable figure is less than 25 per cent for our foreign business activities.

PREVENTIVE MEASURES

Our Norwegian enterprises have well-developed HSE systems. All employees in Norway have access to company health services.

This varies depending on local practices and legislation for our foreign business activities. The fundamental principle is that KONGSBERG is a serious, long-term and good employer in all areas related to health, safety and the environment. This means that our local schemes are to be equal to or better than average in the country in question.

KONGSBERG has not established special programmes or preventative measures to protect our employees and their families against severe diseases or epidemics. We adapt to the national public health service and supplement it through special corporate agreements as needed. Necessary vaccination programmes, preventative check-ups and emergency preparedness for extraordinary measures are part of our agreements with company health services. Employees stationed abroad, their families and personnel travelling on business receive special attention from the company health service, are offered special seminars and get expanded insurance coverage. KONGSBERG currently has no activities in countries that call for special measures to protect employees' families and the local population.

FORMAL AGREEMENTS WITH THE TRADE UNIONS

In Norway, HSE is largely covered by collective wage agreements and long-standing legislation. Where this is not enshrined in formal agreements at our foreign undertakings, all personnel are given training, personal safety equipment and the right to refuse work they perceive as risky. There are local HSE committees, periodic inspections that include employee representatives, and systems for reporting defects and deficiencies. Mishaps or accidents will always be investigated to determine the causes and find opportunities for improvement. It is of the utmost importance that employees who are familiar with the duties in question and local conditions take part in these investigations. Globally, in 2008, KONGSBERG provided training for managers and employee representatives in a special system for reporting episodes and near-accidents.

THE USE OF SECURITY PERSONNEL AT THE INTERNATIONAL LEVEL

Thus far, our international operations have not been of the type where it has been necessary to use special security personnel to ensure employees' safety. KONGSBERG has emergency preparedness measures to deal with such challenges.

ABSENCE DUE TO ILLNESS

Absence due to illness (as a percentage of the number of available hours) was 2.4 per cent in 2008. This is in furtherance of a favourable trend in recent years, and well below the national average, which was 6.9 per cent in Q3 2008. We see that a good working environment, interesting work and good development opportunities have a favourable impact on absence due to illness. Long-term sick leave has not increased, compared with the organisational growth.

THE FREQUENCY OF INJURIES, OCCUPATIONAL DISEASES, LOST DAYS AND ABSENCE, AND THE NUMBER OF WORK-RELATED FATALITIES

In 2008, we had 33 on-the-job accidents in the Group. Of that number, 15 were minor accidents that required no treatment or follow up. Seven were accidents that required medical attention, and 11 were near-accidents that called for follow up. No occupational diseases or work-related fatalities were recorded in 2008. Total work-related accidents led to 33 lost working days involving medical certificates.

THE WORKING ENVIRONMENT AND LABOUR RELATIONS

Collective wage agreements

Thirty-seven per cent of the Group's employees are covered by collective wage agreements. Freedom of association and the right to engage in collective bargaining are a matter of course, and apply to all Group units in Norway and abroad. This is dealt with in accordance with legislation and regulations.

As regards foreign operations, our policy is that employees who would like to join unions are welcome to do so as long as doing so is legal in the country in which they live. In such cases, suitable cooperation structures are established, and the requisite training measures are initiated for trade union representatives and management.

No cases have been reported involving attempts to set aside the right to freedom of association or collective bargaining.

Local employment

Each individual business hires people locally with the assistance of local managers. During the establishment phase, we have largely opted to use Norwegian managers at our international locations. Once routines are in place, we want to employ more local managers.

Starting salary

KONGSBERG's starting salary follows the average in the local markets in which we do business.

Continuing education

The Group offers an extensive range of further and continuing education through a combination of in-house and external programmes and courses. These include technical courses as well as management development initiatives. KONGSBERG's employees should be able to move laterally as well as vertically throughout the Group. In 2008, human resources development measures were instituted both in Norway and abroad.

Senior policy

Employees who have reached retirement age represent an important part of KONGSBERG's expertise and diversity. KONGSBERG's policy is to take pains to ensure that all employees have meaningful work up to retirement age. Special, individually adapted measure can be taken, if need be.

Seniors qualify for human resources development on a pay with the other employees. Through peer review interviews, we motivate our seniors to keep up-to-date on remain on the job. Alle employees in Norway qualify for early retirement from the age of 62.

Corporate social responsibility

Influence also implies responsibility

We live in an age fraught with major challenges. In a global context, the most severe ones are climate challenges, shortages of clean water and poverty.

KONGSBERG's international operations are expanding, meaning our footprint is growing larger and we are gaining influence in the areas in which we operate. Companies engaged in international business activities play important roles in society, affecting development in the areas in which they operate. Influence also implies responsibility.

At KONGSBERG, corporate social responsibility means taking the world around us into account. It also involves relations with our employees, society-at-large and external stakeholders.

KONGSBERG's CSR objective is to understand and deal with the local and global challenges that face society in the geographical areas in which KONGSBERG operates. We plan to spend more time on this area in 2009.

THE GLOBAL COMPACT
WE SUPPORT

The UN Global Compact

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. The initiative is designed to encourage the private sector to contribute to reaching goals related to poverty reduction and sustainable development. Companies that join the Global Compact undertake a commitment to support and run their operations in line with the 10 principles. Common goals like building new markets, fighting corruption, reducing negative environmental impacts and promoting social justice have resulted in fruitful cooperation between businesses, the authorities, the community, labour organisations and the UN.

KONGSBERG joined the UN Global Compact in 2006. At the end of 2008, more than 6 200 companies and institutions in over 120 countries have joined the initiative, including 30 in Norway. The table below indicates where the 10 principles are discussed in the report.

HUMAN RIGHTS		
Principle 1	Support and respect the protection of internationally proclaimed human rights	pages 115, 123
Principle 2	Make sure the company is not complicit in human rights abuses	pages 115, 123
LABOUR STANDARDS		
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	page 126
Principle 4	The elimination of all forms of forced and compulsory labour	page 123
Principle 5	The effective abolition of child labour	page 123
Principle 6	The elimination of discrimination in respect of employment and occupation	page 123
ENVIRONMENT		
Principle 7	Businesses should support a precautionary approach to environmental challenges	page 115
Principle 8	Undertake initiatives to promote greater environmental responsibility	page 115
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	pages 115, 117
ANTI-CORRUPTION		
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery	page 115, 123

For more information on the Global Compact, see **www.globalcompact.org**

IGSBERG will also try to

Dialogue with our stakeholders

Below please find a list of the groups of stakeholders with which KONGSBERG maintains an active dialogue:

OUR CUSTOMERS
Customers are always the centre of our attention. We aspire to meet customers' expectations of us. Close dialogue is a prerequisite for success.

OUR OWNERS AND INVESTORS
Transparency and trust are the basis of our dialogue with owners and investors. We strive to ensure that all players are treated equally. Our regular routines and channels are:

- Our website is always up-to-date with a view to investor information.
- We try to ensure that our annual report always exceeds expectations.
- We have regular routines for market presentations.
- We also make a number of investor presentations in Norway and abroad.

All the Oslo Stock Exchange's disclosure requirements are satisfied.

OUR EMPLOYEES
We emphasise maintaining an open, good dialogue with our employees through different types of committees where corporate management and union representatives meet regularly for briefings and discussion.

OUR SUPPLIERS
We collaborate closely with our suppliers. Our corporate Code of Ethics states that suppliers are to be treated impartially and fairly and that they can rest assured that they compete for KONGSBERG contracts on an equal footing with other providers. The Group's suppliers are expected to comply with ethical standards comparable to those embodied in KONGSBERG's Code of Ethics.

OUR ALLIES AND PARTNERS
All of our business areas cooperate with many partners. They are crucial for product development and market contact.
As a niche-player in the defence market, KONGSBERG is sometimes dependent on alliances to ensure market access for its products.

THE AUTHORITIES AND SOCIETY-AT-LARGE
A close dialogue with the authorities is essential for ensuring the best possible conditions for KONGSBERG as a player on the international market. The authorities are both the customer and the decision-maker for most major defence procurements. We conduct a close, good dialogue with the social partners. We work actively to make positive contributions to the local communities in which we are heavily represented.

ORGANISATIONS
KONGSBERG supports the UN Global Compact and belongs to the Global Compact's Nordic network. We have been members of Transparency International since 2007.

Suppliers

Corporate social responsibility in the supplier chain is a rapidly developing field that is gaining momentum and attracting attention. CSR normally encompasses the supplier's position on ethics, human rights, labour standards, the environment and anti-corruption.

HOW FAR DOES RESPONSIBILITY EXTEND?
The standards applied to a company's responsibility for its suppliers are becoming more stringent. There are currently no established regulations in this area.

The international trend is that enterprises are taking more responsibility for ensuring that the entire value chain honours their standards. However, there are often practical and financial restrictions on how far down the value chain it is possible for an individual enterprise to QA its suppliers. There is also a growing tendency for parties to cooperate, i.e. not merely to pose requirements, but to engage in mutual dialogue and training. It is also becoming increasingly common for several customers, and even competitors, to collaborate with suppliers and NGOs to draw up uniform standards and to implement uniform audits. This builds expertise, enhances quality and ensures that processes are implemented more efficiently.

It is important that the standards for suppliers are designed in compliance with international standards for workers' rights, human rights and environmental issues, making them as uniform as possible.

OPPORTUNITIES
There may also be business opportunities inherent in imposing CSR requirements on the supplier chain. Key factors are systematic improvement work and knowledge building over time. By adapting early to upcoming regulations and long-term market trends and by accommodating market expectations, enterprises can gain a competitive edge.

WHAT IS KONGSBERG DOING AND WHAT IS IT PLANNING TO DO?
KONGSBERG uses roughly 10 000 suppliers. The Code of Ethics states the Group's expectation that suppliers will honour its ethical standards. The expectation of supplier compliance with environmental and ethical standards is also included in KONGSBERG's standard terms of business in contracts and agreements. We also require that our suppliers require that their suppliers meet comparable standards.
In addition, self declarations are used in respect of suppliers' positions on ethical and environmental standards, and audits are performed on selected suppliers. Routines and the follow up of suppliers will be further improved in 2009.

Technological expertise meets customer needs

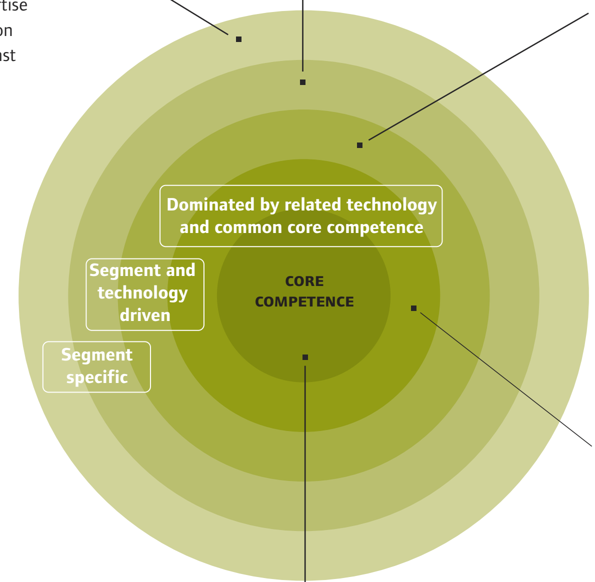
KONGSBERG is a knowledge-based group, and our employees' collective knowledge and expertise is an important part of our platform. The Group operates in many different market segments, and common core expertise makes this possible.

KONGSBERG's core competencies consist of more than technological expertise. The Group has a unique blend of technological, market-related and inter-personal expertise. Value creation for our customers takes place both from a market perspective (from the outside in) and from a technological perspective (from the inside out).

The model illustrates KONGSBERG's core competencies as five 'layers'. The unique aspect of KONGSBERG's expertise model is that we focus on the most value creation potential for our customers taking place in the interface between market drivers and the forces that drive technology. Our engineers get close to the products on which they work; they enter into a customer relationship early on and gain an understanding of how the product in question will be used. The business areas (BAs) have many common denominators when it comes to technology and systems expertise, while market and applications expertise are specific to the individual BA. This makes it possible to effectively serve a relatively large number of different market segments from one coherent, common expertise model.

- **TASK-RELATED, FUNCTION-RELATED AND APPLICATION-RELATED EXPERTISE**
  This layer covers our expertise related to tasks, functions and applications. We understand the needs of the end users of our systems. We know the jobs and the challenges they face, whether the user is a ship's captain or the operator of a harbour surveillance system.

- **RELATION COMPETENCE, CUSTOMER KNOWLEDGE AND OPERATIONAL KNOWLEDGE**
  The outermost layer is our relation competence and knowledge of customers' and operators' wishes and needs. This expertise has been built up over the years based on an international sales network and against the background of the maintenance responsibility we have for products and systems.



- **SYSTEMS KNOWLEDGE, ACCESS TO TECHNOLOGY AND SUPPLIER RELATIONS**
  Systems knowledge is a key core area at KONGSBERG. At this level, we approach technical expertise. Access to technology, not least through relationships with contractors, is essential in this context. Many of our systems are composed of different components and technologies. We have developed some components in-house, while we have got access to others through good relations with contractors. Our expertise lies in being able to combine the right technologies.

- **TECHNICAL EXPERTISE**
  As we approach the core of the model, we are getting closer to the Group's technical expertise. This is where we find the expertise that KONGSBERG possesses in relation to specific products and technologies, and how we engage in product development and project management.

- **CORE COMPETENCY**
  At the very heart of the model, we find Group's core technologies, e.g. signal processing, engineering cybernetics, software development and systems integration.

KONGSBERG's social responsibility

At KONGSBERG, corporate social responsibility is a question of integrating social and environmental considerations into our day-to-day operations.

RELATED INFORMATION
→ www.kongsberg.com/csr

INTERNAL

KONGSBERG's social responsibility is first and foremost to its employees. We emphasise that KONGSBERG is to be a good place of work where employees can feel that they are developing and working in a positive atmosphere.

EXTERNAL

KONGSBERG shoulders social responsibility in the local communities in which the Group is represented. For many years, KONGSBERG has provided support for sports, culture and humanitarian organisations. In keeping with KONGSBERG's sponsorship strategy, such funding is evenly divided among the three groups.

Sports

The Group provides substantial support for sports for children and young people. These are good causes and we plan to continue devoting attention to them.

Culture

KONGSBERG supports local cultural events, e.g. the Kongsberg Jazz Festival and the Gloger Festival.

Humanitarian organisations

KONGSBERG recently extended its commitment to SOS Children's Villages for three more years.

We also support the Bola pra Frente school project in Rio de Janeiro, Brazil, along with several other Norwegian maritime companies that have invested in the country. KONGSBERG also makes donations to a variety of humanitarian organisations.

At KONGSBERG, it is important to show employees that the Group is an integral part of society and that we are a socially responsible enterprise that aspires to help contribute to a positive local atmosphere.

BOLA PRA FRENTE, BRAZIL

The Bola pra Frente school project in Rio de Janeiro was founded in 2000 by the world champion footballer, Liginho, a hero to a huge number of Brazilian youngsters. Besides getting football training, the children at Bola Pra Frente get extra classes in English and mathematics. Bola Pra Frente has helped 850 children from age 6 to 17 thus far, giving them confidence in themselves and keeping them off the streets. The project and the methods have been highly successful, attracting a great deal of positive attention. The project has also received government development cooperation funding from Norway. KONGSBERG and several other Norwegian maritime companies that have invested in Brazil have also helped support the school project.

SOS CHILDREN'S VILLAGES

KONGSBERG has financed the construction of a family house in "Children's Football Village" in Livingstone, Zambia. The Children's Village opened on 7 October 2008 and 10 children now make their home there. KONGSBERG has signed a new agreement with SOS Children's Villages to help offset the cost of running the house.

SOS Children's Villages is a neutral organisation in terms of politics and religion, and its work is independent of nationality, culture and religion. The organisation gives orphaned and neglected children a family and a safe home, helps them make a future for themselves and helps prevent children from being left alone by assisting families and contributing to the local community's development.

These activities take place in the SOS Children's Village daycare centres, schools, vocational training centres, community centres, family programmes, medical centres and emergency aid programmes. These are projects that SOS Children's Villages build and run in addition to the orphanages. This helps improve social conditions for the SOS children as well as for other children and families in the local communities.

Environment

We work in a determined manner to reduce our footprint on the environment

RELATED INFORMATION
→ www.kongsberg.com/Environment

KONGSBERG works systematically to report data on energy consumption, waste treatment, the consumption of chemicals and emissions of greenhouse gases. This data makes it easier for us to remain cognisant of the challenges we face, allowing us to initiate improvement measures.

Global warming is one of the greatest challenges facing mankind today. New knowledge about the climate indicates that the pace of change is even faster than what was published in the reports from the UN's Intergovernmental Panel on Climate Change (IPCC) in 2007.

The Group's ordinary business activities cause little pollution of the outdoor environment.

The target for 2009 is to implement further initiatives to reduce our CO_2 emissions.

The Greenhouse Gas Protocol is an international standard for reporting on greenhouse gases (GHGs). The Protocol uses three levels for reporting. For 2008, KONGSBERG is reporting emissions from the consumption of energy at levels 1 and 2, which involves reporting direct and indirect emissions related to energy consumption. This includes direct emissions of GHGs from our own production (level 1) and indirect emissions from the sources from which we purchase energy (level 2).

The limitations of the report

We report only on companies in which KONGSBERG owns 50 per cent or more. The environmental data encompasses all our Norwegian units, as well as all our production units and some offices abroad.

The report does not include the following companies
The acquisition of the US company Hydroid LLC was concluded in 2008. Data from this company will be included in the environmental report as from 2009. The same applies to the Chinese company Kongsberg Maritime China Zhenjiang.

Environmental accounts 2008

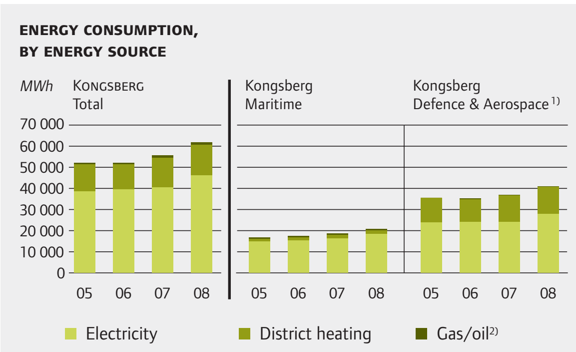
The environmental accounts present an overview of KONGSBERG's consumption of energy, chemicals, the production of waste and CO_2 emissions. It encompasses all our Norwegian units, as well as all our production units and some offices abroad.

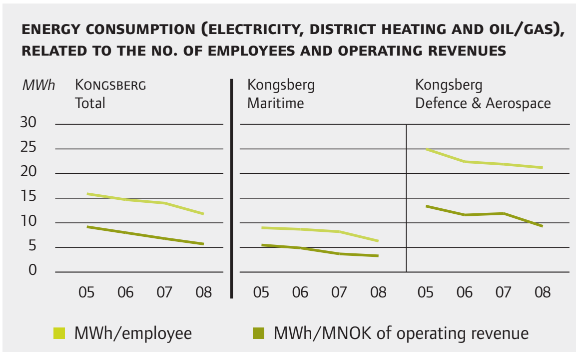
The following new units are included in the environmental accounts for 2008: Kongsberg Maritime Aberdeen and Kongsberg Intellifield AS.

Energy

KONGSBERG consumes energy in connection with production and office activities. The Group consumes energy based on electricity, district heating, gas and oil. The district heating facility in Kongsberg Industrial Park supplies energy to several companies in the Group. Energy consumption is part of KONGSBERG's in-house environmental reporting. The district heating data includes KONGSBERG's own and external facilities. In respect of the companies located in Kongsberg Industrial Park and throughout the Group, our property company strives to reduce energy consumption and otherwise to convert to alternative energy sources.

KONGSBERG DEFENCE & AEROSPACE	The consumption of electricity has increased over the past year, while the consumption of district heating, oil and gas have not changed significantly. The increase is mainly due to the new factory at Kongsberg Defence Corp. in the USA and the new composite plant in Kongsberg. Energy consumption by employee and turnover has declined.
KONGSBERG MARITIME	The consumption of electricity has increased over the past year, while consumption of district heating and oil and gas have not changed significantly. The increase is ascribable to the expansion of floor space for operations in Horten. Energy consumption by employee and turnover has declined.





1) The energy consumption of the administration at Kongsberg Industrial Park, as well as the parent company, is reported under Kongsberg Defence & Aerospace.
2) To prevent double reporting, oil for the district heating facility at Kongsberg Industrial Park is not included here. Oil for district heating is reported by the companies in the Industrial Park.

CO_2

KONGSBERG's businesses generate greenhouse gas (GHG) emissions from a number of different sources. In the environmental accounts for 2008, CO_2 emissions from energy use have been estimated as recommended by the Greenhouse Gas Protocol published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI).

- ***Direct emissions (Scope 1):*** *Emissions from sources under KONGSBERG's direct control. The emissions include the use of oil and gas for heating, as well as the consumption of fuel oil for district heating at Kongsberg Industrial Park.*
- ***Indirect emissions from electricity (Scope 2):*** *Emissions from use of electricity or district heating from a supplier outside KONGSBERG.*

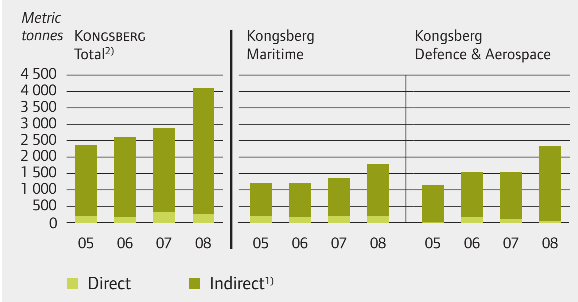
Kongsberg Industrial Park (KNP) delivers district heating to three units in KONGSBERG (roughly 60 per cent of production) in addition to several other external enterprises in the Industrial Park. To prevent double reporting, emissions from KNP are therefore presented separately, while the emissions from the three KONGSBERG units are recognised as direct emissions from KNP.

KONGSBERG DEFENCE & AEROSPACE

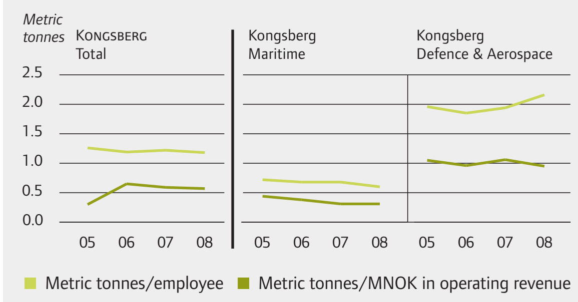
CO_2 emissions have increased in recent years. This is due to higher consumption of electricity and district heating. Direct emissions from oil and gas for heating have declined over the past year. Emissions in relation to operating revenues have decreased, while the figure per employee has increased. This is because turnover increased relatively more than the number of employees from 2007 to 2008. Emissions by employee increased, while energy consumption by employee decreased due to the increase in emissions at Kongsberg Defence Corp. in the USA, where emissions from energy consumption are far higher than in Norway.
Emissions from the new factory are measured based on the average emissions from power production in the USA. Power is more commonly generated from fossil fuels there than is the case in Norway, so the emissions are higher.

KONGSBERG MARITIME

Total CO_2 emissions have increased in recent years, while emissions by employee and in relation to operating revenues have declined. This is due to the use of more electricity and district heating because of more floor space and a higher production volume.



CO_2 EMISSIONS



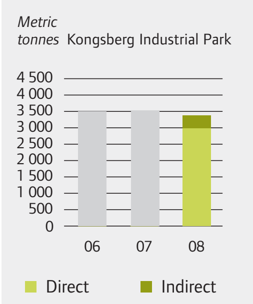
CO_2 EMISSIONS RELATED TO EMPLOYEES AND OPERATING REVENUES

1) Indirect emissions do not include district heating from Kongsberg Industrial Park.
2) Does not include direct emissions from Kongsberg Industrial Park. They are presented separately.

KONGSBERG INDUSTRIAL PARK

Total emissions from KNP's district heating plant were estimated for 2006 and 2007. In this year's environmental accounts, both direct (fuel oil) and indirect (electricity) emissions from the production of district heating have been estimated.

Total emissions of CO_2 have been reduced over the past year. This is mainly because the recycling of energy using heat pumps climbed by nearly 50 per cent in 2008 compared with 2007. In addition, relatively more electricity than fuel oil was used for production compared with last year. Emissions per produced unit were reduced from roughly 163 to 139 grams CO_2 per kWh, compared with 2007.



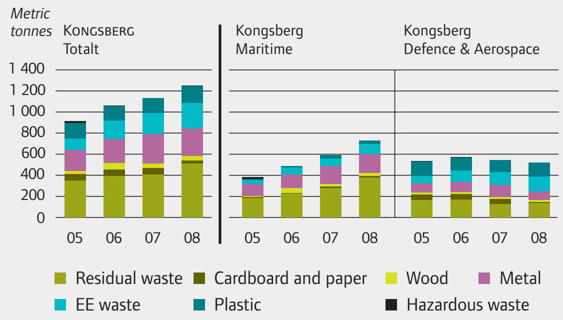
CO_2 EMISSIONS

Waste

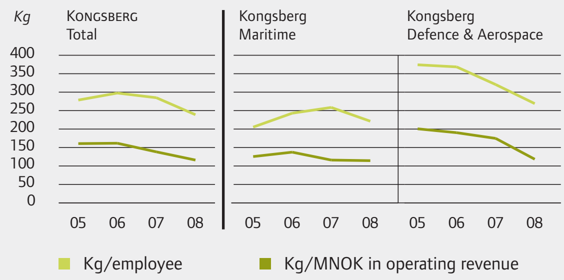
KONGSBERG generates waste from production and office activities. Waste volumes are part of KONGSBERG's in-house environmental reporting. The report covers generated waste broken down by category of waste, and waste for recycling divided into recycling fractions. Our property company makes efforts to increase source separation among the companies located in Kongsberg Industrial Park.

KONGSBERG DEFENCE & AEROSPACE	The amount waste for recycling and residual waste has not changed significantly over the past year. The total amount of waste is, however, somewhat lower since the amount of hazardous waste from the activities in Kongsberg has been substantially reduced. Total waste amounts by employee and turnover have declined.
KONGSBERG MARITIME	The amount of waste for recycling and residual waste increased over the past year. This is due to an increase in production volume and turnover over the past year, and to major building and restoration activities in Horten. The total amount of waste produced by employee has declined and the amount by turnover remained unchanged.

WASTE, BY RECYCLING FRACTIONS



WASTE PRODUCTION RELATED TO NO. OF EMPLOYEES AND OPERATING REVENUES

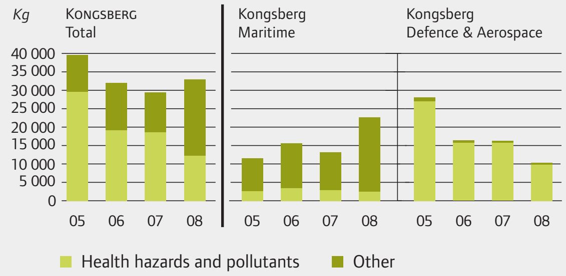


Chemicals

KONGSBERG uses environment-unfriendly and hazardous chemicals in certain parts of its production. The consumption of chemicals is part of KONGSBERG's internal environmental reporting. Reporting on chemicals is based on user's purchasing information. As chemicals are bought in large consignments, there are significant fluctuations in the reported data from year to year.

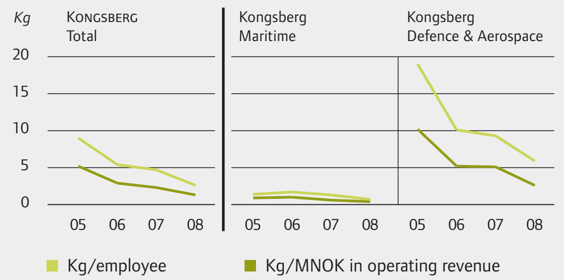
KONGSBERG DEFENCE & AEROSPACE	The consumption of chemicals declined over the past year. This is due to changes in production and moving into new premises.
KONGSBERG MARITIME	The consumption of hazardous substances declined somewhat over the past year, while the consumption of other chemicals increased. This is due to an increase in production volume at Kongsberg Maritime Subsea in Horten.

CONSUMPTION OF CHEMICALS BY CLASSIFICATION 1)



1) Based on classification in CAS (Chemical Abstracts Service register), the figures should be considered estimates.

TOTAL CONSUMPTION OF CHEMICALS THAT ARE HAZARDOUS TO HEALTH AND CAUSE POLLUTION, RELATED TO NO. OF EMPLOYEES AND OPERATING REVENUES



THEME

Environmental technology in outer space

Data from satellites and space probes is vital for monitoring the environment around us. Every day KONGSBERG helps collect better, faster information about climate change and other crucial factors at sea, on land, in the air and even in the solar system around us.

A large part of KONGSBERG's aerospace activities involves gathering environmental data and monitoring the climate, not least through the programme entitled European Global Monitoring for Environment and Security (GMES). Based on collaboration between the European Space Agency (ESA) and the EU, the programme is designed to ensure access to information about the environment at the global, regional and local levels. GMES focuses on global changes, environmental encroachments and natural and man-made disasters. Data is collected by satellites, aircraft and ground-based equipment.

GMES encompasses new development and already commissioned and operational systems such as the ENVISAT and the MetOp satellites, and is already helping to produce large volumes of important data about the environment and climate changes.

DELIVERIES TO ENVISAT AND METOP

ENVISAT is the largest, most advanced earth observation satellite to date. KONGSBERG has supplied the reference unit for one of the 12 instruments on ENVISAT that provides information about how much oxygen and ozone are in various strata of the Earth's atmosphere. KONGSBERG also supplied about 50 per cent of the composite satellite structure for the satellite. With ENVISAT, researchers can study weather, climate, pollution, land and sea territories, grazing resources for animals and many other important variables.

MetOp is the world's most advanced weather and climate satellite. The satellite gives meteorologists and climate researchers global information about weather and the climate situation. Kongsberg Spacetec has supplied receiving equipment and processing systems for MetOp. The equipment is located on Svalbard (Spitsbergen) and in Darmstadt, Germany. KONGSBERG has supplied mechanisms to unfold the antennae for the wind radar and the receiving unit for the instrument that measures temperatures and relative humidity in the troposphere and lower stratosphere.

THE NEXT STEP

The next step in GMES aerospace programme is a series of five satellites that have been designated Sentinel.

The Sentinel satellites will include radar and super-spectral photography for monitoring the land, sea and atmosphere. The first three Sentinel satellites are already in the pipeline, and Sentinel-1 is scheduled to be launched in 2011. KONGSBERG is working on the development and delivery of rotation mechanisms for the solar panels on Sentinel-1. The mechanisms resemble those that KONGSBERG has delivered previously to Rosetta MEX and VEX, which continue to work flawlessly in space.

COMMERCIAL SATELLITE DATA

Monitoring the environment from space is also a question of making satellite data available to those who need them, e.g. scientists, meteorologists or others. KONGSBERG is also deeply involved in collecting satellite data through Kongsberg Satellite Services AS (KSAT). The company is a world leader in collecting commercial data from satellites in polar orbit. The company currently operates four ground stations: Tromsø Satellite Station, Svalbard Satellite station, Grimstad (southern Norway), and TrollSat at 72°S 2°E in the Antarctic. KSAT is able to offer services to all satellites in polar orbit thanks to its unique northern location. After TrollSat came online in the southern hemisphere in 2007, KSAT offers pole-to-pole services, allowing the downloading of data at both poles.

NEW COMBINATIONS SPAWN NEW APPLICATIONS

Exciting new environmental applications have originated by adopting new technologies and using them in new combinations. One example is Kongsberg Spacetec's MEOS SAR (Synthetic Aperture Radar), used to detect and monitor vessels, oil spills, etc. on all seas. The equipment makes it easy for the operators to maintain an overview and plan initiatives. The data can be linked to the vessels' automated identification system (AIS) to give vessels a bird's eye view of their situation. Satellite data from Kongsberg Satellite Services AS are combined and used in new business areas, for example, to develop services that monitor ice, glaciers, snow melting, algae growth, etc.

ESA's illustration of Sentinel-1 with its SAR antenna (radar) pointing at the Earth. (Photo: ESA)

Indicators

	Indicator	*2008*	*2007*	*2006*	*2005*	*2004*	*2003*	*2002*
FINANCIAL WEALTH	*Wealth creation*							
CREATION	Direct and indirect taxes to the state/municipality (MNOK)		1 347	993	889	919	924	905
	Payroll expenses (net after tax) (MNOK)	1 719	1 338	1206	1060	1 198	1 212	1 167
	Share dividend (MNOK)	165	150	75	64,5	60	39	63
	Interest to lenders (MNOK)	93	59	51	54	86	89	101
	Retained earnings (MNOK)	422	836	177	197	(23)	86	153
CORPORATE SOCIAL	*Level of education*							
RESPONSIBILITY	Graduate engineers and others with higher education. (4 years +) %	26	27	26	25	27	25	25
	Engineers/Technicians (up to 3 years) %	45	47	46	47	45	44	44
	Other salaried employees (higher education. 3 years) %	16	15	17	16	17	19	20
	Operators %	13	11	11	12	11	12	11
	Average age	42.0	40.5	42.5	43.2	43.2	42.9	42.9
	No. of employees	5 243	4 205	3 650	3 372	4 017	4 176	4 208
	No. of full-time employees	5 015	4 021	3 486				
	No. of part-time employees	228	184	164				
	Corporate social responsibility							
	Donations to organisations, etc. (NOK 1 000)	2 000	1 900	1 785	1 640	1 350	1 500	1 450
	Percentage of women							
	Women as a % of the number of employees	19.5	19.5	19	20	22	21	21
	Women in leading positions as a % of total managerial positions (Norway)	13	13	12	9	11	10	10
	Shareholder-elected women on the Board	40	40	40	40	40	40	20
	Age distribution of employees in %							
	No. of employees under age 30	17	15	12				
	No. of employees between ages 30 and 50	56	57	60				
	No. of employees over age 50	27	28	28				
	Turnover (employees who have resigned)	222	203	335				
	Turnover in %	4.2	3.9	5.5				
	– men	3.0	3.3	4.3				
	– women	1.2	0.6	1.2				
	Health and safety							
	Absence due to illness as a % of hours worked	2.4	2.4	2.7	3.1	3.2	3.2	3.3
THE ENVIRONMENT	*Waste*							
	Waste for recycling (metric tonnes)	715	668	606	494	519	611	339
	Residual waste (metric tonnes)	511	408	392	340	441	608	735
	Hazardous waste (metric tonnes)	19	58	60	60	157	91	105
	Chemicals							
	Environment-unfriendly and hazardous chemicals (metric tonnes)	12.2	18.6	19.1	23.0	59.4	18.5	
	Other categories (metric tonnes)	20.7	10.8	12.9	9.9	19.7	20.5	
	Energy consumption							
	Electricity (MWh)	46 200	40 342	39 534	37 670	42 840	42 030	41 670
	District heating (MWh)	14 400	14 164	11 957	12 470	15 670	18 230	17 340
	Gas/oil (MWh)	1 208	1 239	689	740	1 860	1 040	220
	Energy consumption (MWh) per employee, Kongsberg Defence & Aerospace	21.1	21.9	22.4	25.0			
	Energy consumption (MWh) per employee, Kongsberg Maritime	6.3	8.2	8.7	9.0			
	CO_2 emissions (metric tonnes) – excl. travel	7 500	6 503	6 142				

Global Reporting Initiative Index (GRI)

RELATED INFORMATION
→ www.globalreporting.org

The following matrix offers an overview of the GRI indicators, with references to the relevant pages in this report. The individual indicators are described in simple terms and very briefly. For more information, please see KONGSBERG's website at: www.kongsberg.com

NR – Not relevant *NA – Not addressed* *PA – Partially addressed*

Indi-cator		See page(s)
	PROFILE	
1	**STRATEGY AND ANALYSIS**	
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy	7 (PA)
1.2	Description of key impacts, risks, and opportunities in relation to sustainability	NA
2	**ORGANIZATIONAL PROFILE**	
2.1	Name of the organization	Cover
2.2	Primary brands, products, and/or services	7–8, 76–91
2.3	Operational structure of the organization	Cover
2.4	Location of organization's headquarters	140
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	120–121
2.6	Nature of ownership and legal form	35, 107
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	70–101
2.8	Scale of the reporting organization, including: Number of employees; Net sales (for private sector organizations) or net revenues (for public sector organizations); Quantity of products or services provided	1–3, 111, 136
2.9	Significant changes during the reporting period regarding size, structure, or ownership	NR
2.10	Awards received in the reporting period	94
3	**REPORT PARAMETERS**	
	Report profile	
3.1	Reporting period for information provided	Cover
3.2	Date of most recent previous report	Cover
3.3	Reporting cycle	Cover
3.4	Contact point for questions regarding the report or its contents	140
	Report scope and boundary	
3.5	Process for defining report content	NA
3.6	Boundary of the report	114
3.7	State any specific limitations on the scope or boundary of the report	NA
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	NA
3.9	Data measurement techniques and the bases of calculations	114 (PA)
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	NA
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	NA
	GRI content index	
3.12	Table identifying the location of the Standard Disclosures in the report	114

Indi-cator		See page(s)
	Assurance	
3.13	Policy and current practice with regard to seeking external assurance for the report	114
4	**GOVERNANCE, COMMITMENTS, AND ENGAGEMENT**	
4.1	Governance structure of the organization, including committees under the highest governance body	95
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	98
4.3	State the number of members of the highest governance body that are independent and/or non-executive members	98
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	NA
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance	58, 100
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	99
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	NA
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	115, 123
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	NA
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	NA
	Commitments to external initiatives	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	115 (PA), 127 (PA)
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	127
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizatons in which the organization: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership dues; or Views membership as strategic	NA
	Shareholder engagement	
4.14	List of stakeholder groups engaged by the organization	128
4.15	Basis for identification and selection of stakeholders with whom to engage	128 (PA)
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	128 (PA)

Indi-cator		See page(s)
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	NA
	ECONOMIC PERFORMANCE INDICATORS	
	ECONOMIC PERFORMANCE	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	118–119
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	NA
EC3	Coverage of the organization's defined benefit plan obligations	NA
EC4	Significant financial assistance received from government	119
	MARKET PRESENCE	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation	126
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	119 (PA)
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	126
	INDIRECT ECONOMIC IMPACTS	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	NA
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts	NA
	ENVIRONMENTAL PERFORMANCE INDICATORS	
	MATERIALS	
EN1	Materials used by weight or volume	132–134 (PA)
EN2	Percentage of materials used that are recycled input materials	NA
	ENERGY	
EN3	Direct energy consumption by primary energy source	132–133
EN4	Indirect energy consumption by primary source	132–133
EN5	Energy saved due to conservation and efficiency improvements	116
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	79
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	NA
	WATER	
EN8	Total water withdrawal by source	NA
EN9	Water sources significantly affected by withdrawal of water	NA
EN10	Percentage and total volume of water recycled and reused	NA
	BIODIVERSITY	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NR
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	NR
EN13	Habitats protected or restored	NR
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	NR
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	NR
	EMISSIONS, EFFLUENTS AND WASTE	
EN16	Total direct and indirect greenhouse gas emissions by weight	133
EN17	Other relevant indirect greenhouse gas emissions by weight	NA
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	NA
EN19	Emissions of ozone-depleting substances by weight	NA
EN20	NO, SO, and other significant air emissions by type and weight	NA
EN21	Total water discharge by quality and destination	NA
EN22	Total weight of waste by type and disposal method	134–136
EN23	Total number and volume of significant spills	NA

Indi-cator		See page(s)
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	NA
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	NA
	PRODUCTS AND SERVICES	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	NA
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	NA
	COMPLIANCE	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations	NA
	TRANSPORT	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce	NA
	OVERALL	
EN30	Total environmental protection expenditures and investments by type	NA
	LABOUR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS	
	EMPLOYMENT	
LA1	Total workforce by employment type, employment contract, and region	136 (PA)
LA2	Total number and rate of employee turnover by age group, gender, and region	136 (PA)
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations	NA
	LABOR/MANAGEMENT RELATIONS	
LA4	Percentage of employees covered by collective bargaining agreements	126 (PA)
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	NA
	OCCUPATIONAL HEALTH AND SAFETY	
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs	125 (PA)
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	126
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	125–126
LA9	Health and safety topics covered in formal agreements with trade unions	125–126 (PA)
	TRAINING AND EDUCATION	
LA10	Average hours of training per year per employee by employee category	NA
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	126 (PA)
LA12	Percentage of employees receiving regular performance and career development reviews	NA
	DIVERSITY AND EQUAL OPPORTUNITY	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	136 (PA)
LA14	Ratio of basic salary of men to women by employee category	NA
	HUMAN RIGHTS PERFORMANCE INDICATORS	
	INVESTMENT AND PROCUREMENT PRACTICES	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	NA
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	123 (PA)
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	123 (PA)

Indi-cator		See page(s)
	NONDISCRIMINATION	
HR4	Total number of incidents of discrimination and actions taken	123
	FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	126
	CHILD LABOUR	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	123
	FORCED AND COMPULSORY LABOR	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	123
	SECURITY PRACTICES	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	126
	INDIGENOUS RIGHTS	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken	123
	SOCIETY PERFORMANCE INDICATORS	
	COMMUNITY	
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	NA
	CORRUPTION	
SO2	Percentage and total number of business units analyzed for risks related to corruption	123 (PA)
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	123 (PA)
SO4	Actions taken in response to incidents of corruption.	123
	PUBLIC POLICY	
SO5	Public policy positions and participation in public policy development and lobbying	NA
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	NA
	ANTI-COMPETITIVE BEHAVIOR	
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes	123
	COMPLIANCE	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	123
	PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS	
	CUSTOMER HEALTH AND SAFETY	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	116 (PA)
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes	NA
	PRODUCT AND SERVICE LABELING	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	NA
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	NA
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	NA
	MARKETING COMMUNICATIONS	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	NA
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes	None

Indi-cator		See page(s)
	CUSTOMER PRIVACY	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	None
	COMPLIANCE	
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	None

Source: GRI

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Financial calendar 2009

Annual General Meeting
The ordinary Annual General Meeting
will be held at
2 p.m. on Thursday, 7 May 2009,
in the Conference Centre at
Kongsberg Industrial Park,
Kongsberg

Dividends will be paid on 20 May 2009.

Presentation of quarterly results
Q1: 27 April
Q2: 14 August
Q3: 23 October

Ticker code: KOG (Oslo Stock Exchange)

ANNUAL REPORT

If you have any views on or queries regarding the Annual Report, please share them with us at: annualreport@kongsberg.com

If your name or address is wrong on this year's Annual Report and Sustainability Report, please send the right name and address to: annualreport@kongsberg.com

CORPORATE SOCIAL RESPONSIBILITY

If you have any views on or queries regarding the Sustainability Report or other queries about KONGSBERG's corporate social responsibility work, please share them with us at: csr@kongsberg.com

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Linda Sivesind, Informatic Translations

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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