

**Technology: (from the Greek teknologia)**  
the science that refers to the various  
practices, methods and means used to  
convert ideas or raw materials into us-  
able products.



## Technology inspired by nature

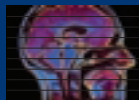


**Our reasons for existence and profit-  
ability are contingent upon our ability to  
discover and develop useful applications  
for sophisticated technology products.  
Accordingly, technology is the main  
theme of this year's annual report.**



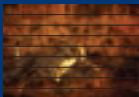
KONGSBERG

Cybernetics



Software

Signal processing



Systems integration

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**Ellen K. Ohren (25)** - Graduate engineer,  
Kongsberg Defence & Aerospace AS



## Technology - products

We earn our living by accepting challenges - thinking along new lines, moving beyond the ordinary to the realm of the extraordinary and thus remaining in the vanguard. We have learned to be humble in the face of the multitude of amazing solutions we see in nature, perceiving them as role models which inspire us not to give up until we achieve optimal results.

**Gunnar Thorsen (45)** -  
Sales and Marketing Manager,  
Kongsberg Simrad AS



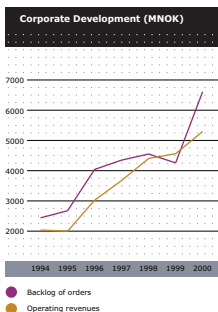
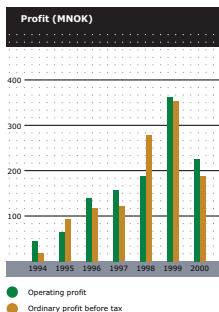
## Technology - markets

We endeavour to serve the best interests of society and to pave the way for growth and prosperity among our customers. Sophisticated solutions based on the most appropriate technologies are among the Group's most important tools for achieving such objectives. Technology alone is not sufficient; it is during constructive, dynamic interaction with committed clients that creative forces are released, allowing the exciting and unexpected to lead to the evolution of innovative new products. That is a process that creates profits for both parties.

# Key figures

Amounts in MNOK	2000	1999	1998	1997	1996	1995
<b>Operations:</b>						
Operating revenues	5 296	4 561	4 404	3 674	3 023	1 998
<i>Operating revenues civilian</i>	% 64	73	71	71	61	52
<i>Operating revenues outside Norway</i>	% 74	62	62	55	51	41
Earnings before interest, taxes and amortisation (EBITA)	287	398	278	192	173	81
Operating profit	225	362	189	157	140	64
Ordinary profit before tax	188	354	279	121	117	94
Net profit/(loss)	(56)	233	171	73	75	63
Order backlog	6 610	4 258	4 551	4 349	4 041	2 676
<b>Profitability:</b>						
Operating margin before amortisation of goodwill	% 5.4	8.7	6.3	5.2	5.7	4.1
Operating margin	% 4.2	7.9	4.3	4.3	4.6	3.2
Return on total assets	% 5	10	9	6	6	5
Return on equity	% 13	27	26	12	12	16
Equity	% 26	37	28	31	30	42
Equity	1 406	1 490	1 106	1 042	975	917
<b>Owner's values:</b>						
Earnings per share	(1.86)	8.84	7.04	3.04	2.95	2.69
P/E	-	16.22	10.79	24.99	19.60	15.20
Number of employees	3 765	3 382	3 333	3 262	3 212	2 049

(definitions, see page 41)

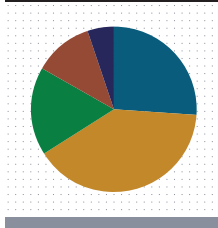


## Key figures by business segment

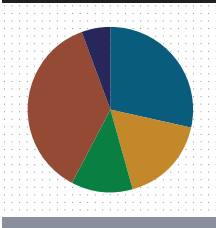
Amounts in MNOK	Operating revenues			Operating profit/(loss)			EBITA*		
	2000	1999	1998	2000	1999	1998	2000	1999	1998
Kongsberg Maritime	2 983	2 809	2 538	139	235	191	195	271	218
Offshore & Ocean Science	1 509	1 534	1 424	135	184	164	163	207	180
Yachting & Fishery	909	827	695	35	38	37	46	49	46
Ship Systems	637	541	497	(31)	13	(10)	(14)	15	(8)
Kongsberg Defence & Aerospace	1 943	1 268	1 285	81	13	68	85	13	68
Other activities	515	555	806	7	133	(63)	9	133	(1)
Elimination	(145)	(71)	(225)	(2)	(19)	(7)	(2)	(19)	(7)
<b>THE GROUP</b>	<b>5 296</b>	<b>4 561</b>	<b>4 404</b>	<b>225</b>	<b>362</b>	<b>189</b>	<b>287</b>	<b>398</b>	<b>278</b>

\* Earnings before interest, tax and amortisation (goodwill)

Operating revenues by geographical area



Operating revenues by area of activity



# This is Kongsberg Gruppen

## Kongsberg Gruppen intends to:

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

Kongsberg Gruppen is an international technology corporation. The Group has 3 765 employees, 787 of whom work abroad. In 2000, the Group posted MNOK 5 296 in operating revenues, of which MNOK 3 915 was earned outside Norway. Kongsberg Gruppen has two main business areas:

- Kongsberg Maritime
- Kongsberg Defence & Aerospace

Kongsberg Gruppen is a world leader in several fields of maritime information technology. Kongsberg Maritime is the Group's largest business area, with 2 290 employees and operating revenues of MNOK 2 983. This business area is comprised of three segments:

- Offshore & Ocean Science
- Yachting & Fishery
- Ship Systems.

Kongsberg Maritime companies have spent more than 50 years building up an impressive pool of expertise and a strong market position in maritime information technology. In 2000, Kongsberg Maritime accounted for 56 per cent of the Group's total operating revenues.

Kongsberg Defence & Aerospace is the Group's other main business area. The company is a niche supplier, focusing mainly on anti-ship missiles, command and control systems, and communications.

With 1 132 employees and operating revenues of MNOK 1 943, Kongsberg Defence & Aerospace is Norway's premier defence supplier. The company's activities date back to 1814 and the very dawn of Norwegian weapons production. The company co-operates closely with the Norwegian Armed Forces to develop new weapons systems. This has resulted in substantial export growth, as evidenced by the fact that exports have account-

ed for approximately 80 per cent of all new orders over the past three years.

Kongsberg Defence & Aerospace has forged alliances with several major international corporations, including Lockheed Martin and Raytheon of the US, EADS (Aerospatiale) of Europe and Thomson CSF/DCNI of France.

Both main business areas are predicated on an exceptionally high level of technology and the ability to commercialise technical innovations. The Group's four core areas of excellence, i.e. signal processing, engineering cybernetics, systems integration and software, permeate both main business areas.

Committed to further growth, Kongsberg Gruppen has a special unit to co-ordinate corporate business development, including existing business areas and evaluations of potential acquisitions. This unit is also responsible for further developing the wholly-owned subsidiaries Kongsberg Protech AS and Davis AS, as well as the partially-owned companies Kongsberg Fimas AS, Scali AS, Norcontrol IT AS and Aentera Network AS.

## Corporate management

From left:

Executive Vice President  
Business Development  
Stig Trondvold

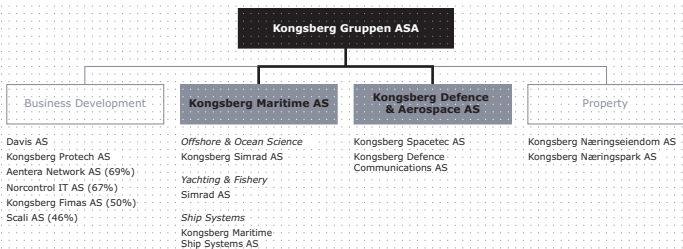
President  
Kongsberg Maritime AS  
Torfinn Kildal

Executive Vice President  
Corporate Communications  
Even Aas

President  
Kongsberg Defence & Aerospace AS  
Tom Gerhardsen

Executive Vice President  
Chief Financial Officer  
Arne Solberg

Chief Executive Officer  
Jan Erik Korssjoen



## World-class technology



Jan Erik Korssj en - CEO

Kongsberg Gruppen is a company with world-class ambitions. Efforts are being made to achieve these ambitions through the use of technology, superior knowledge and a high level of quality awareness in a genuinely international environment.

This vision, combined with ambitious goals for profitability and growth, stakes out the course Kongsberg Gruppen intends to pursue in moving forward. The latter half of 2000 was affected by adverse events, mainly outside the Group's core areas. Management has taken this seriously and rectified the situation. We remain steadfast in pursuit of our paramount objectives.

The Group has a common core of sophisticated technologies which permeate all its activities. Software components and systems solutions account for some 60 to 70 per cent of consolidated operating revenues. We intend to take advantage of our corporate diversity in terms of markets, geography and cultures, using it as a constant driving force to remain at the forefront of technology. At the heart of this development are our committed co-workers in Norway and abroad, as well as our international network of highly qualified partners, including enterprises and research centres alike.

As a knowledge enterprise, it is natural for Kongsberg Gruppen to devote considerable attention to developing high-technology products. During the past year, the Group spent more than MNOK 500 on research and development, the equivalent of more than 10 per cent of corporate turnover. This is considered high by any standards, Norwegian or international.

In 2000, Kongsberg Gruppen made two important strategic acquisitions to complete its maritime and defence product ranges: Navia and Kongsberg Defence Communications. Both companies have technologies and positions on international markets which complement existing Kongsberg companies. Efforts to integrate these activities and to earn synergy dividends are in full swing, and the effects will begin to filter through in 2001.

Both these acquisitions are prime examples of how the Group intends to grow within its defined core areas, maritime and defence. Kongsberg Gruppen focuses on growth and profitability. Its explicit goals are to achieve a turnover of NOK 10 billion in 2004, a doubling from 1999, and an EBITA of 10 per cent. We are well prepared for 2001, and expect the year to bring us far closer to achieving our goals.

Happy reading!

Jan Erik Korssj en  
CEO



## Vision

WORLD CLASS – through people, technology and dedication.

**WORLD CLASS ...**  
through people, technology  
and dedication

## Paramount objectives

Kongsberg Gruppen aspires to:

- Enhance the value of its shareholders' investments
- Grow and to achieve an EBITA (Earnings Before Interest, Taxes and Amortisation) of 10%
- Focus on its core business areas: Maritime and Defence
- Project an image and maintain a reputation that ensure influence, recruitment, and the retention of key employees, while inspiring confidence on the equity market.

## Strategy

To realise its profitability and growth goal, Kongsberg Gruppen has devised a strategy based on:

### Human resources development

Knowledge and expertise are Kongsberg Gruppen's most valuable competitive assets. Offering all employees comprehensive human resources development opportunities is crucial to positive performance trends, making it a high priority. Recruitment is also imperative. Kongsberg Gruppen has an active recruitment programme for recent graduates and more experienced individuals alike.

To recruit and retain personnel, a company must offer attractive, challenging jobs. The demands placed on employees today extend far beyond their formal qualifications, and emphasis is attached to facilitating training and raising awareness of the value of good, efficient interpersonal relations, in addition to providing career development opportunities. Kongsberg Gruppen also encourages employees to become co-owners in the company. This helps fortify employee-company relations.

Sensor production – Kongsberg Maritime Ship Systems



From the laboratory of new anti-ship missile (NSM)



# Strategy

Management development is also essential in today's business world. The Group has introduced performance-based wages and an options programme for managers.

## Acquisitions

Making further acquisitions within the core business areas is key to the corporate growth strategy. The idea is to increase corporate profitability by taking advantage of shared technology and market synergies. The strategy is also motivated by the desire to increase the range of products offered, and to gain admission to new markets and access to specialised technology.

## Technological development

Kongsberg Gruppen generally spends about 10 per cent of its annual operating revenues on product development. The intention is to maintain this high level of R&D, as it is considered a prerequisite for continued profitable growth. Part of Kongsberg Gruppen's product development costs will generally be financed by customers. Product development activities focus on new solutions and applications in the core areas, and are based on familiarity with and insight into end-user needs. Kongsberg Gruppen's products are largely based on the areas of outstanding corporate expertise: software development, engineering cybernetics, systems integration and signal processing.

## Adding value and focusing on the strategic business areas.

To free up capital and focus more attention on core activities, Kongsberg Gruppen plans to sell its peripheral commitments. However, care will be taken to ensure optimal timing, maximising the benefits of such sales. This means that

some of these activities will continue to be developed within the Group for the time being.

The business areas are continuously reviewed to identify activities which do not occupy a natural place there, or which might better be developed under the auspices of other industrial constellations. Once identified, these business activities are organised under Business Development.

Pro-active efforts are being made to identify potential candidates for acquisition. To meet the challenges arising in this field, Business Development has been expanded at both the corporate and business area levels.

## Financial strategy

Kongsberg Gruppen's management attaches importance to having the financial strength needed to ensure freedom of action. The Group's primary goal is to implement its growth strategy without capital infusions. Accordingly, growth will generally be funded by earnings and the sale of non-core activities.

# Highlights 2000

## Acquisitions

- Kongsberg Gruppen submitted a bid for the voluntary acquisition of all shares in the listed technology company Navia ASA of Trondheim in May 2000. At year end, the Group owned 100 percent of the shares in the company.
- Kongsberg Gruppen acquired the remaining 50 per cent stake in Kongsberg Ericsson Communications ANS of Asker from Ericsson AS for MNOK 57.5. The company now operates under the name Kongsberg Defence Communications AS.

## The market

- Kongsberg Simrad breached Japan's hegemony in automation systems for LNG (Liquefied Natural Gas) carriers by winning a MNOK 48 contract with Samsung Heavy Industries of Korea for automation systems for two LNG tankers the shipyard is currently building for BP Shipping.
- The offshore market picked up towards year end as a result of rising oil prices. Offshore & Ocean Science noted a steep rise in the number of new orders.
- Shipbuilding is seeing a boom in the Far East, an important market for Ship Systems.
- In recent years, Simrad has invested in state-of-the-art production lines to make transducers (the main component in sonars and echosounders), which are used in fishery, offshore and maritime defence products. The facility came online in 2000, and is one of the most modern in the world today.

- Owing to a steady rise in the number of joint international operations, the international defence market increasingly requires equipment which is compatible with that of other suppliers. Norway's NASAMS anti-aircraft was developed to meet this requirement, and Kongsberg Defence & Aerospace experienced an international breakthrough for NASAMS when a contract was signed with Spain. The Penguin continued to progress on the international market with sales to Turkey and Spain in 2000.

## Organisation

- Navia's business area Autronica of Trondheim, Kongsberg Norcontrol AS and Kongsberg Norcontrol Simulation AS of Horten, have been merged into a single company: Kongsberg Maritime Ship Systems AS.
- Navia's offshore-related business Seatex was incorporated into the Offshore & Ocean Science segment as at 1 May 2000. Camera activities in the USA and UK have been downscaled and reorganised to enhance profitability.

## The result

- The loss in 2000 is a reflection of write-downs in Davis, depreciation for goodwill and financial expenses related to the acquisition of Navia ASA, and costs incurred in connection with setting up Kongsberg Maritime Ship Systems AS.

## Major contracts

- Kongsberg Defence & Aerospace has won a large share of the largest defence procurement contract in the history of Norway in connection with the Norwegian Navy's purchase of new frigates from IZAR of Spain (former Bazan). The contracts have an aggregate value of approximately NOK 2 billion, and entail options that could translate into orders for twice that amount.
- Kongsberg Defence Communications AS and the Romanian Armed Forces signed a MNOK 425 contract for a new communications system.
- Other defence contracts added up to a value of NOK 1.6 billion.

## Other events

- The first test launches of the new NSM anti-ship missile were conducted in October 2000. The development programme is scheduled for completion in 2004.
- C&C Technologies Inc. of the US accepted the first commercial delivery of the Hugin 3000. Several successful test runs were made in the Gulf of Mexico in the autumn.



Breakthrough on the LNG market

The new Norwegian "Fridtjof Nansen" Class frigate



# Cybernetics

The physicist Norbert Wiener, recognised as the founder of cybernetics, concentrated on nature's feedback systems for adjusting and controlling pressure, movement and temperature, whether these systems were under water, on land or in the air. In the animal kingdom, the albatross is known for being able to maintain its position in the air by taking advantage of air currents, pressure changes and temperature fluctuations. Kongsberg's dynamic positioning systems are based on co-ordinating and controlling physical variables to keep a vessel in a stable position, for example, even when under the influence of external forces beyond the systems' control.

## Dynamic Positioning

Rapid expansion in Norway's offshore market engendered a need for positioning and controlling vessels engaged in critical operations related to petroleum production. The situation posed new demands regarding safety and the precision of positioning operations in all kinds of weather. Kongsberg Gruppen has developed a number of sophisticated systems to maintain a vessel's position, regardless of wind, currents and waves. Kongsberg Gruppen has cornered a large share of the world market for this type of systems. Advanced engineering cybernetics is the key to making optimal dynamic positioning systems.



# Directors' Report 2000

Kongsberg Gruppen's performance in 2000 was influenced by circumstances related to write-downs in Davis and integration costs incurred as a result of the acquisition of Navia ASA. The result before tax was MNOK -28 (MNOK 344 in 1999).

In the autumn, measures were implemented to increase profitability, including the restructuring and downsizing of businesses that showed weak profitability. It is expected that synergistic effects following the acquisition of Navia ASA will have a positive impact and strengthen the Group's core areas.

The directors are of the opinion that it is essential to intensify activities to promote profitability and productivity. The Group achieved significant growth in new orders, resulting in a 55 per cent rise in the backlog of orders during the year. The upturn in the offshore market, procurements for the new Norwegian frigates and defence contracts for the export market contributed strongly to the increase.

The Group made two core area acquisitions in the spring. The acquisition of Navia ASA fortified both Ship Systems and Offshore & Ocean Science. The acquisition of the remaining 50 per cent of Kongsberg Ericsson Communications expands and reinforces the strategies pursued by Kongsberg Defence & Aerospace. Both acquisitions are commensurate with the Group's long-term growth strategy.

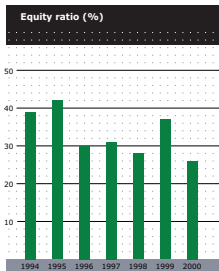
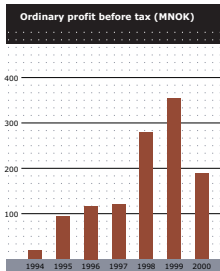
Priority will be given to the paramount strategy. In this connection, the Group will intensify its efforts to find alternative owners for activities outside the corporate core areas.

In the directors' opinion, the record backlog of orders, cost-cutting measures and acquisition-related synergies have laid a strong foundation for the Group's operations and profits in 2001.

Kongsberg Gruppen's goal is to be among the world's leading companies in the niches in which it operates, and the Group will continue to invest considerable resources in research and develop-

ment. More than 10 per cent of operating revenues has been spent on R&D, a level the Group plans to maintain. Corporate diversity makes it feasible to utilise newly developed solutions in several product and market areas. In the long term, this entails a considerable potential for higher profitability and stronger growth. Priority will be given to cross-border partnerships and to further strengthening of the international marketing system. This will continue to be decisive for the application of R&D results, as well as for profitability and growth. An increasingly larger share of Kongsberg Gruppen's market is outside of Norway. This underlines the importance of the Group's strategy for continued international activities and growth. The Norwegian Armed Forces are facing considerable restructuring. As a result, changes are expected to take place in the Norwegian defence market. In this connection, predictability is crucial when it comes to export regulations and the way in which the authorities practice them.

The Group's ability to attract and keep highly qualified personnel is essential and will continue to receive high priority.



## **Income Statement and Balance Sheet**

The annual accounts are submitted on the assumption that Kongsberg Gruppen is a going concern, and the Board confirms the requirements for making this assumption have been met.

Consolidated operating revenues totalled MNOK 5 296 (MNOK 4 561). The operating profit totalled MNOK 225 (MNOK 362).

Net financial items, including associated companies, came to MNOK -37 (MNOK -8).

The ordinary result before tax and other items (Davis) was MNOK 188 (MNOK 354). Performance trends are discussed under the individual segments.

The order backlog totalled MNOK 6 610 (MNOK 4 258).

Total assets aggregated MNOK 5 371 (MNOK 4 012). At 31 December 2000, equity came to MNOK 1 406 or 26 per cent (MNOK 1 490; 37 per cent).

Pursuant to authorisations granted at the 1999 and 2000 Annual General Meetings, Kongsberg Gruppen ASA has acquired 989 157 of its own shares for its employee share programmes. This holding accounts for 3.3 per cent of outstanding shares.

Net interest-bearing debt at 31 December 2000 was MNOK 1 029 (net financial investments of MNOK 330). The difference is mainly ascribable to loans made to fund acquisitions.

The Group's central financing scheme consists of MNOK 1 155 in loans, of which MNOK 400 is a syndicated credit facility and MNOK 350 Norwegian commercial papers. In addition, the Group has a mortgage of MNOK 405. Changes in liquidity requirements will be covered on the certificate market for commercial papers.

The cash flows consisted of MNOK 46 generated from operations, MNOK -1 007 from investment activities and MNOK 1 004 from financial activities. Total consolidated cash and cash equivalents added up to MNOK 139 at 31 December 2000.

The earnings per share was NOK -1.86 (NOK 8.84), based on 29.1 million shares.

Owing to the result for the year, the Board proposes that no dividend be paid for 2000.

As Davis has not lived up to expectations under its current ownership, it was decided to write down Kongsberg Gruppen's goodwill in Davis to zero. At the same time, booked assets related to earlier market investments, receivables and inventories were written down on Davis' Balance Sheet. Altogether, Davis had a negative effect by MNOK 216 on Kongsberg Gruppen's result.

As Davis falls outside Kongsberg Gruppen's core activities, it has been decided to seek new owners for the company. A brokerage firm has been hired to handle this. Accordingly, Davis' result is, in its entirety, presented under 'Other items'.

## **Operations and Markets, by business area**

Kongsberg Gruppen's two main business areas, Kongsberg Maritime and Kongsberg Defence & Aerospace, earned operating revenues of MNOK 2 983 and MNOK 1 943, respectively, accounting for 56 and 37 per cent of aggregate consolidated operating revenues.

### *Kongsberg Maritime*

The business area Kongsberg Maritime is divided into three segments: Offshore & Ocean Science, Yachting & Fishery and Ship Systems. The business area (BA) earned MNOK 2 983 (MNOK 2 809) in operating revenues. Of the total operating revenues earned, the segments accounted for approximately 50, 30 and 20 per cent, respectively. The BA's operating revenues rose by 6 per cent from 1999, mainly owing to the acquisition of Navia ASA. Navia's two divisions, Seatex and Autronica, have been integrated into Offshore & Ocean Science and Ship Systems, respectively. Yachting & Fishery is the segment of Kongsberg Maritime to see the most rapid organic growth: 10 per cent on the year.

The operating profit was MNOK 139 (MNOK 235), and the profit before tax was MNOK 80 (MNOK 219).

The restructuring and integration of Navia is now complete, paving the way for better results. Altogether, the BA's results declined compared with 1999 but, given the measures instituted and the increase in new orders, the prospects for the future are bright.

### *Offshore & Ocean Science*

The segment reported an operating profit of MNOK 135 (MNOK 184) and operating revenues of MNOK 1 509 (MNOK 1 534).

The operating revenues and result were somewhat lower than in 1999 due to the earlier decline in the offshore market and additional R&D expenses (about MNOK 20) related to the development of products less dependent on the offshore market. The EBITA came to 11 per cent (13 per cent).

Total new orders were valued at MNOK 1 660 (MNOK 1 313). The trend in new orders climbed throughout the year, especially in the last six months. This bears witness to the segment's competitiveness, and is expected to have positive ramifications in 2001.

Several new dynamic positioning contracts were signed for vessels that lay communications cables. There was also a breakthrough in respect of deliveries to LNG vessels. This has been identified as a new target area for the application of existing technology. The deliveries include navigation and positioning equipment, as well as process control and monitoring systems.

The segment has completed the restructuring of its camera activities related to ROVs (remotely operated vehicles). This refers to activities in the USA and the UK. As a result, the staff was downsized by 68 employees.

The integration of Seatex into Offshore & Ocean Science will expand the technology base, making the unit a leader in precision GPS navigation and positioning. The integration is expected to generate market-related and technological synergies, strengthening the segment's strategic position.

#### *Yachting & Fishery*

The segment earned MNOK 909 (MNOK 827) in operating revenues. The operating profit was MNOK 35 (MNOK 38). Additional development costs and somewhat lower Q4 sales in the US impacted the result.

The segment's operating revenues increased by 10 per cent as the new products continue to sell well. The Simrad brandname and products are becoming increasingly popular and well known. Over the past four years, the segment has grown by nearly 70 per cent.

New products launched during the year include electronic equipment for yachts and fish-finding equipment. The segment introduced several versions of multi-functional instruments for yachts that enable users to access electronic maps with plotters, GPS navigation systems, echosounders and more, all on the same LCD screen. New radar solutions are also moving into the yachting market, thanks to LCD technology. Simrad has consistently been at the forefront, and the market has expressed satisfaction with its products. A new sonar-based trawling system has been developed for fish finding. Expectations are high and success will further consolidate Simrad's position as the world leader in sophisticated fish-finding systems.

Cost adjustments have been implemented at some production units to improve profit margins. The segment had an EBITA of 5 per cent (6 per cent).

#### *Ship Systems*

The segment incurred an operating loss of MNOK -31 (MNOK 13). Operating revenues added up to MNOK 637 (MNOK 541). The increase in operating revenues was mainly attributable to the integration of Navia Autronica.

New orders aggregated MNOK 798, up MNOK 261 from 1999. The total backlog of orders was valued at MNOK 515 at 31 December 2000. The increase in new orders must be viewed in relation to R&D efforts and the market launch of the new technology. More new orders translate into a rise in marketshare for the segment.

There was a great deal of activity in the maritime personnel training market in 2000. The segment consolidated its position as the leading supplier of simulators to maritime colleges.

The segment's investment in Hyundai Kongsberg Maritime Co. Ltd. in South Korea has proved successful, boosting Ship Systems' results.

Owing to the integration of Navia Autronica into the new company, products, projects, development and other restructuring needs were reviewed and analysed. This cost about MNOK 30. The profit was also affected by expenses related to the complexity of certain new ship installations. The EBITA came to MNOK -14. Corporate integration is expected to engender synergies in terms of costs, markets and product development, and positive results are expected from 2001. The staff has been downsized by 70 man-years of labour.



### *Kongsberg Defence & Aerospace*

The business area earned operating revenues of MNOK 1 943 (1 268) and an operating profit of MNOK 81 (MNOK 13). The result before tax totalled MNOK 113 (MNOK 64).

All main projects are on schedule.

The segment saw a rise in operating revenues and profits and, at 31

December 2000, the order backlog was valued at MNOK 5 218 (MNOK 3 126).

Kongsberg Defence & Aerospace reported a total of MNOK 4 049 worth of new orders. This is a record high influx of new orders. Contracts resulting from the Royal Norwegian Navy's purchase of new frigates accounted for approximately NOK 2 billion in new orders, but numerous other contracts were signed as well. The Penguin missile is increasingly becoming the market leader for helicopter naval defence, and the anti-aircraft alliance with Raytheon was further strengthened by the order from Spain. There are strong prospects for new contracts in both these areas in future.

On 23 June, the Group won contracts which increased the order backlog by about NOK 2 billion when the frigate agreement between the Royal Norwegian Navy and Spanish IZAR (formerly Bazan) was signed. The contract also carries options which could potentially double its value. The frigate agreements cover several individual contracts. Viewed together, they comprise the largest contract in Kongsberg Gruppen's history.

The contracts break down as follows:

- Subcontracts for Lockheed Martin which will be supplying

the weapons for the new frigates. Among other things, Kongsberg Defence & Aerospace will be developing a new command and control system for surface and underwater warfare. The agreement has a framework of about NOK 1 billion, a figure which could potentially be doubled.

- The NASAMS anti-aircraft system will also be delivered to four air stations in Spain. The contract is valued at approximately MNOK 700, and opens possibilities for the subsequent sale of several systems to the Spanish Armed Forces.

- The third part of the contract is for the delivery of Penguin anti-ship missiles for helicopter deployment, and is valued at MNOK 230. Exercise of the option would increase the value of the contract by about MNOK 260.

The Group's international partnerships provide good opportunities for entering new markets.

A settlement was reached with DCNI of France in June. The settlement referred to an arbitration case about an underlying dispute related to the companies' co-operation on the bid submitted for the contract to build new frigates for the Royal Norwegian Navy. The settlement had no effect on the Group's profit.

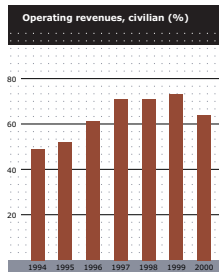
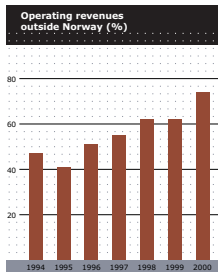
At the end of March, Kongsberg Gruppen bought the remaining 50 per cent of Kongsberg Ericsson Communications ANS from Ericsson AS for MNOK 57.5. The company's name was changed to Kongsberg Defence

Communications AS. Fifty per cent of the company was included in the consolidated accounts up until the date of acquisition. The company has seen a good influx of orders, including a large order for Romania and the start of a new development project for the Norwegian Armed Forces – the Light Multi-role Radio. This is a new generation of hand-held field radios that should offer good export opportunities.

Being developed for the Royal Norwegian Navy, the NSM anti-ship missile project is on schedule. The first tests were performed in 2000.

Upgrading the earliest versions of the Penguin missile has proved more demanding than expected. Added costs were incurred by Kongsberg Defence & Aerospace and the customer alike. The Penguin missile has done well on several tests performed by international customers.

Kongsberg Defence & Aerospace is well-positioned for the future, given its huge backlog of orders.



### Other activities

Other activities earned an operating profit of MNOK 7 (MNOK 133.) The difference in profits is largely related to the loss of revenues from outside tenants following the sale of property in 1999.

Kongsberg Protech AS, which specialises in sophisticated engineering production, has completed comprehensive restructuring with a view to equipment and space following a slow year. Kongsberg Protech and Vinghøgs Mekaniske Verksted were chosen to supply weapons stations for the US Army's new armoured personnel carriers. The Kongsberg/Vinghøg part of the programme will be worth about NOK 2 billion over the next 5 to 6 years. The final contract will be concluded in 2001.

The former Kongsberg Norcontrol Systems AS was merged with Control IT AS. The merger was accomplished by shareholders in Control IT getting a 25 per cent stake in the merged company along with the right to purchase more shares. At 31 December 2000, Kongsberg Gruppen owned 67 per cent of the new company. The company specialises in vessel traffic systems. The merger has resulted in a stronger new unit on this market.

### Research and development

Kongsberg Gruppen invested more than MNOK 500 on R&D, of which MNOK 184 was from internal funds. The externally funded projects entail permanent commercial rights. R&D spending is equivalent to more than 10 per cent of operating revenues. Kongsberg Gruppen will continue to take a pro-active approach to product development and expects to maintain today's level in the years ahead. It is important that activities be aimed at the Group's core areas.

### Health, Safety and the Environment

Kongsberg Gruppen gives high priority to safety efforts, and there were no reports of any serious job-related accidents or mishaps during the year under review.

The directors want to help prevent job-related injuries and illnesses. Enthusiasm and accountability at all levels of the organisation are essential for achieving this goal.

The Group's various working environment committees met on a regular basis in 2000. The committees dealt with several specific issues, and improvements have been made on an ongoing basis.

Average absence due to illness was 2.3 per cent, compared with 3.1 per cent in 1999. Importance is also attached to the psycho-social working environment, among other things to be prepared for changes. Each year, a survey is conducted to examine conditions related to the working environment and organisational development. The survey conducted in 2000 showed that the improvement processes are bringing results.

Corporate production activities involve fluids and substances which require stringent safety precautions. Environmental factors are taken into account through Kongsberg companies' procedures, and the Group follows these up on a continuous basis through established routines. From this perspective, environmental risks are considered minimal. The Group's surface treatment business is being merged with Reime Process

Notodden AS and moved out of Kongsberg Industrial Park. The Board is not aware of any corporate activities which pollute the outdoor environment.

### Employees

At 31 December 2000, the Group had 3 765 employees, 787 of whom worked outside Norway. At year end, the parent company had 27 employees. At 31 December 1999, the Group had 3 382 employees.

Kongsberg Gruppen's human resources are its most important input for long-term success. The business areas are encouraged to share expertise, and emphasis is attached to systematic human resources development. This is achieved not least through the Kongsberg School, whose aim is to prepare, improve the efficiency of and co-ordinate courses and training within the Group. The development of management and professional resources is of great importance for reaching corporate goals.

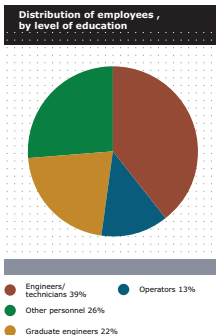
Various measures have been implemented to ensure the recruitment of sufficient, appropriate expertise to Kongsberg Gruppen.

Co-operation is good with the trade unions through the established co-operation and co-determination schemes, providing invaluable contributions to the development of the individual companies and the corporation as a whole.

### Other matters

On 1 December 2000, Torfinn Kildal was appointed president of Kongsberg Maritime AS. Kildal was formerly the Group's vice president, Business Development. At the same date, Stig Trondvold was appointed corporate vice president, Business Development. Kildal and Trondvold are both members of the executive management group.

Kongsberg Gruppen controls a considerable volume of real property. Property was previously reported as a separate segment. At end December 1999, Kongsberg Gruppen sold property equivalent to 27 per cent of its rental income, then leased it back through a sale/lease back agreement. Kongsberg Gruppen sublets these properties to external



tenants. The remainder of the properties are for the most part used for the Group's own businesses and, as of 2000, the profits derived from property management are distributed among the individual business segments, based on their rental arrangements. The property activities leased to external tenants will continue to be reported under 'Other activities'.

Kongsberg Finans was set up in December 1999 as a corporate financial affairs unit and a separate profit centre. The primary objectives are to improve the efficiency of funding operations throughout the Group and to reduce financial risk. The first year of operations was completed successfully.

For the fourth consecutive year, Kongsberg Gruppen conducted an employee share programme once again in the spring. Approximately 800 employees participated.

#### Shares and shareholders

Kongsberg Gruppen's ordinary Annual General Meeting (AGM) on 5 May 2000 authorised the Board to buy back Kongsberg shares. Limited to up to 5 per cent of the share capital, the authorisation is valid until the next ordinary AGM. At 31 December 2000, Kongsberg Gruppen owned a total of 989 157 shares, or 3.3 per cent of the total number of shares in the Group. The shares were purchased for employee option and share programmes.

It is estimated that for the shareholders in Kongsberg Gruppen ASA, the 2000 adjustment on the tax-related incoming value of shares (RISK) will be NOK -0.72 per share. The RISK adjustment amount was fixed at NOK 2.13 per share for those who were shareholders on 1 January 2000.

#### Prospects for 2001

Kongsberg Gruppen reported a record-high order backlog in 2000, at the same time as the Group cut costs in units demonstrating low profitability. Years of active R&D efforts have resulted in a highly competitive product portfolio for the Group. In 2001, the Group plans to further enhance activities designed to promote productivity and enhance profitability. Against this background, stronger performance is expected in all segments.

#### Annual result and allocations

In 2000, Kongsberg Gruppen ASA reported an annual result from operations of MNOK -75. The directors propose that the deficit be covered by other equity and that MNOK 22 be transferred from the Group to the subsidiaries. At 31 December 2000, distributable reserves totalled MNOK 349.

Kongsberg, 8 March 2001

Board of Directors of Kongsberg Gruppen ASA



**Christian Brinch**  
Chairman



**Kristian Rambjør**  
Deputy Chairman



**Berit Ågren Aas**



**Roar Flåtten**



**Marianne Lie Harg**



**Vidar Lande**



**Torolf Rein**



**Roar Marthinussen**



**Jan Erik Korssjøen**  
Chief Executive Officer

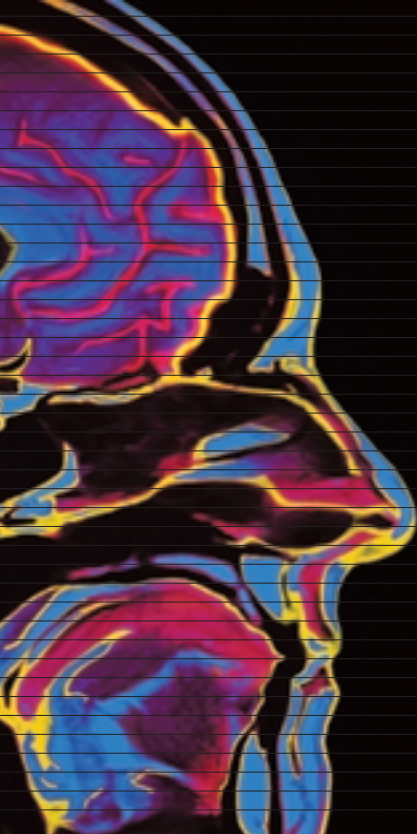
The Board of Directors of Kongsberg Gruppen (l. to r.): Marianne Lie Harg, Christian Brinch (Chairman), Berit Ågren Aas, Torolf Rein, Kristian Rambjør (Deputy Chairman), Vidar Lande, Roar Flåtten and Roar Marthinussen.



## Software

Obviously, the most sophisticated software systems are the ones in the human body. Meanwhile, we can try to emulate the brain's amazing ability to absorb, as well as its versatility, capacity and adaptability. Kongsberg Gruppen has built up considerable expertise in the development of various kinds of software. The composite functions offered by today's systems are largely facilitated by software developed in-house. Such software must be adapted to the computer technology available on the market at any given time, and be based on the theoretical models developed in the fields of cybernetics and signal processing. Software development is generally highly resource intensive, making it important to develop systems that can be used in different contexts and transferred from project to project.





## **Command and weapons control systems**

Kongsberg Gruppen makes command and weapons control systems for submarines, surface vessels and anti-aircraft batteries. Such systems require that a number of different functions and systems be integrated into a single functional overall system. In a combat situation, the personnel in command need to be able to make judgement calls and to control the relevant weapons systems from functional, computer-supported work stations. This man/machine interface is facilitated by the development of software adapted to the different operational situations.

# Income Statement 1 Jan. - 31 Dec.

Kongsberg Gruppen - The Group

	Amounts in MNOK	Note	2000	1999	1998
• <b>Operating revenues</b>		3	<b>5 296</b>	<b>4 561</b>	<b>4 404</b>
Change in processed inventory			(103)	11	(179)
Cost of materials and consumables			2 325	1 701	1 939
Personnel expenses	4, 18		1 670	1 469	1 311
Depreciation	17		178	151	139
Amortisation of goodwill	16		62	36	33
Write-down of goodwill			-	-	56
Other operating expenses	5		939	831	916
• <b>Total operating expenses</b>			<b>5 071</b>	<b>4 199</b>	<b>4 215</b>
• <b>Operating profit</b>			<b>225</b>	<b>362</b>	<b>189</b>
Profit from associated companies	19		2	19	7
Net financial items	6		(39)	(27)	83
• <b>Ordinary profit before tax</b>			<b>188</b>	<b>354</b>	<b>279</b>
Other items	7		(216)	(10)	(24)
Tax expense	20		(28)	(111)	(84)
• <b>Net profit/(loss)</b>			<b>(56)</b>	<b>233</b>	<b>171</b>
Minority share			(2)	-	2
Majority share			(54)	233	169
Basic/diluted earnings per share in NOK	22		(1.86)	8.84	7.04

# Balance Sheet at 31 December

Kongsberg Gruppen - The Group

	Amounts in MNOK	Note	2000	1999	1998
Kongsberg, 8 March 2001	<b>ASSETS</b>				
	Deferred tax asset	20	4	10	-
	Goodwill	16	1 249	501	553
	Fixed assets	17	1 030	889	935
<b>Christian Brinch</b> Chairman	Financial assets	8, 18, 19	255	192	123
	• <b>Total non-current assets</b>		<b>2 538</b>	<b>1 592</b>	<b>1 611</b>
	Inventory	9	643	480	462
<b>Kristian Rambjør</b> Deputy Chairman	Receivables	10, 11	1 998	1 610	1 727
	Investments	12	10	191	29
	Bank deposits and cash equivalents		182	139	120
<b>Berit Agren Aas</b>	• <b>Total current assets</b>		<b>2 833</b>	<b>2 420</b>	<b>2 338</b>
	• <b>TOTAL ASSETS</b>		<b>5 371</b>	<b>4 012</b>	<b>3 949</b>
	<b>EQUITY AND LIABILITIES</b>				
	Share capital	23	150	150	120
<b>Roar Flåthen</b>	Treasury shares		(5)	(3)	-
	Share premium reserve		832	832	267
<b>Marianne Lie Harg</b>	• <b>Total paid in equity</b>		<b>977</b>	<b>979</b>	<b>387</b>
	Other equity		412	508	416
<b>Vidar Lande</b>	• <b>Total retained earnings</b>		<b>412</b>	<b>508</b>	<b>416</b>
	Minority interests		17	3	3
	• <b>Total equity</b>	21	<b>1 406</b>	<b>1 490</b>	<b>806</b>
	Provisions	13	30	30	-
<b>Torolf Rein</b>	Pensions liabilities	18	-	-	18
	Deferred tax liabilities	20	285	276	230
<b>Roar Marthinussen</b>	• <b>Total provisions</b>		<b>315</b>	<b>306</b>	<b>248</b>
	Subordinated loan		-	-	300
	Debt to credit institutions	14	1 221	-	578
	• <b>Total non-current liabilities</b>		<b>1 221</b>	<b>-</b>	<b>878</b>
	Debt to credit institutions		-	-	27
<b>Jan-Erik Korsrøen</b> Chief Executive Officer	Other current liabilities	15	1 472	1 358	1 438
	Prepayments from customers		957	858	552
	• <b>Total current liabilities</b>		<b>2 429</b>	<b>2 216</b>	<b>2 017</b>
	• <b>Total liabilities</b>		<b>3 965</b>	<b>2 522</b>	<b>3 143</b>
	• <b>TOTAL EQUITY AND LIABILITIES</b>		<b>5 371</b>	<b>4 012</b>	<b>3 949</b>

# Statement of Cash Flows

Kongsberg Gruppen - The Group

	Amounts in MNOK	2000	1999	1998
Result before tax		(28)	344	255
Tax paid		(54)	(18)	(5)
(Profit)/loss on sale of fixed assets		-	(152)	-
Depreciation and amortisation		248	205	184
Write-down of goodwill		118	-	56
Profit from associated companies		(2)	(19)	(7)
Change in net pension plan assets and pension liabilities		(33)	(32)	(22)
Change in shares and bonds		(3)	(27)	89
Change in current receivables		(483)	18	(286)
Change in projects in progress and inventories		291	(45)	(20)
Change in accounts payable		148	(92)	84
Change in prepayment from customers		99	306	(3)
Change in other accruals		(255)	(79)	98
<b>• Net cash flow from operations</b>		<b>46</b>	<b>409</b>	<b>423</b>
Payments for the purchase of fixed assets		(307)	(305)	(353)
Payment for the purchase of shares		(717)	(8)	(206)
Receipts from the sale of fixed assets		12	350	24
Net receipts/payments for financial investments		-	(9)	-
Net receipts/payments for long-term receivables and shares		5	12	-
<b>• Net cash flow from investments activities</b>		<b>(1 007)</b>	<b>40</b>	<b>(535)</b>
Receipts from raising interest-bearing debt		1 115	-	199
Down payment of interest-bearing debt		-	(605)	(207)
Paid-in equity		-	292	-
Payments for purchase of treasury shares		(62)	(92)	-
Receipts for sale of treasury shares		17	23	-
Payments of dividends		(66)	(48)	(24)
<b>• Net cash flow from financial activities</b>		<b>1 004</b>	<b>(430)</b>	<b>(32)</b>
Net change in cash and cash equivalents		43	19	(144)
Cash and cash equivalents at 1 January		139	120	264
<b>• Cash and cash equivalents at 31 December</b>		<b>182</b>	<b>139</b>	<b>120</b>



# Accounting Principles

The annual accounts are presented in compliance with the Accounting Act of 1998, and have been prepared in accordance with generally accepted Norwegian accounting standards.

## Consolidation of subsidiaries

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

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

For successive share purchases, identifiable assets are restated to fair values at the time the Group obtains a controlling interest. Excess value due to goodwill is calculated on each individual acquisition.

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

## Translation – foreign subsidiaries

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

## Valuation and classification of assets and liabilities

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

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

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

## Foreign currency

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

## Intangible assets

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

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

## Fixed assets

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

## Ownership interests in associated companies and subsidiaries

Associated companies are defined as those in which the Kongsberg Group has significant influence. Interests in associated companies are valued in the consolidated accounts in accordance with the equity method of accounting. In the parent company accounts, ownership interests refer to shares in associated companies valued on the basis of the cost method of accounting.

## Other long-term shareholdings and other ownership interests

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

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

Other short-term investments are valued at average cost price or actual value on the Balance Sheet date, whichever is lower.

## Inventory

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

## Revenue recognition principles

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

systems based on orders received. The processed value of the work in progress is booked as operating revenue. Uninvoiced work in progress is reported under "Projects in progress" on the Balance Sheet.

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, while general development costs, sales costs, corporate administrative costs and interest expenses 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 contract, which is largely determined on the basis of the costs incurred compared with the anticipated overall costs at the time of valuation.

Contract profit is not recognised as revenues until a project's final result can be estimated with a reasonable degree of certainty. Any anticipated loss on the remainder of a project shall be expensed in full immediately.

Estimates of contract profits for projects can involve a number of variables. Such estimates are based on the best judgment of management. However, owing to the scope and complexity of the estimates, the final results upon completion of the contract may deviate from the estimates made at the time of closing the accounts.

#### **Receivables**

Trade debts and other receivables are valued at their nominal value less provisions for anticipated losses on bad debts. Provisions for losses are based on individual assessments on the collectability of each receivable. In addition, an unspecified loss provision is made to cover potential losses on other receivables.

#### **Financial instruments**

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

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

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

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

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

Gains and losses on hedging instruments rolled over prior to their expiry are recognised on the Balance Sheet and Income Statement over time along with the underlying hedged item.

#### **Pensions**

The parent company and subsidiaries have collective pension schemes which entitle employees to certain future pension benefits in accordance with net benefit plans. Pension benefits depend upon the individual employee's number of years of service and his/her wage level upon reaching retirement age. To ensure uniform calculation of Kongsberg Gruppen's pension commitments, all corporate units have used the same actuary.

The Group's legal obligations are not affected by their treatment in the accounts.

In the Income Statement, the year's net pension expenses, after a deduction for the anticipated return on the pension plan assets, have been recorded as

"Personnel expenses". In the Balance Sheet, net pension plan assets, including social security expenses, are reported as "Financial assets". Differences estimated between the pension obligations and the pension plan assets are amortised over the assumed average remaining years until retirement age if net differences exceed 10 per cent of the gross pension obligations or pension plan assets, whichever is higher. Changes in the pension plan are distributed over the average remaining years until retirement age.

#### **Taxation**

The tax expenses in the Income Statement include payable taxes and the change in deferred taxes. The change in deferred taxes reflects the future payable taxes resulting from the current year's activities. Deferred taxes are based on accumulated profit, but they fall due in subsequent accounting periods. Deferred taxes are calculated on net tax-increasing differences between the Balance Sheet items used for accounting purposes and those used for taxation purposes, adjusted for temporary tax-decreasing differences and tax losses carried forward. Income from long-term production contracts is not recognised for tax purposes until an individual contract has been completed. Due to Kongsberg Gruppen's volume of large, long-term contracts, there are therefore considerable temporary tax-increasing differences.

## 1 SPECIAL CIRCUMSTANCES AND CHANGES IN GROUP STRUCTURE

### Norcontrol IT

In February, an agreement was signed with Control IT AS to merge Kongsberg Norcontrol Systems AS with Control IT AS. Control IT shareholders got a 25% stake in the merged company and the right to buy more shares. Both companies specialise in vessel traffic systems and at 31 December 2000, Kongsberg Gruppen owned a 67% stake in the new company Norcontrol IT AS.

### Kongsberg Defence Communications

In March, Kongsberg Gruppen signed an agreement to buy the remaining shares in Kongsberg Ericsson Communications ANS by purchasing Ericsson AS' 50% stake for MNOK 57.5. Kongsberg Gruppen had owned 50% of Kongsberg Ericsson Communications ANS since 1990. The company has been included in the consolidated accounts with a 50% stake until 31 March 2000 and with a 100% stake until 30 June 2000. As at 1 July 2000, the company's activities were transferred to Kongsberg Defence Communications AS. At acquisition, goodwill came to MNOK 78 and will be amortised over 15 years. The amortisation period is based on the long-term nature of the business, and the company's technology completes the Group's core technology in the defence market.

### Navia

Kongsberg Gruppen took over the majority of the shares in Navia ASA in May 2000 and subsequently acquired all outstanding shares in the company. The aggregate cost of the shares was MNOK 842, of which MNOK 804 was paid as a cash settlement in 2000. Navia ASA was included in the consolidated accounts as from 1 May 2000, at which time Navia's assets and liabilities were included at fair value. The cost price was allocated as follows:

Bank deposits and cash equivalents	146
Other current assets	206
Fixed assets	20
Current liabilities	(285)
Non-current liabilities	(83)
<b>Net value of identifiable assets and liabilities</b>	<b>4</b>
Goodwill	838
<b>Aggregate cost price</b>	<b>842</b>

When allocating the cost price, deferred taxes/deferred tax assets in the Norwegian companies have not been taken into account, as there are plans to dissolve them by transferring the business activities to other corporate companies. Goodwill will be depreciated over 20 years since the acquisition completes the Group's core technology in maritime electronics,

and the company is a good fit in terms of both products and market. The acquisition is expected to entail synergies related to markets, technology and expenses.

As of 1 May, the Navia division Autronica will report as part of the Ship Systems segment and the Navia division Seatex will report as part of the Offshore & Ocean Science segment.

As a link in the integration process following the acquisition of Navia ASA, Navia's Autronica and the companies Kongsberg Norcontrol AS and Kongsberg Norcontrol Simulation AS have been merged into one company, Kongsberg Maritime Ship Systems AS.

### Segmentation

Segmentation has been modified to give a clear picture of the Group's main activities. Following the sale of some properties in December 1999, Property is no longer considered a separate segment. The in-house portion of Property is now reported in conjunction with the respective segments, while the external portion is reported under Other activities. Vessel Traffic Systems, previously reported under Ship Systems, is now reported under Other activities. The figures for previous years have been adjusted to facilitate comparison.

### Davis

Davis has not lived up to expectations under its current ownership, and in 2000 it was decided to write down Kongsberg Gruppen's goodwill in Davis to zero. At the same time, assets on Davis' Balance Sheet related to earlier market investments, receivables and inventories were written down. Altogether, Davis had a negative effect of MNOK 216 on Kongsberg Gruppen's results in 2000. Davis falls outside Kongsberg Gruppen's core activities, and it has been decided to find new owners for Davis. Accordingly, Davis' results are in their entirety presented under Other items on the income statement. The figures for previous years have been adjusted to facilitate comparison.

### Contingencies

In June, a settlement was reached with DCNI of France in an arbitration case about an underlying issue of dispute related to co-operation on the bid submitted for the competition to build the new Norwegian frigates for the Norwegian Navy. The settlement had no effect on the profit.

Kongsberg Gruppen is involved in an ongoing dispute with Hroar A. Hansen (former shareholder in BTT Infosign AS - BTT), which is before the Borgarting court of appeals. The case refers to a potential future loss for BTT calculated by H. Hansen to total MNOK 277. Kongsberg Gruppen has rejected the claim in its entirety and previously won the case in district court where the case was dismissed as being time-barred. The court of appeals decision is expected at the end of April 2001.

# Notes

## The Group

### 2 FINANCIAL MARKET RISK

#### Interest rate risk

The Group's policy is to avoid interest rate risk. At 1 January 2001, Kongsberg Gruppen had gross interest-bearing liabilities of MNOK 1 221, of which MNOK 1 155 were covered by the Group's central funding programme and the remainder comprised external loans made by subsidiaries. Of the gross interest-bearing liabilities, MNOK 405 is a mortgage loan. Kongsberg Gruppen has 1- to 5-year fixed interest rates on its loans. Financial expenses related to existing loans will, to a limited extent, be affected by interest rate fluctuations in 2001.

#### Exchange rate risk

The Group's policy is to avoid exchange rate risk. Foreign exchange contracts have been entered into with external banks to hedge the Group's foreign exchange positions. Forward exchange contracts and options are used to hedge cash flows and assets denominated in foreign currencies. Otherwise, reference is made to pages 40 - 43 regarding analytical information.

### 3 OPERATING REVENUES

#### By geographical area

Amounts in MNOK	2000	1999	1998
Norway	1 381	1 750	1 680
Scandinavia	304	342	265
Europe	1 811	1 211	1 270
USA/Canada	912	662	565
Asia	614	493	561
Other	274	103	63
<b>Total</b>	<b>5 296</b>	<b>4 561</b>	<b>4 404</b>

#### Key figures by business segment

Inter-company sales are priced at stipulated market values.

Amounts in MNOK	Operating revenues	Operating expenses	Operating profit	Capital employed *)	Interest-free debt	Investments	Deprec. and write-downs
<b>1998</b>							
Offshore & Ocean Science	1 424	1 260	164	927	360	28	45
Yachting & Fishery	695	658	37	842	181	137	39
Ship Systems	497	507	(10)	534	305	93	22
Defence & Aerospace	1 285	1 217	68	732	1 236	157	47
Other/elimination	503	573	(70)	765	156	159	75
<b>Total</b>	<b>4 404</b>	<b>4 215</b>	<b>189</b>	<b>3 800</b>	<b>2 238</b>	<b>574</b>	<b>228</b>
<b>1999</b>							
Offshore & Ocean Science	1 534	1 350	184	916	640	68	54
Yachting & Fishery	827	789	38	946	281	72	51
Ship Systems	541	528	13	578	380	46	23
Defence & Aerospace	1 268	1 255	13	791	1 407	79	42
Other/elimination	391	277	114	451	(186)	40	17
<b>Total</b>	<b>4 561</b>	<b>4 199</b>	<b>362</b>	<b>3 682</b>	<b>2 522</b>	<b>305</b>	<b>187</b>
<b>2000</b>							
Offshore & Ocean Science	1 509	1 374	135	1 416	765	622	75
Yachting & Fishery	909	874	35	979	191	49	52
Ship Systems	637	668	(31)	1 038	584	362	35
Defence & Aerospace	1 943	1 862	81	1 425	1 527	185	56
Other/elimination	298	293	5	321	(323)	17	22
<b>Total</b>	<b>5 296</b>	<b>5 071</b>	<b>225</b>	<b>5 179</b>	<b>2 744</b>	<b>1 235</b>	<b>240</b>

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

# Notes

## The Group

### 4 PERSONNEL EXPENSES, NUMBER OF EMPLOYEES AND REMUNERATION

#### Personnel expenses

Amounts in MNOK	2000	1999	1998
Wages and salaries	1 378	1 212	1 074
Social security expenses	188	162	147
Pension expenses	44	31	28
Other benefits	60	64	62
<b>Total</b>	<b>1 670</b>	<b>1 469</b>	<b>1 311</b>

The company had an average of 3 574 employees during the fiscal year.

	CEO	Board
Wages and fees	1 552	173
Pension expenses for CEO	599	138
Other remuneration	100	929 804

The CEO has six months' reciprocal notice of resignation/termination. Under certain circumstances, during the notification period the CEO may receive wages for up to one year after severance. The other members of corporate management may have the right to full wages for up to one year upon severance. Corporate management has an early retirement agreement and performance-related pay of up to 1.25 times their monthly wage.

#### Auditor

Auditing fees came to NOK 450 000 for ordinary auditing of the parent company and NOK 2 710 000 for ordinary auditing for the subsidiaries in Norway, which are audited by Arthur Andersen & Co. Additional services purchased from the same auditing company added up to NOK 129 000 for the parent company and NOK 440 000 for the other companies.

### 5 OTHER OPERATING EXPENSES

Amounts in MNOK	2000	1999	1998
Sales, advertising, etc.	61	79	86
Contracted services	229	211	246
Operations and maintenance	54	92	66
Rent-related expenses	93	48	71
Travel and <i>per diem</i> expenses	216	175	218
Procurements related to operations	154	83	127
Other	132	143	102
<b>Total</b>	<b>939</b>	<b>831</b>	<b>916</b>

### 6 NET FINANCIAL ITEMS

Amounts in MNOK	2000	1999	1998
Interest income	24	11	23
Interest expenses	(73)	(49)	(53)
Change in valuation of current investments	4	11	(14)
Gain/(loss) on foreign exchange	-	-	8
Gain on sale of shares	6	-	119
<b>Total</b>	<b>(39)</b>	<b>(27)</b>	<b>83</b>

### 7 OTHER ITEMS

Davis falls outside Kongsberg Gruppen's core activities, and it has been decided to look for new owners for Davis. Accordingly, Davis' result in its entirety is presented under "Other items" on the Income Statement.

Amounts in MNOK	2000	1999	1998
<b>Operating revenues</b>	<b>351</b>	<b>384</b>	<b>275</b>
Cost of materials and consumables	328	289	171
Personnel expenses	37	32	25
Depreciation	8	18	12
Write-down of goodwill	118	-	-
Other operating expenses	64	49	83
<b>Total operating expenses</b>	<b>555</b>	<b>388</b>	<b>291</b>
<b>Operating profit</b>	<b>(204)</b>	<b>(4)</b>	<b>(16)</b>
Net financial items	(12)	(6)	(8)
<b>Ordinary profit before tax</b>	<b>(216)</b>	<b>(10)</b>	<b>(24)</b>

Davis was included in the consolidated accounts with the following Balance Sheet values at 31 December 2000:

Non-current assets	14
Current assets	164
Debt	(84)
<b>Net assets</b>	<b>94</b>

### 8 FINANCIAL ASSETS

Amounts in MNOK	2000	1999	1998
Investment in associated companies	34	103	57
Investments in shares and partnership interests	66	-	-
Other shares	18	10	8
Net pre-paid pension	90	56	42
Loans to employees	9	6	11
Other long-term receivables	38	17	5
<b>Total</b>	<b>255</b>	<b>192</b>	<b>123</b>

### 9 INVENTORY

Amounts in MNOK	2000	1999	1998
Raw materials	338	202	146
Finished products	305	278	316
<b>Total</b>	<b>643</b>	<b>480</b>	<b>462</b>

### 10 RECEIVABLES

Amounts in MNOK	2000	1999	1998
Accounts receivable	1 141	941	954
Projects in progress	470	520	493
Other receivables	204	120	245
Prepayments to suppliers	183	29	35
<b>Total</b>	<b>1 998</b>	<b>1 610</b>	<b>1 727</b>

# Notes

## The Group

### 11 LONG-TERM CONSTRUCTION CONTRACTS

Kongsberg Defence & Aerospace is the most project-oriented part of the Group. These are the largest long-term construction contracts currently in progress at Kongsberg Defence & Aerospace at 31 December 2000:

Amounts in MNOK	Aggregate orders	Oper. rev. 2000	Residual oper. rev.	Completion
Missile products	3 417	590	1 863	2004
Anti-aircraft, trainers and simulators	1 332	203	1 051	2003
Naval defence products	2 014	227	1 282	2006
Military communication	1 697	82	608	2005

### 12 INVESTMENTS

	Ownership interest in %	Acquisition cost MNOK	Book value MNOK
Scali AS	46	10	10
<b>Total</b>			<b>10</b>

### 13 PROVISIONS

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

### 14 LONG-TERM DEBT TO CREDIT INSTITUTIONS

Amounts in MNOK	2000	1999	1998
Mortgages	405	-	-
Certificate loans/syndicated credit facility	750	-	449
Other long-term liabilities	66	-	129
<b>Total</b>	<b>1 221</b>	<b>-</b>	<b>578</b>

The loan of MNOK 750 consists of bank loans (syndicated credit facility) of MNOK 400 and MNOK 350 in Norwegian commercial papers. The syndicated credit facility was set up in 1999 and extends until 2004 with a total framework of MNOK 800. The mortgage loan of MNOK 405 has a term of 20 years. Other long-term liabilities mainly consist of loans incurred by the subsidiaries Navia and Kongsberg Maritime Ltd. (UK). Kongsberg Gruppen has fixed interest rates for 1 to 5 years. Financial expenses related to existing loans will, to a limited extent, be affected by interest rate fluctuations in 2001.

The syndicated credit facility entails covenants related to key financial figures.

- a) the Group's consolidated equity must be at least NOK 1.2 billion
- b) the Group's consolidated equity in % must be at least 25%
- c) the result before interest and tax must be twice as high as payable interest, measured on a continuous basis over four consecutive quarters
- d) the largest subsidiaries shall account for no less than 80% of total assets or consolidated revenues

The Q3 write-downs related to Davis resulted in a breach of covenant c). Kongsberg Gruppen has received confirmation from all involved banks that the effect of the write-down on the Balance Sheet items related to Davis in Q3 can be excluded from the calculation of the key figures. Based on this, all covenants were fulfilled.

### 15 OTHER CURRENT LIABILITIES

Amounts in MNOK	2000	1999	1998
Accounts payable	607	422	514
Withholding tax, social security, VAT, etc.	119	117	94
Tax payable	-	54	18
Provision for dividends	-	66	48
Other current liabilities	746	699	764
<b>Total</b>	<b>1 472</b>	<b>1 358</b>	<b>1 438</b>

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

# Notes

## The Group

### 16 INTANGIBLE ASSETS

Amounts in MNOK	Simrad	Navico	Norcontrol IT	Norcontrol Vessel automation	Navia	Kongsberg Defence Comm.	Total Goodwill
Cost price 31 Dec. 1999	428	77	-	36	-	-	541
Exchange rate differences	5	-	-	-	-	-	5
Additions	-	-	12	-	838	78	928
<b>Cost price at 31 Dec. 2000</b>	<b>433</b>	<b>77</b>	<b>12</b>	<b>36</b>	<b>838</b>	<b>78</b>	<b>1 474</b>
Accumulated amortisation 31 Dec. 2000	(163)	(9)	(2)	(18)	(29)	(4)	(225)
<b>Book value at 31 Dec. 2000</b>	<b>270</b>	<b>68</b>	<b>10</b>	<b>18</b>	<b>809</b>	<b>74</b>	<b>1 249</b>
Amortisation for the year	21	4	2	2	29	4	62
Amortisation plan: Straight line							
Amortisation rate: 5-10%							

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

MNOK 184, which covers all costs related to equity-financed research and development, has been expensed in the Income Statement. The costs are not considered to fulfil the criteria for Balance Sheet recognition.

### 17 FIXED ASSETS

Amounts in MNOK	Machinery and equipment	Technical facilities	Land/buildings and other real property	Total
Cost price at 31 Dec. 1999	366	575	717	1 658
Exchange rate differences	4	6	4	14
Effect of acquisitions	-	23	-	23
Additions	57	106	144	307
Disposals	(15)	(10)	(9)	(34)
<b>Cost price at 31 Dec. 2000</b>	<b>412</b>	<b>700</b>	<b>856</b>	<b>1 968</b>
Accumulated depreciation at 31 Dec. 2000	(271)	(451)	(216)	(938)
<b>Book value at 31 Dec. 2000</b>	<b>141</b>	<b>249</b>	<b>640</b>	<b>1 030</b>
Ordinary depreciation for the year	47	107	27	181
Annual rent for operating leases not recognised in the Balance Sheet	1	13	102	116

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

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

# Notes

## The Group

### 18 PENSION EXPENSES, FUNDS AND OBLIGATIONS

At 31 December 2000, 2 978 Norwegian employees were covered by the Group's pension plans. The schemes are treated as benefit plans. Pension benefits are based on the number of years of earned pension rights and salary level at retirement. The calculation of future pension obligations is based on the following assumptions:

	2000	1999	1998
Discount rate	7.0 %	7.0 %	7.0 %
Anticipated rate of return	8.0 %	8.0 %	8.0 %
Salary adjustment	3.0 %	3.0 %	3.0 %
Pension base level adjustment	3.0 %	3.0 %	3.0 %
Pension adjustment	2.0 %	2.0 %	2.0 %
Turnover	2.0 %	2.0 %	2.0 %

The year's pension costs were calculated as follows:

Amounts in MNOK	2000	1999	1998
Service cost	39	31	28
Interest cost on pension obligations	34	23	21
Estimated return on pension plan assets	(43)	(28)	(25)
Amortisation of gains and losses	2	1	1
Accrued social security expenses	5	4	3
<b>Total net pension expenses</b>	<b>37</b>	<b>31</b>	<b>28</b>
Expenses related to pension subsidy plans outside Norway	7	-	-

- **Total net pension expenses** 37 31 28

Amounts in MNOK	2000	1999	1998
Gross pension obligations	(572)	(388)	(350)
Gross pension plan assets	596	408	356
Net pension plan assets/(obligations)	24	20	6
Unrecognised gains and losses and plan changes	53	28	14
Accrued social security expenses	13	8	4
<b>Net pre-paid pension</b>	<b>90</b>	<b>56</b>	<b>24</b>

The age limit for an early retirement pension (AFP) is 62. The Group's extended pension obligations are included in the accounts in accordance with actuarial standards based on a lower ordinary retirement age, 25% signing propensity, 20% employer financing, and otherwise the same assumptions as apply to ordinary pensions. Changes in actual signing propensity as well as final funding can lead to changes in the final pension obligations.

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

### 19 SHARES IN ASSOCIATED COMPANIES, ETC.

Amounts in MNOK	Kongsberg Lockheed Martin Space Data Services		CCIS House AS		Hyundai Kongsberg Kongsberg Maritime Co. associated Ltd. companies		Total
	Kiltron ASA *)	AS	AS	Fimas AS	1999	1999	
Year of acquisition	1998	1998	1998	1999	1999		
Business office	Hisy	Tromsø	Asker	Ågotnes	Korea		
Ownership and voting stake	18.7 %	50.0 %	42.5 %	50.0 %	35.0 %		
Cost of acquisition	45	3	2	3	20		
Shareholders' equity recognised at date of acquisition	39	15	2	4	20		
Attributable excess/negative values at date of acquisition	6	(12)	0	(1)	0		
<b>Opening balance 1 Jan. 2000</b>	<b>71</b>	<b>1</b>	<b>2</b>	<b>6</b>	<b>23</b>		<b>103</b>
Dividends	(5)	-	-	-	-		(5)
Disposal by merger	(66)	-	-	-	-		(66)
Share of the current year's profit/loss	-	(5)	-	-	5		0
Depreciation attributable to excess/negative values	-	2	-	-	-		2
<b>Closing balance 31 Dec. 2000</b>	<b>0</b>	<b>(2)</b>	<b>2</b>	<b>6</b>	<b>28</b>		<b>34</b>
- of which, undepreciated excess/negative values	-	(5)	-	-	-		(5)

\*) This stake has been transferred to the item "Investments in shares"



# Notes

## The Group

### 20 TAX

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

Amounts in MNOK	2000	1999	1998
Fixed assets/non-current liabilities	47	73	(19)
Current assets/current liabilities	1 161	885	842
Tax loss carried forward	(203)	(8)	(2)

• <b>Temporary differences and tax loss carried forward</b>	<b>1 005</b>	<b>950</b>	<b>821</b>
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Deferred tax	285	276	230
Deferred tax benefits abroad	(4)	(10)	-
Net deferred tax	281	266	230

Tax expenses comprise the following items:

Tax effect of items charged directly against equity	-	5	-
Change in deferred tax in Norway and abroad	15	36	66
Tax payable in Norway and abroad	13	70	18
• <b>Tax expense</b>	<b>28</b>	<b>111</b>	<b>84</b>

Reconciliation of effective and nominal tax rates:

28% of the profit before tax	(8)	96	72
Amortisation of goodwill at Group level	23	11	28
Tax benefits not previously taken into account in Norway	-	(3)	(13)
Tax loss carried forward and effect of tax rate differences between Norway and other countries	11	7	(5)
Other permanent differences	2	-	2
• <b>Tax expense</b>	<b>28</b>	<b>111</b>	<b>84</b>

# Notes

## The Group

### 21 EQUITY

Amounts in MNOK	Share capital	Treasury shares	Share premium reserve	Other equity	Total, parent company	Group companies	Total, Group
Equity 1 Jan. 2000	150	(3)	832	489	1 468	22	1 490
Treasury shares	-	(2)	-	(39)	(41)	-	(41)
Net profit	-	-	-	(75)	(75)	19	(56)
Translation differences	-	-	-	-	-	(3)	(3)
New minority interests	-	-	-	-	-	16	16
<b>Total equity 31 Dec. 2000</b>	<b>150</b>	<b>(5)</b>	<b>832</b>	<b>375</b>	<b>1 352</b>	<b>54</b>	<b>1 406</b>

### 22 BASIC/DILUTED EARNINGS PER SHARE

The basic/diluted profit per share has been calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding in the period from 1 Jan. 2000 to 31 Dec. 2000. Ordinary shares issued in connection with capital increase and shares bought back during the period under review are weighted proportionate to the length of time they have been outstanding during the reporting period.

	2000	1999	1998
Majority share of the profit for the year (MNOK)	(54)	233	169
Share capital (million shares)	30.0	30.0	24.0
Weighted no. of shares outstanding (million shares)	29.1	26.4	24.0
Basic/diluted earnings per share in NOK	(1.86)	8.84	7.04

# Notes

## The Group

### 23 SHARE CAPITAL AND SHAREHOLDER INFORMATION

At 31 December 2000, the Group's share capital consisted of 30 000 000 shares with a nominal value of NOK 5 per share.

The largest shareholders at 31 December 2000 were:

Name	number of shares	% - share
The Norwegian State as repr. by the Ministry of Trade and Industry	15 000 400	50.0 %
Folketrygdfondet	1 350 000	4.5 %
Storebrand Livsforsikring AS	1 019 850	3.4 %
Kongsberg Gruppen ASA	989 157	3.3 %
Fidelity Funds, Luxembourg	768 800	2.6 %
Tine Pensjonskasse	608 000	2.0 %
Clydesdale Bank Plc.	598 200	2.0 %
Verdipapirfondet Avanse Norge	561 125	1.9 %
Vital Forsikring ASA	401 100	1.3 %
Verdipapirfondet Skagen Vekst	370 000	1.2 %
Oslo pensjonsforsikring AS	314 050	1.0 %
<b>Total</b>	<b>21 980 682</b>	<b>73.3 %</b>
Other (interest < 1%)	8 019 318	26.7 %
<b>Total number of shares</b>	<b>30 000 000</b>	<b>100.0 %</b>

#### Treasury shares

Kongsberg Gruppen holds 989 157 of its own shares for use in the employee share programme. The shares have been purchased in accordance with the authorisation issued by the Annual General Meeting on 27 April 1999 and 5 May 2000, which allows for the repurchase of up to 5 per cent of the shares outstanding.

	Number	Amount in MNOK
Holding of own shares 31 Dec. 99	600 783	65
Own shares acquired Feb. 00	450 000	52
Own shares acquired Dec. 00	120 000	10
Own shares conveyed to employees (181 626)	(181 626)	(21)
<b>Holding of own shares</b>	<b>989 157</b>	<b>106</b>

A total of 555 559 share options have been issued to employees. 474 500 share options refer to a programme for a group of key executives which was set up in 1999. The share price was NOK 105.00 at the time of grant. The exercise price is equivalent to the price at the time of grant plus 0.5 per cent per month. These options apply for three years, and it is possible to exercise 1/3 of them each year. The options were priced at NOK 3 each.

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

Name	Number of shares	Number of options
Jan Erik Korssjøen, CEO	3 973	31 500
Tom Gerhardsen, President, Kongsberg Defence & Aerospace	3 635	20 000
Arne Solberg, CFO	4 645	20 000
Torfinn Kildal, President, Kongsberg Maritime	5 187	20 000
Even Aas, Vice President, Corporate Communications	782	20 000
Stig Trondvold, Vice President, Business Development	282	-
Berit Ågren Aas, Member of the Board	915	-
Vidar Lande, Member of the Board	661	-
Roar Marthinussen, Member of the Board	1 900	-

Distribution of shareholders by size of holding:

Number of shares	No. of owners	Holding %
1-100	361	0.07
101-1 000	1 941	2.88
1 001 - 10 000	428	3.62
10 001 - 100 000	101	12.38
100 001 - 1 000 000	21	23.15
Over 1 000 000	3	57.90
<b>TOTAL</b>	<b>2 855</b>	<b>100.00</b>

Of the 2 855 owners at 31 Dec. 2000, 255 were foreigners and owned a total of 6.61 per cent of the shares.

### 24 ASSETS PLEDGED AS SECURITY/GUARANTEES, ETC.

Amounts in MNOK

	2000	1999
<b>Assets pledged as security</b>		
The following loans are secured by collateral:		
Loans against collateral in buildings, including operating equipment	405	-
Book value of assets pledged as security:		
Buildings, machinery, fittings, etc.	377	-
<b>Guarantee liabilities</b>		
Joint and several liability, general partnership	-	181
Guarantee liabilities, employees	2	-

# Income Statement, Balance Sheet and Statement of Cash Flows

Kongsberg Gruppen ASA (The Parent Company)

Amounts in MNOK	2000	1999	Amounts in MNOK	Note	2000	1999
<b>INCOME STATEMENT</b>			<b>BALANCE SHEET 31 Dec.</b>			
<b>1 Jan. - 31 Dec.</b>			ASSETS			
<b>Operating revenues</b>	<b>64</b>	<b>54</b>	Deferred tax asset		21	1
Personnel expenses	26	24	Fixed assets		9	9
Depreciation	2	2	Shares in subsidiaries	1	2 272	1 495
Other operating expenses	29	22	Other shares		50	47
<b>• Total operating expenses</b>	<b>57</b>	<b>48</b>	Net pre-paid pension		5	5
<b>• Operating profit</b>	<b>7</b>	<b>6</b>	Receivables from subsidiaries		1 223	1 101
Interest from Group companies	121	94	Other long-term receivables		4	5
Other interest income	3	1	<b>• Total non-current assets</b>		<b>3 584</b>	<b>2 663</b>
Dividends received	6	4	Receivables from subsidiaries		29	265
Gains from the sale of shares	6	-	Other receivables		18	5
Change in the value of current investments	4	11	Shares		10	41
Capital gains/(losses)	(19)	(10)	Bank deposits and cash equivalents		-	106
Write-down on shares	(52)	-	<b>• Total current assets</b>		<b>57</b>	<b>417</b>
Interest to Group companies	(114)	(85)	<b>• Total assets</b>		<b>3 641</b>	<b>3 080</b>
Other interest expenses	(60)	(34)				
Net Group contributions	0	200				
<b>• Net financial items</b>	<b>(105)</b>	<b>181</b>	LIABILITIES AND EQUITY			
<b>• Ordinary profit before tax</b>	<b>(98)</b>	<b>187</b>	Share capital		150	150
Tax expense	23	(52)	Treasury shares		(5)	(3)
<b>• Profit/(loss) for the year</b>	<b>(75)</b>	<b>135</b>	Share premium reserve		832	832
			<b>• Total paid-in equity</b>		<b>977</b>	<b>979</b>
Allocations and equity transfers:			Other equity		375	489
Dividends	-	66	<b>• Total retained earnings</b>		<b>375</b>	<b>489</b>
Group contribution made	22	-	<b>• Total equity</b>		<b>1 352</b>	<b>1 468</b>
<b>STATEMENT OF CASH FLOWS</b>			Debt to subsidiaries			
Net cash flow from operations	(29)	(5)	Debt to credit institutions		750	-
Net cash flow from investment activities	(856)	(16)	<b>• Total non-current liabilities</b>		<b>2 020</b>	<b>1 378</b>
Net cash flow from financial activities	779	119	Provision for dividends		-	66
Net change in cash and cash equivalents	(106)	98	Other current liabilities		30	65
Cash and cash equivalents at 1 January	106	8	Bank overdrafts		239	103
<b>• Cash and cash equivalents</b>			<b>• Total current liabilities</b>		<b>269</b>	<b>234</b>
<b>at 31 December</b>	<b>0</b>	<b>106</b>	<b>• Total liabilities and equity</b>		<b>3 641</b>	<b>3 080</b>

# Notes

## Kongsberg Gruppen ASA

### 1 SHARES IN SUBSIDIARIES

<i>Amounts in MNOK</i>	Year of acquisition	Main office	Stake/voting percentage	Book value 31 Dec. 00
Kongsberg Defence & Aerospace AS	1997	Kongsberg	100	255
Kongsberg Protech AS	1999	Kongsberg	100	22
Kongsberg Næringspark AS	1987	Kongsberg	100	5
Kongsberg Holding AS	1987	Kongsberg	100	0
Kongsberg Basetec AS	1992	Kongsberg	100	106
Kongsberg Maritime AS *)	1992	Horten	72.5	788
Kongsberg Forsvar AS	1995	Kongsberg	100	0
Kongsberg NFT AS	1995	Kongsberg	100	0
Norsk Forsvarsteknologi AS	1987	Kongsberg	100	0
Kongsberg Næringseiendom AS	1997	Kongsberg	100	172
Davis AS	1998	Drammen	100	25
Navia ASA	2000	Trondheim	100	842
Kongsberg Defence Communications ANS **)	2000	Asker	50	57
<b>Total</b>				<b>2 272</b>

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

\*\*\*) Kongsberg Defence & Aerospace AS owns the remaining 50 per cent of the shares in Kongsberg Defence Communications ANS.

### 2 GUARANTEE LIABILITIES

<i>Amounts in MNOK</i>	2000	1999
Prepayments from and performance guarantees to customers	1 944	1 431

Kongsberg Gruppen ASA has covenants (see note 14 to the consolidated accounts) with banks and insurance companies regarding the furnishing of guarantees. No collateral has been furnished for guarantee facilities. The parent company has guaranteed Kongsberg Næringseiendom's payment for leasing back the properties that were sold. The rent amounts to MNOK 31 for 2001. The agreement applies for 15 years.

# Auditor's Report for 2000

## To the Annual Shareholders' Meeting of Kongsberg Gruppen ASA

We have audited the annual financial statements of Kongsberg Gruppen ASA as of 31 December 2000, showing a loss of NOK 75,000,000 for the parent company and a loss of NOK 56,000,000 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the loss. The financial statements comprise the Balance Sheet, the Statements of Income and Cash Flows, the accompanying notes and the consolidated accounts. These financial statements are the responsibility of the Company's Board of Directors and Chief Executive Officer. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2000, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the loss is consistent with the financial statements and comply with law and regulations.

ARTHUR ANDERSEN & CO.



Olve Gravråk

State Authorised Public Accountant (Norway)

Oslo, 8 March 2001

# Shares and shareholder relations

## Shareholder policy

Kongsberg Gruppen's paramount objective is to enhance the value of its shareholders' investments. By focusing primarily on the its two main business areas, Maritime and Defence, the Group will endeavour to increase profits as well as operating revenues.

Kongsberg Gruppen will grow organically and through acquisitions in selected strategic market segments. The goal is to be a world leader in the Group's international target areas.

Kongsberg Gruppen also aspires to project an image that ensures credibility and predictability on the equity market. The Group strives to ensure a long-term competitive return on shareholders' investments which is commensurate with the risk involved. The Group furnishes the equity market with relevant, comprehensive information as the basis for a balanced, correct valuation of the shares.

The Group will endeavour to provide annual dividends which are at least on a par with the average for comparable companies quoted on the Oslo Stock Exchange.

## Investor relations

Kongsberg Gruppen is a technology enterprise which operates in a number of markets. 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.

Kongsberg Gruppen's website features a special section on investor information, including all consolidated annual reports, quarterly reports and presentation material.

Emphasis is attached to generating more interest in the share on the part of foreign investors.

## Dividends and earnings per share

Kongsberg Gruppen has seen the following performance trends in terms of dividends and earnings per share in recent years.

NOK	2000	1999	1998	1997	1996	1995
Dividend	0	2.25	2.00	1.00	0.88	0.69
Earnings per share -1.86	8.84	7.04	3.04	2.95	2.69	
P/E*	-	16.2	10.8	25.0	19.6	15.2

\*The price/earnings ratio per share, based on the share value at the last day of trading in 2000.

## Market capitalisation

Since its launch on the stock market in 1993, the Group's market capitalisation has generally been better than the All-share Index on the Oslo Stock Exchange. While corporate performance in 2000 was not consistent with this trend, the value of the share has outperformed the All-share Index from 1993 to the present as a whole.

## Share price trends and turnover in 2000

The share price declined through large parts of the year, ending the year at NOK 85, a decline of 33 per cent over the 12-month period. The Oslo Stock Exchange All-share Index edged down by 2 per cent during the same months.

During the early half of the year, the declining trend was probably related to a generally weak equity market, especially in March and April. However, the downward trend continued in the latter half of the year, most likely because the Group failed to generate the expected level of profits.

## Number of shares traded

	2000	1999	1998
Number	9 329 214	8 579 047	8 368 991
% of unrestricted shares*)	62 %	64 %	70 %

\*)Excluding the Norwegian State's 50 per cent stake. The number of shares was increased from 24 million to 30 million in July 1999.

### Employee share programme

The Group's annual employee share programme was conducted for the fourth time in spring 2000. Approximately 800 employees bought Group shares at a 20 per cent discount under the programme in 2000, and each individual employee was allowed to purchase up to NOK 25 000 worth of shares. Free options were attached to their purchases, granting each buyer about half the number of options as shares purchased.

In 1999, Kongsberg Gruppen set up a three-year option programme for leading employees. Thirty-nine managers bought options on a total of 474 000 shares. The options are valid for three years, but owners may exercise one-third of the options each year, if so desired. The options were priced at NOK 3 each.

### Number of shares and nominal value

There are 30 million shares in circulation, each with a nominal value of NOK 5.

When originally listed on 13 December 1993, the Group had 5 850 000 shares with a nominal value of NOK 20 per share. The number of shares was increased to 6 000 000 in 1996 in connection with a rights issue for the employee share programme.

In May 1997, the share was split into four, increasing the number of shares to 24 000 000, with a nominal value of NOK 5 per share. All key figures for 1997 and earlier years have been adjusted accordingly.

In July 1999, 6 000 000 new shares were issued, bringing the number up to the current level of 30 000 000 shares.

### Treasury shares

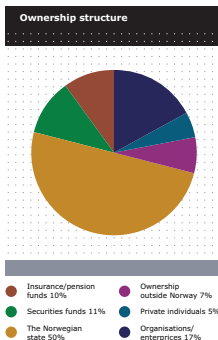
Kongsberg Gruppen's ordinary Annual General Meeting on 5 May 2000 authorised the Board to buy shares in Kongsberg Gruppen. Limited to 5 per cent of the Group's share capital, the authorisation will apply until the next ordinary AGM. At 31 December 2000, Kongsberg Gruppen owned a total of 989 157 or 3.29 per cent of its own shares. The shares have been purchased for employee option and share programmes.

### Ownership structure

The ownership structure remained relatively stable, with the Norwegian State as the predominant owner. Norwegian life insurance companies, unit trusts and pension funds rank high on the list of major owners.

Major shareholders as 28 February 2001:

Name	Number of shares	Percentage share
<i>The Norwegian State as repr. by the Ministry of Trade and Industry</i>	15 000 400	50.00
<i>Folketrygdfondet</i>	1 350 000	4.50
<i>Kongsberg Gruppen ASA</i>	989 157	3.30
<i>Fidelity Funds, Luxembourg</i>	843 800	2.81
<i>Tine Pensjonskasse</i>	608 000	2.03
<i>Clydesdale Bank Plc.</i>	598 200	1.99
<i>Verdipapirfondet Avanse Norge</i>	561 125	1.87
<i>Vital Forsikring ASA</i>	401 100	1.34
<i>Storebrand Livsforsikring AS</i>	390 150	1.30
<i>Verdipapirfondet Skagen Vekst</i>	370 000	1.23
<i>Aksjefondet Gambak</i>	350 000	1.17
<i>Pareto Securities AS</i>	312 200	1.04
<i>Verdipapirfondet AVA c/o Avanse Forvaltning</i>	284 750	0.95
<i>Hartog &amp; Co. AS</i>	273 000	0.91
<i>Verdipapirfondet AVA c/o Avanse Forvaltning</i>	256 300	0.85
<i>Oslos pensjonsforsikring</i>	249 050	0.83
<i>Den norske krigsforsikring skib</i>	185 000	0.62
<i>Verdipapirfondet AVA c/o Avanse Forvaltning</i>	180 000	0.60
<i>Verdipapirfondet AVA c/o Avanse Forvaltning</i>	173 375	0.58
<i>Norsk Hydros pensjonskasse</i>	172 913	0.58





The number of shareholders diminished from 2 990 to 2 855 during the year, while the number of shares in foreign hands increased from 1.5 per cent to 6.6 per cent.

Breakdown of shareholders by size of holding:

Number of shares	Number of owners	Holding in per cent
1-100	361	0.70
101 - 1 000	1 941	2.88
1 001 - 10 000	428	3.62
10 001 - 100 000	101	12.38
100 001 - 1 000 000	21	23.15
Over 1 000 000	3	59.90
<b>TOTAL</b>	<b>2 855</b>	<b>100.00</b>

### R I S K adjustment

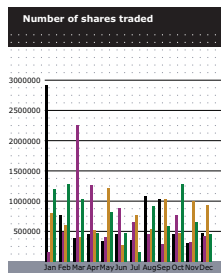
The 2000 adjustment on the tax-related incoming value of shares (RISK) will ultimately be stipulated by the tax authorities. The company has estimated that the RISK adjustment for 2000 will be NOK -0.72 per share. The RISK adjustment amount in recent years has been as follows:

1993	1994	1995	1996	1997	1998	1999	2000
-0.18	-0.25	-0.69	-0.81	-0.95	-1.90	2.13	-0.72 <sup>est</sup>

The figures for 1993 to 1996 have been divided by four to facilitate comparison with 1997-2000.



● Kongsberg Gruppen  
● Oslo Stock Exchange All-share index



● 1997  
● 1998  
● 1999  
● 2000

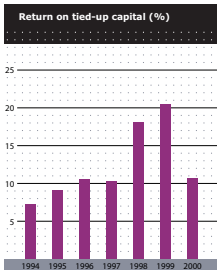
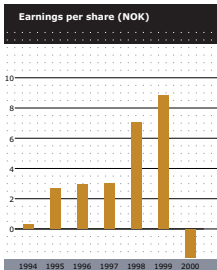
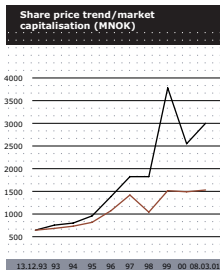
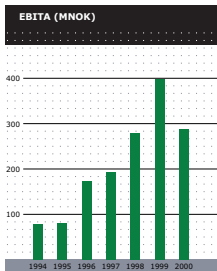
# Analytical data

## Key figures

Amounts in MNOK		2000	1999	1998	1997	1996	1995	1994
<b>Operations</b>	Operating revenues	5 296	4 561	4 404	3 674	3 023	1 998	2 038
	Operating revenues civilian (%)	64 %	73 %	71 %	71 %	61 %	52 %	49 %
	Operating revenues outside Norway (%)	74 %	62 %	62 %	55 %	51 %	41 %	47 %
	EBITA	287	398	278	192	173	81	78
	Operating profit	225	362	189	157	140	64	45
	Ordinary profit before tax	188	354	279	121	117	94	19
	Net profit/(loss)	(54)	233	169	73	69	63	6
	Effective tax rate	-	32 %	33 %	40 %	36 %	33 %	74 %
	Net cash flow from operations	46	409	423	358	190	121	130
	EBITA margin	5.4 %	8.7 %	6.3 %	5.2 %	5.7 %	4.1 %	3.8 %
	Operating margin	4.2 %	7.9 %	4.3 %	4.3 %	4.6 %	3.2 %	2.2 %
	Profit margin	3.5 %	7.8 %	6.3 %	3.3 %	3.9 %	4.7 %	0.9 %
	Order received	7 648	4 272	4 604	3 952	3 955	2 291	1 590
	Order backlog	6 610	4 258	4 551	4 349	4 041	2 676	2 440
	Self-financed R&D	184	185	172	146	142	74	77
	Self-financed R&D in % of operating revenues	3 %	4 %	4 %	4 %	5 %	4 %	4 %
	<b>Capital</b>	Total assets	5 371	4 012	3 949	3 412	3 221	2 171
Tied-up capital		2 942	1 796	1 959	1 798	1 888	1 254	1 319
Prepayments from customers		957	858	552	555	376	217	361
Net interest-bearing debt		1 029	(330)	456	126	298	(255)	(330)
Equity		1 406	1 490	1 106	1 042	975	917	871
Equity (%)		26 %	37 %	28 %	31 %	30 %	42 %	39 %
Return on total assets		5 %	10 %	9 %	6 %	6 %	5 %	4 %
Return on tied-up capital		11 %	20 %	18 %	10 %	11 %	9 %	7 %
Return on equity (%)		13 %	27 %	26 %	12 %	12 %	11 %	2 %
Investments		1 235	305	574	216	715	112	84
Depreciation		240	187	228	149	133	87	108
<b>Employees</b>		Number of employees	3 765	3 382	3 333	3 262	3 212	2 049
	Engineers/graduate engineers	2 294	2 106	1 990	1 901	1 901	706	773
	Wage share	32 %	32 %	30 %	33 %	33 %	37 %	36 %
<b>Owner's values</b>	Market capitalisation	2 550	3 780	1 824	1 824	1 386	959	801
	Annual market capitalisation trend	(33 %)	107 %	0 %	32 %	45 %	20 %	6 %
	Earnings per share NOK	(1.86)	8.84	7.04	3.04	2.95	2.69	0.8
	Cash Flow per share in NOK	1.58	15.52	17.63	14.92	8.81	5.17	11.67
	P/E	-	16.2	10.8	25	19.6	15.2	124.5
	P/CBIT	55.4	9.2	4.3	5.1	6.5	7.9	2.9
	Dividend	0.00	2.25	2.00	1.00	0.88	0.69	0.26
	RISK	(0.72)	2.13	(1.90)	(0.95)	(0.81)	(0.69)	(0.25)

## Definitions

Effective tax rate	Tax as a % of the profit/loss before tax.
Net Cash Flow	Please see the Statement of Cash Flows on page 22.
EBITA	Earnings Before Interest, Tax and Amortisation (goodwill)
Operating margin	Operating profit as a % of operating revenues
Profit margin	Profit before tax as a % of operating revenues
Tied-up capital	Total assets less short-term interest-free liabilities
Equity	Booked equity and subordinated loans from the State (MNOK 300 from 1993 to 1998).
Return on total assets	Operating profit plus financial income as a % of average total assets.
Return on tied-up capital	Operating profit plus financial income as a % of average capital invested.
Return on equity	Profit before tax as a % of average equity.
Annual share price trend	Change in share price compared with previous year. For 1993, from the time of the launch on the Oslo Stock Exchange on 13 December 1993
Wage share	Wages and social security expenses as a % of operating revenues.
Earnings per share	Net profit/(loss) after taxes divided by a weighted average number of shares.
Cash flow per share	Net cash flow from operations divided by a weighted average number of shares.
P/E	Price/Earnings Ratio. Market capitalisation at 31 December divided by the profit after tax.
P/CBIT	Price/Cash flow Ratio. Market price per share at 31 December divided by cash flow per share.
RISK	The year's adjustment on the tax-related incoming value of shares.



- Kongsberg Gruppen
- Oslo Stock Exchange All-share index

# Analytical data

## The market and other general parameters

### Offshore & Ocean Science

At the start of 2001, the segment's position is considered to be better than in 2000. Offshore investment is on the rise, and a growing number of new orders were booked in 2000. The company's focus on purpose-built LNG carriers and cable-laying vessels has been successful, and the segment has won several important orders in the field of hydrography.

The price of oil is a crucial parameter in this area. High oil prices in 2000 boosted the offshore sector's propensity to invest. Although the price of oil dropped somewhat late in the year, at year end it was still sufficiently high to support buoyant activity in the market.

This segment has a backlog of orders sufficient to ensure its revenue-generating capacity throughout large parts of 2001.

A considerable portion of this segment's revenues are generated in USD, and hedges are employed both for contracts in the order back log and the bulk of budgeted revenues denominated in USD for 2001. Accordingly, any fluctuations in the USD exchange rate will not affect operating revenues or profits to any great extent in 2001, but could have an impact on new orders and profits in future.

### Ship Systems

The newly established Kongsberg Maritime Ship Systems (formerly Kongsberg Norcontrol, Kongsberg Norcontrol Simulation and Autronica) should be able to achieve a stronger market positions together than the companies had separately. Autronica and Norcontrol complement each other when it comes to products and markets alike. Norcontrol is strong in the Far East, Autronica in Europe. Staff cuts in January 2001 reduced the level of expenditure.

The segment is largely dependent on trends in the shipbuilding market. Shipbuilding has picked up considerably recently, a fact which has a positive impact on the Group's business activities.

### Yachting & Fishery

Simrad's position in the yachting and fishery market has improved markedly following several years of product development and marketing efforts. Simrad's range of products is more complete than before, and the company's operating revenues and profitability have grown steadily in recent years.

Simrad's position in the "medium- to high-end" of the yachting market remains strong, especially for motor boats, and market shares are on the rise in the boatbuilding market. As regards fisheries, intense efforts have been invested in revitalising the product range lately. Simrad now offers a more modern product range than its main competitors. The yachting market is expected to expand, while the fishery market is expected to remain stable.

The yachting market is strongly influenced by the general economic situation as well as by private consumption. In the USA and Europe, an expan-

sive consumption trend over the past few years has boosted the demand for yachts and equipment. The USA is an important market and US economic trends are a crucial parameter for this segment.

USD exchange rate trends also have an impact on this segment, given its high level of activity in the USA and the fact that it competes with US companies in other parts of the world as well. The strong USD in 2000 has helped increase sales. Some of the budgeted USD revenues for 2001 are hedged at autumn 2000 levels, so any change in the USD exchange rate will not affect earnings during the early half of the year.

Activities are seasonal and the bulk of operating revenues is earned during the first six months of the year, at the start of the yachting season in Europe and the US.

### Defence & Aerospace

In 2000, Kongsberg Defence & Aerospace (KDA) experienced a major increase in its backlog of orders which expanded from NOK 3.1 billion on 1 January to NOK 5.2 billion at 31 December. This volume of new orders has improved KDA's position, paving the way for growth. Exports are



on the rise, and KDA's R&D programmes are pro-active and future-oriented.

The main challenge facing KDA will be sufficient access to qualified labour. It is essential to retain key personnel while ensuring new recruitment and training. These efforts have met with success thus far.

The competitive situation is changing as a result of restructuring in the European defence industry. Competitors are fewer and larger.

It is expected that the Norwegian Armed Forces will reduce spending on investments pending completion of downsizing and reorganisation. In contrast, the international market for advanced defence systems is expanding, and Kongsberg Defence & Aerospace has enjoyed growing success on this market in recent years.

#### **Foreign currency**

Most of the Group's activities are located in Norway, but more than 70 per cent of the corporate output is sold abroad. Kongsberg Maritime earns a large part of its revenues in USD. The export of defence materiel is also on the rise. While accounts for defence materiel exports are generally settled

in NOK, the volume of foreign currency contracts is increasing.

It is the policy of Kongsberg Gruppen to avoid the risk associated with fluctuations in currency exchange rates. All contractual foreign currency flows are therefore hedged. Some hedging is also done against budgeted currency flows. This entails that the maritime segment of the company, where USD is the predominant income currency, typically has contracts with a term of 3 to 12 months. Most expenses are in NOK, although the Japanese yen (JPY) is also an important currency due to purchases from subcontractors. This entails that the maritime segment of the company has protected its revenues and expenses against exchange rate fluctuations for about one year.

The Group had no foreign currency loans at 31 December 2000.

#### **Interest rates**

At the beginning of 2001, Kongsberg Gruppen had MNOK 1 221 in gross interest-bearing liabilities, of which MNOK 1 155 is part of the Group's central financing programme and the remainder is external loans on the part of subsidiaries.

The loans break down as follows:

#### *Mortgages*

MNOK 405

#### *Norwegian commercial papers*

MNOK 350

#### *Bank loans (syndicated credit facility)*

MNOK 400

Kongsberg Gruppen has protected its loans by contracting fixed rates of interest for 1 to 5 years. Any fluctuations in interest rates in 2001 will have little impact on financial expenses related to existing loans.

#### **Liquidity/financing**

Kongsberg Gruppen's funding is based on a syndicated loan facility of MNOK 800, and a mortgage loan of MNOK 405. Financial and liquidity management are co-ordinated by Kongsberg Finans, the Group's corporate financial unit.

The Group's loan parameters will be expanded to keep pace with the corporate growth strategy.

At year end, Kongsberg Gruppen had MNOK 182 in bank deposits and MNOK 400 in unused lines of credit.



## Signal processing

Advanced systems development relies on many of the same principles as those found in nature. Many species of animals, dolphins, for example, have developed sophisticated forms of communication which might well be described as signal processing. Dolphins communicate with each other by transmitting complex, high frequency sound signals, but they also use those same signals to get "feedback" from their habitats, i.e. information about factors they cannot see with their eyes. In other words, their feedback systems are used for both communication and navigation purposes. Kongsberg Gruppen's systems are based on signal processing that works in basically the same way, operating under water, in the air and outside the atmosphere to facilitate civilian and military applications alike.



## Sonar systems

In connection with its extensive maritime activities, Kongsberg Gruppen uses a number of different types of sonars to detect and process sound signals under water. The sonar systems are used for a variety of purposes, including measuring position over the seabed, navigation, target detection and communications. Extensive use of advanced signal processing is required to take full advantage of sonar in practical systems.







# Kongsberg Maritime consolidates its position

**Through its acquisition of Navia ASA, Kongsberg Gruppen has consolidated its position in the market for maritime technology. Navia businesses Autronica and Seatex fit in well with Kongsberg Maritime's instrumentation and positioning systems for ships and offshore applications.**

Seatex and Autronica both originated in high-tech circles in Trondheim. Founded in 1957, Autronica is engaged in maritime instrumentation, while Seatex was established in 1984 by a group of researchers to exploit satellite navigation activities based on the Global Positioning System (GPS).

## **A maritime company**

Autronica was acquired by the Navia Group in 1997. The business was subsequently merged with Seatex to become Navia Maritime AS. Following the sale of the land-based portion of Autronica in 1998 and of Navia Aviation in 1999, Navia has been a dedicated maritime company. Kongsberg Gruppen viewed the company as an interesting partner for Kongsberg Maritime, submitting a bid in May 2000 which resulted in 100 per cent ownership for Kongsberg Gruppen by late autumn. Upon acquisition, Navia had roughly 320 employees.

## **Integration into Kongsberg Maritime**

Autronica's key areas are maritime fire detection, cargo monitoring and control systems, and pressure and temperature sensors and transmitters. These products complement Norcontrol's systems for bridge control, engine room instrumentation and navigation. Autronica, Kongsberg Norcontrol and Kongsberg Norcontrol Simulation were organised into a single company, Kongsberg Maritime Ships Systems, in the autumn.

Seatex and Kongsberg Simrad have co-operated for years in the fields of dynamic positioning and seabed surveying. This collaboration will be continued and strengthened when Seatex now joins Kongsberg Simrad in the Offshore & Ocean Science segment.

Corporate management's first meeting with the employees of Navia



# Kongsberg Maritime AS

- Offshore & Ocean Science
- Yachting & Fishery
- Ship Systems

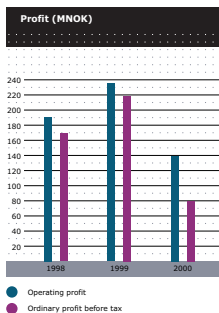
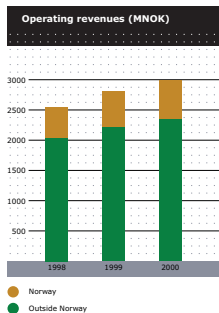
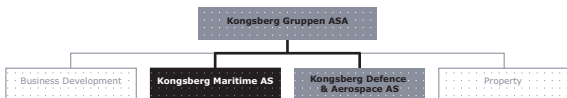
## Key figures

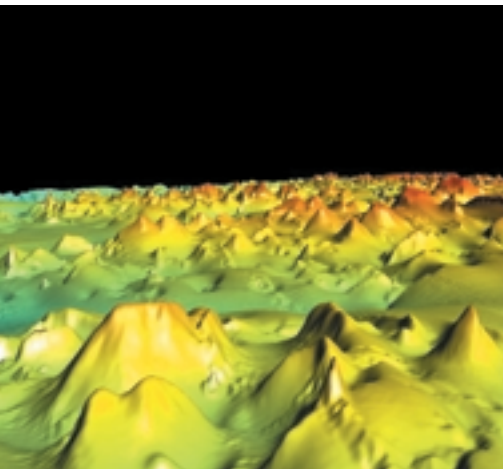
	2000	1999	1998
Operating revenues	2 983	2 809	2 539
Earnings before interest, tax and amortisation (EBITA)	195	271	218
Operating profit	139	235	191
Ordinary profit before tax	80	219	169
Number of employees	2 290	1 996	1 999

Kongsberg Maritime is one of the world's largest suppliers of sophisticated maritime electronics, with more than 2 290 employees in 20 countries. Through the acquisition of Norcontrol, Kongsberg Simrad, Simrad, Autronica and Seatex, Kongsberg Maritime has established significant market positions in recent years. Kongsberg Maritime's activities account for 56 per cent of Kongsberg Gruppen's aggregate operating revenues. The business area targets the offshore, hydrography, shipping, fishery, yachting and maritime training/simulators markets. Most segments of the business area have demonstrated positive performance.

Operating revenues increased from MNOK 2 809 in 1999 to MNOK 2 983 in 2000, while the profit before tax declined from MNOK 219 to MNOK 80. The main reasons for the decline in profits are the restructuring of the Ship Systems segment and goodwill and financial expenses related to the acquisition of Navia.

Kongsberg Maritime consists of three segments: Offshore & Ocean Science, Yachting & Fishery and Ship Systems.





Revolutionarily good subsea map from the Ormen Lange field in the North Sea, made by the Hugin 3000

#### Offshore & Ocean Science

This segment develops and supplies steering and hydroacoustic systems. The company's core technology is dynamic positioning, a technology under continuous development since 1974. Most of the products are designed for purpose-built oil and gas vessels, and other specialised marine activities. Vessel automation and process automation for oil- and gas-related vessels are also important product areas.

The segment has taken existing technology and used it for other applications, for example, for LNG tankers, cable-laying vessels and cruise ships. Efforts to find alternative applications for existing and new technology will be stepped up, opening up new opportunities for growth.

Offshore & Ocean Science consists mainly of Kongsberg Simrad AS, which has approximately 530 employees in Norway. In addition, the segment has companies in the USA, Canada, the UK and Singapore which employ a total of 300 people.

Navia's offshore-related business Seatex has been an integral part of Offshore & Ocean Science since 1 May 2000. Camera activities in the USA and UK have been scaled down and reorganised to enhance profitability.

Offshore & Ocean Science posted operating revenues of MNOK 1 509 in 2000, compared with MNOK 1 534 in 1999. The result of operations before depreciation of goodwill (EBITA) came to MNOK 163.

New orders added up to MNOK 1 660, compared with MNOK 1 313 in 1999.

## The market

The offshore market picked up in the latter half of 2000, resulting in more new orders. The company has invested time and resources in addressing other markets for its technology. This has resulted in new contracts for process and automation systems for LNG tankers. This market is expected to grow considerably. Meanwhile, the segment has also consolidated its position as a supplier of positioning and control systems for cable-laying vessels. This market has seen rapid growth and now appears to be stabilising at a high level.

Strategic agreements have been concluded with various smaller market players, further enhancing the company's position.

Efforts are concentrating on reducing dependence on oil and gas activities. Offshore deliveries now constitute 52 per cent of total operating revenues, compared with 56 per cent in 1999.

The company landed a number of large seabed mapping contracts in 2000, and the number of new orders nearly doubled. This increase is ascribable to the excellent new products in this segment as well as to the growing interest in seabed mapping as a link in the future management of natural resources. Recent strong economic expansion has given government authorities the means to begin realising their ambitions in this field.



## Highlights

- Breakthrough on the LNG (Liquefied Natural Gas) market, where the company delivers complete steering systems for high-tech LNG tankers.
- Kongsberg Simrad completed delivery of the automation system for the Åsgard B field in December 2000. The delivery consisted of complete computer systems for safety and process control. Åsgard B is the world's largest floating platform for the production of gas. The process facility is the most complex of any offshore production installation operated by Statoil. The gas, 38 million cubic metres per day, is piped through Kårstø to consumers on the Continent.
- The first commercial delivery of the Hugin 3000 was made to C&C Technologies Inc. The system performed several successful missions in the Gulf of Mexico in the latter half of 2000. The Hugin 3000 is a remote-controlled untethered underwater vehicle that can map the seabed with amazing precision and at high speed down to a depth of 3000 metres.

Hugin has been used to map the seabed on the Ormen Lange field, resulting in revolutionary new subsea maps.

- Kongsberg Simrad signed a contract with Vosper Thornycroft (UK) Ltd for two new vessels for underwater mapping activities. The deliveries comprise complete hydrographic mapping equipment based on multi- and mono-beam echosounders and vessel positioning equipment. A special training system and 25 years of support are also part of the deal. Proprietary systems will be integrated with third-party deliveries to form complete mapping and navigation systems.
- Kongsberg Simrad has developed maritime IT solutions which make it possible to provide system support without actually being physically present. The goal is to maintain a virtual presence with customers in order to provide better, more rapid support.

Kongsberg Simrad has gained a strong foothold for its product, dynamic positioning, on cable-laying vessels



### Yachting & Fishery

The products in this segment are marketed under the Simrad name, the world's leading brand of advanced instrumentation for yachts and fishing vessels. Simrad develops, manufactures and sells navigation, steering, communications and fish-finding systems for the yachting and fishing vessel market and for the coastal fleet. The Simrad companies have 750 employees, 310 of whom work in Norway. Production takes place in Horten, Egersund, Denmark, England and Canada, and the products are sold the world over. Simrad has its own distribution companies in Europe, America and Asia.

In 2000, Simrad conducted a comprehensive marketing thrust to further develop Simrad as an international brand name and to establish a first-class worldwide distribution network. Simrad has built up a reputation as a leading brand name in marine electronics for fishing fleets and yachts, as evidenced by its increasing market shares in recent years. Simrad has set up its own subsidiaries in its most important markets. The products are sold to end users through Simrad's global network of more than 1500 dealers.

The company enjoyed an expansive trend throughout 2000. The segment earned operating revenues of MNOK 909 and an EBITA of MNOK 46 in 2000. Operating revenues rose by more than 10 per cent from 1999 to 2000. The most pronounced growth was in the yachting sector, which accounted for about half the segment's revenues.

### The market

The market for yacht electronics is affected by seasonal fluctuations, frequent changes of models, and the general economic situation. The number of yachts in the USA and Europe is on the rise, and there is a clear tendency to install more electronics in them. Growing attention is being devoted to navigational accuracy and safety onboard.

The yacht electronics market is expected to grow by more than 5 per cent annually. Simrad has grown by more than 15 per cent in this market every year for the past four years, winning significant market shares in the process.

The market for fishing fleet electronics is governed largely by the income situation in the fisheries industry. It is difficult to predict short-term market trends, but the global market is expected to remain stable over time. That being said, major local and national variations must be expected.

Thanks to its extensive R&D programme, Simrad has developed a number of competitive new products over the past few years. The launch of new echosounders, sonars and trawler instrumentation in 2000 and 2001 should contribute to a positive trend in the years ahead.



### Highlights

- Together with Thomson of France, Simrad won the contract for submarine-seeking sonar systems for the new Norwegian frigates.
- Simrad has recently invested in state-of-the-art production lines to manufacture transducers (the key component in sonars and echosounders) for use in products destined for fisheries, offshore and naval defence markets. The facility came online in 2000, and is one of the most modern in the world today.
- A new series of sonars was developed for the fisheries industry in 2000. The first products are a low- and a high-frequency sonar.
- Considerable attention has been devoted to industrial design in recent years, and Simrad has won good design awards on several occasions. In 2000, Simrad was awarded "The Seal of Good Design" by the Norwegian Design Council for the PS30, a sensor for purse seines.
- Simrad introduced a VHF radio with DSC (Digital Selective Calling) for yachts in 2000. DSC is part of the Global Maritime Distress and Safety System (GMDSS), and will be a vital link in determining how safety at sea will be coordinated in future.



Simrad's new hand-held VHF radio



### Ship Systems

Kongsberg Maritime Ship Systems was founded in 2000 through a merger of Kongsberg Norcontrol AS, Kongsberg Norcontrol Simulation AS and Autronica, which Kongsberg Gruppen acquired in connection with the acquisition of Navia ASA. The new company will operate in the following areas:

- Automation and navigation systems for merchant vessels;
  - Sensors and systems for cargo management, automation and safety systems;
  - Maritime simulators and training systems.
- The segment earned operating revenues of MNOK 637 and an EBITA of MNOK -14 in 2000. This weak result is ascribable to restructuring costs and to cost overruns on some exceptionally complex projects.

Kongsberg Maritime Ship Systems has 600 employees, 550 of whom work in Norway. The products are developed and manufactured at proprietary facilities in Horten, Trondheim, Korea and in the USA. The products are sold world-wide through the company's sales offices and distribution companies, as well as through a comprehensive network of agents.

Extensive cost-cutting measures, including staff downsizing, were instituted in connection with the establishment of Kongsberg Maritime Ship Systems.

### The market

The shipbuilding market is seeing a renaissance. Shipyards in the Far East and China are approaching full capacity production and European shipyards are poised for growth. Shipyards tend to prefer integrated systems, i.e. they want to do business with one main supplier, which is a distinct advantage for Kongsberg Maritime Ship Systems.

As regards sensors, long-term agreements have been signed with a number of major motor manufacturers, as evidenced by a rise in the backlog of orders during the year under review.

While little growth is expected in the market for traditional simulators, the market prospects for e-learning should be excellent in the years ahead. Ship Systems intends to target the development of e-learning products, and there are plans to establish a maritime e-learning portal in 2001. The company is widely recognised as a content supplier.



### Highlights

- The introduction of a new series of pressure sensors for engine rooms and a new fire prevention and safety concept.
- Delivery to a Greek shipping company of the largest alarm/steering system Autronica has ever made.
- Agreement signed with the R&D company Sensit for Autronica to take over the production and sale to the maritime market of a cordless system called SENTRY designed to monitor the temperature of rotating machinery. The system is currently being tested by a large-scale engine manufacturer and should be ready for the market in mid-2001.
- In 2000, a Custody Transfer System (CTS) was introduced for taking measurements in the tanks of LNG/LPG carriers. A new level measurement radar for gas tanks was also introduced, ensuring the company a strong position as an important player in the gas tanker market.
- Kongsberg Maritime Ship Systems is the first company to receive US Coast Guard approval on its software-based ARPA training programme. This breakthrough should translate into a strong position in the e-learning market.
- Simulator equipment for testing and evaluating naval officers in the Philippines has been approved by the Philippine authorities. It is currently the only product of its kind on the market.
- A new generation of complex Power Management engine room systems has been delivered to Korea, China and Poland. The new software tools boost the efficiency of start-up and testing, and are more cost-efficient than the previous generation.



Simulated image of the entrance to Sydney Harbour in Australia

## Systems integration

Despite its high-speed movement across rugged terrain, the cheetah is fully focused on its prey. These properties also characterise Kongsberg Gruppen's products, where close integration of several system functions enables the products to work correctly in an operational, time-critical situation. Such products are developed in close consultation with customers and adapted to the individual customer's needs, as well as to available technology and prevailing standards.



### The new NSM anti-ship missile

A new anti-ship missile is currently being developed by Kongsberg Gruppen. This long-range missile is made to approach its target under the protection offered by rugged coastal terrain. Employing a technology that makes it difficult to detect by radar, the missile features a sophisticated homing device designed to acquire its target regardless of countermeasures. The various system functions in the NSM are closely integrated to facilitate full focus on the critical operation at hand during the time available.







## New frigates = major contracts

**The Royal Norwegian Navy's five new "Fridtjof Nansen Class" frigates, scheduled for delivery from 2005, will contain a significant amount of technology from Kongsberg Gruppen. The repurchase agreement with the Spanish shipyard which is building the frigates has also resulted in several other major contracts for Kongsberg Gruppen.**

Kongsberg Gruppen's deliveries to the frigates are valued at NOK 2.0 billion, making this the largest aggregate export sale in the Group's history. The agreements also present ample opportunities for subsequent expansion.

### **Command system for the frigates**

The most important direct delivery for the frigates involves the development of an anti-submarine warfare (ASW) system. Kongsberg Defence & Aerospace will develop a command and control system, making it an important subcontractor for Lockheed Martin and the AEGIS weapon system. The contract for the Norwegian frigates adds up to a value of MNOK 855, but subsequent launches on the world market can bring the total value up to no less than NOK 2 billion.

Kongsberg will also be supplying the weapons system for protection against surface vessels, since the new NSM anti-ship missile will be used for integrated deployment on the frigates. A separate agreement to develop the NSM was signed with the Norwegian Navy in 1996.

### **Defending air stations**

As part of the repurchase agreement, Kongsberg will be delivering the NASAMS anti-aircraft system to four air stations in Spain. Kongsberg is in charge of the delivery, with Raytheon as a strategic partner. The MNOK 700 contract opens opportunities for the subsequent sale of more systems to the Armed Forces of Spain, and provides an excellent reference for global marketing efforts.

### **Penguin deployed on Spanish helicopters**

The repurchase agreement also provided funding for the deployment of Penguin missiles on Spanish helicopters.

Kongsberg leads the market for helicopter-deployed anti-ship missiles, and the Penguin is becoming established at the NATO standard in this area. The contract with Spain carries a price tag of MNOK 230, with an option for deliveries worth a further MNOK 260.



# Kongsberg Defence & Aerospace AS

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

## Key figures

	2000	1999	1998
Operating revenues	1 943	1 268	1 285
Earnings before interest, tax and amortisation (EBITA)	85	13	68
Operating profit	81	13	68
Ordinary profit before tax	113	64	111
Number of employees	1 132	1 023	960

Kongsberg Defence & Aerospace has long traditions of developing sophisticated systems in close collaboration with the Norwegian Armed Forces.

Kongsberg's anti-ship missiles, command and weapons control systems and communications systems have also proven competitive on the export market. Alliances with major foreign defence suppliers, such as Aerospatiale of France and Raytheon and Lockheed Martin of the US, constitute a key element in the company's international market strategy.

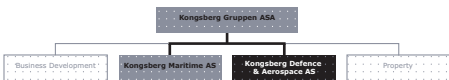
In 2000, the business area earned operating revenues of MNOK 1 943, compared with MNOK 1 268 in 1999. The

result before tax was MNOK 113, up MNOK 49 from 1999. Kongsberg Defence & Aerospace had a backlog of orders worth MNOK 5 218 at year-end 2000, compared with MNOK 3 126 in 1999. 81 per cent of the new orders received in 2000 are destined for the export market. The number of employees increased by 109 in 2000, to a total of 1132.

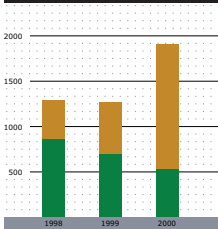
## The market

The Norwegian Navy's purchase of frigates from Spain's IZAR (former Bazan) shipyard has opened new market opportunities for Kongsberg Defence & Aerospace. Marking the culmination of a lengthy marketing process, anti-aircraft systems and Penguin missiles were sold to Spain during the year. Anti-submarine contracts and a co-operation agreement with Lockheed Martin of the US also represent excellent export opportunities for Kongsberg Defence & Aerospace products.

The business area will continue to promote individual products by plying strategically important alliances with major foreign defence contractors. Co-operation agreements have been established through large-scale projects with the Norwegian Armed Forces. In many countries, the choice of defence supplier is a question of industrial policy, with considerations related to domestic industry and human resources outweighing performance and price. In consequence, Kongsberg Defence & Aerospace targets markets in which competitiveness is a decisive factor. In recent years, Kongsberg Defence & Aerospace has won contracts in the face of keen international competition. At year-end 2000, the company had a record-high backlog of orders.

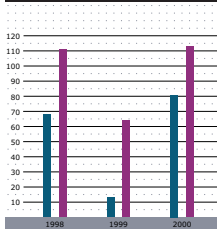


Operating revenues (MNOK)



● Outside Norway  
● Norway

Profit (MNOK)



● Operating profit  
● Ordinary profit before tax



#### Highlights of 2000:

- Continued progress on the export market, resulting in new contracts worth about NOK 4 billion during the year. Domestic sales accounted for 74 per cent, compared with 62 per cent in 1999.
- The establishment of a production unit to make composite components. The unit will manufacture components for Eurofighters, Penguins and NSM missiles.
- In collaboration with Thomson Norcom and Ericsson Radar, a MNOK 200 contract was signed for command and control systems for the Norwegian Army.
- A contract was signed with Romania for MNOK 425 worth of communications equipment.
- MNOK 300 worth of Penguin missiles sold to Turkey.
- Kongsberg Defence & Aerospace purchased Ericsson's 50 per cent stake in Kongsberg Ericsson Communications ANS on 31 March 2000.
- Contracts were signed in the wake of the Norwegian Navy's purchase of new frigates. A contract was signed with Lockheed Martin of the US for the development and delivery of subsystems for the frigates' weapons control system. In addition, contracts were signed with the Spanish Army for the NASAMS anti-aircraft system and with the Spanish Navy for Penguin missiles. Altogether, these new orders are worth MNOK 930.
- Interim contract with the Norwegian Army Materiel Command to develop a light, handheld multi-role radio.

#### Missile activities

KDA develops and manufactures anti-ship missiles. Over the past five years, the Penguin missile has been exported to a total of four new countries. In 1996, a contract was signed with the Norwegian Navy to develop a new anti-ship missile (NSM).

The development programme is on schedule and should be completed in 2004. Made of composites, the NSM will be the most sophisticated of its kind. The surface and shape of the missile will make it hard to detect by radar. The imaging infrared seeker employs the world's most advanced seeker technology.

Partners EADS/Aerospatiale Matra Missiles of France have special responsibility for the turbo-jet engine. EADS/TDW of Germany is in charge of developing a new warhead. The Norwegian Navy plans to deploy NSMs on its new frigates. Considerable interest is being shown in the new NSM missile, and international marketing efforts have commenced.

The Penguin continued to gain momentum in 2000, and is now the leading anti-ship missile for deployment on naval helicopters.

Turkey and Spain placed orders for Penguin missiles in 2000. Deliveries have commenced and are on schedule.

Most customers have contractual options to purchase more missiles, and this market segment is being addressed pro-actively. Penguins are marketed actively in several countries.

In 2000, the missile was tested by three international customers, and the results were impressive.

Fred Moosally of Lockheed Martin and President Tom Gerhardsen of Kongsberg Defence & Aerospace, at the signing of the frigate contract

#### Command and weapons control systems

Kongsberg Defence & Aerospace is the primary supplier of command and weapons control systems to Norway's Armed Forces. These computer-controlled support systems are designed to enhance the effectiveness of weapons systems.

Today's computer and sensor technology facilitates increased Armed Forces mobility, more widespread deployment of forces and better control of sophisticated electronic weapons systems.

In collaboration with Thomson CSF NorCom AS and Ericsson Radar AS, the business area has begun to develop a new command, control and information system for the Norwegian Army. An alliance was formed in 1997 to take advantage of the corporations' aggregate expertise in computers and communications for military applications.

In April, a contract was signed with the Norwegian Army Materiel Command, the first stage of a long-term agreement to develop and adapt IT and communications solutions for the Norwegian Army's operational units.



In 2000, Kongsberg Defence & Aerospace signed a contract with Lockheed Martin of the US to develop and deliver important subsystems for the command and weapons control system for the new Norwegian frigates. The two companies are collaborating to promote exports of different variations on this system. Expectations are especially high regarding the export of the subsystem for anti-submarine warfare.

The business area has developed and delivered the command and weapons control system for Norway's Ula Class submarines. The same system is being deployed on the German and Italian submarines currently under construction. Norway, Sweden and Denmark are considering developing and manufacturing the next generation of submarines as a joint venture among the three countries. A separate company has been established towards this end: Viking Submarine Corporation HB. Kongsberg Defence & Aerospace owns a 33.3 per cent stake in this company. Kick-off is planned for 2001, followed by a four-year development phase. Kongsberg Defence & Aerospace will develop and deliver the command and weapons control system for the new Viking submarines.

The command and weapons control system for Norway's Hauk Class missile torpedo boats (MTBs) is being developed and manufactured in collaboration with DCNI of France. This system will also form the basis for any deliveries to Norway's new Skjold Class MTBs.

#### Anti-aircraft systems

In collaboration with the Norwegian Air Force, Kongsberg Defence & Aerospace has developed a mobile anti-aircraft system (NASAMS), a highly effective and competitive solution for the international market. In 2000, a contract valued at about MNOK 720 was signed with the Spanish Air Force for an anti-aircraft system. The contract represents an international breakthrough for NASAMS as a ground-based anti-aircraft system, further strengthening Kongsberg Defence & Aerospace's strategic co-operation with Raytheon of the US. Kongsberg's most important component in this context is its software-based command and control solutions.

Command and weapons control systems have been supplied to submarines in the Norwegian, German and Italian navies.



#### Tactical trainers and simulators

Cuts in defence spending have escalated the need for more cost-effective training of defence forces. Since the early 1980s, Kongsberg Defence & Aerospace has developed and manufactured training simulators for defence forces in Norway and abroad. Simulators are based on customer specifications to provide optimal duplication of operational realities. They are used by personnel to train communications, and tactical command and control.

The command and weapons control centre for anti-aircraft systems



**Military communications**

The business area's communications unit, Kongsberg Defence Communications, operates on national and international markets in the product niches encryption, and tactical radio and communications systems.

Kongsberg Defence & Aerospace purchased Ericsson's stake in the company early in the year. The company's excellent international collaboration with Ericsson is safeguarded through a separate co-operation agreement.

Insofar as encryption is concerned, the company co-operates closely with the Armed Forces to develop solutions that facilitate the secure transmission of data and voice. Kongsberg Defence Communication is helping develop fully secure GSM telephones and secure Internet-based communication. New legislation regarding the protection of information may boost long-term growth in this product area.

Kongsberg Defence Communication is an important supplier to the international market for tactical mobile communications networks. Marketed under the Eritac name, the company's products have been sold to more than 15 countries.

The newly developed Multi Role Radio (MRR) is the company's flagship insofar as radios are concerned. The Norwegian Armed Forces' experience with the MRR has been positive. Serial deliveries are in process in Norway and international marketing efforts are in progress. Efforts have begun on developing a new handheld communications radio for Norway's defence forces. The new product will eventually allow Kongsberg Defence Communications to offer international clients a complete radio system.

Control unit for the Multi-Role Radio



**Aerospace activities**

Kongsberg Defence & Aerospace's aerospace activities are divided between Kongsberg and Tromsø. The activities at Kongsberg are based on civilian, commercial applications for advanced technology developed through the defence programme. The Tromsø-based subsidiary Kongsberg Spacetek focuses on equipment for downloading and processing data from observation satellites.

Kongsberg Defence & Aerospace is Norway's largest supplier to ESA, the European Space Agency. Kongsberg Defence & Aerospace is an established subcontractor for commercial satellites in Europe and the USA, and has delivered components for the Ariane 5.

Kongsberg Spacetek has completed construction of a downloading station on Svalbard. The company will continue its thrust in the meteorology market, following conclusion of its largest contract ever with EUMETSAT, the European Organization for the Exploitation of Meteorological Satellites.

The European ENVIRONMENT SATellite, ENVISAT, for which Kongsberg Gruppen supplies composite panels and instruments for measuring greenhouse gases



## Business development



Kongsberg Gruppen makes the attachment and separation mechanism that connects the Ariane 5's main engine and boosters. Separation takes place two minutes into the flight, and must be accomplished within five milliseconds

Business Development consists of those companies in Kongsberg Gruppen which are not directly involved in the Group's two main business areas - Kongsberg Maritime and Kongsberg Defence & Aerospace. These are companies which the Group either wants to develop in terms of both operations and strategy, or to sell.

In addition, Business Development bears the main responsibility for investigating and developing new strategic business opportunities. Most of this work is carried out in close co-operation with the two main business areas.

### **Kongsberg Protech AS**

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Turnover 2000: MNOK 190

Number of employees at 31 Dec.: 172

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Ownership stake: 100%

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Kongsberg Protech is a contract manufacturer in the field of mechanical engineering, assembly, fitting, overhauling, surface treatment, maintenance and the production of special tools for military and civilian customers.

In December, the company was informed that it had been chosen to supply weapons stations for the new armoured personnel carriers for the US Army's rapid deployment forces. The contract will provide a framework for deliveries for a total of 1700 vehicles, meaning its total value could be as much as NOK 2 billion. Vinghogs Mekaniske Verksted and Kongsberg Protech developed the weapons station for the Norwegian Army Materiel Command. The final contract is expected to be signed in spring 2001.

The weapons station consists of a sophisticated weapons tower featuring electro-optical sights mounted on an armoured personnel carrier. This means the weapon can be operated from inside the vehicle with a high degree of precision while the gunner is protected by the vehicle. Protech will not be supplying the weapon itself.

The Norwegian Army received four stations for testing in 2000, two of which have been stationed with the Norwegian peace-keeping forces in Kosovo. The tests have resulted in positive experiences, and the company enjoys excellent co-operation with the Norwegian Army.

Kongsberg Protech has streamlined its structure considerably in 2000. The staff was reduced by a total of 50 man-years of labour. The company is well prepared for the future.



**Davis AS**

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Turnover 2000: MNOK 351
Number of employees at 31 Dec.: 51
Ownership stake: 100%

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Davis is a leader in the development and marketing of digital multimedia presentation systems, projectors in particular.

Kongsberg Gruppen has decided to put Davis AS on the market because the company does not fit into the Group's core areas.

Davis AS launched several new home entertainment products in 2000. All Davis products are easy to use and offer excellent video properties. The company co-operates closely with Texas Instruments when it comes to technology.

Davis makes several excellent projectors for the business segment. The company plans to expand into projectors for meeting rooms subject to strict standards for all elements of multi-media installations.

Davis has an international network of distributors and several OEM agreements with international brandname suppliers to subcontract for their brands.

**Scali AS**

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Turnover 2000: MNOK 6.5
Number of employees at 31 Dec.: 25
Ownership stake: 45.9%

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The company develops custom software solutions to boost the computing power of clusters of standard PCs and work stations, based on the LINUX operating system. Scali's widely diverse customer roster includes industrial enterprises as well as Internet Service Providers. Scali consolidated its position in 2000.

**Kongsberg Fimas AS**

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Turnover 2000: MNOK 54.9
Number of employees at 31 Dec.: 74
Ownership stake: 50%

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Kongsberg Fimas AS provides calibration, environmental testing and product and materials testing services, as well as repairs and maintenance for sophisticated measuring equipment. All services are based on public approval and accreditation schemes.

Kongsberg Fimas has facilities in Kongsberg, Ågotnes near Bergen, and in Oslo. The company also offers mobile calibration services in northern Norway.

**Norcontrol IT AS**

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Turnover 2000: MNOK 79
Number of employees at 31 Dec.: 83
Ownership stake: 67%

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The company's main product areas are vessel traffic surveillance and information systems. Largely radar-based, this type of surveillance and traffic control is used to monitor harbours and fareways. Norcontrol IT improved its performance considerably in 2000.

**Aentera Network AS**

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Turnover 2000: MNOK 0.4
Number of employees at 31 Dec.: 3
Ownership stake: 69%

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A spin-off of Kongsberg Protech AS, Aentera Network was founded in 2000. The company is developing an Internet-based marketplace for manufacturing based on customer specifications and drawings. The idea is to bring contractors and subcontractors together efficiently with the help of modern-day IT solutions. The system is intended to cover areas ranging from queries and bids to the follow up of deliveries, including product follow up and the management of product data.

The company is seeking partners and a more diversified ownership structure.

## Property

Kongsberg Næringsseidom AS and Kongsberg Næringspark AS are in charge of the responsible operation, management and development of all Kongsberg Gruppen's real estate in Norway.

### **Kongsberg Næringsseidom AS**

As of year-end 2000, Kongsberg Gruppen had about 130 000 m<sup>2</sup> of floor space, divided between offices and production facilities. 55% of the properties are leased to tenants outside Kongsberg Gruppen, and the average time remaining on current leases is 7.5 years. The occupancy rate at the industrial park in Kongsberg has been high throughout the year, and was 98% at year end. Rental income came to MNOK 121, up from MNOK 108 in 1999.

The Group has completed construction on a new building for composite components for Kongsberg Defence & Aerospace AS. The factory will be brought online in January 2001.

Construction of a new 17 000 m<sup>2</sup> facility for Kongsberg Simrad AS is on schedule, and will be ready for occupancy in autumn 2001.

The new zoning plan for Kongsberg Industrial Park will be adopted in 2001, opening opportunities to develop a further 100 000 m<sup>2</sup> of floor space.

### **Kongsberg Næringspark AS**

This company has the interdisciplinary expertise needed to service, operate and manage the Group's real estate. Security services, including security guards, perimeter security and the corporate safety and working environment programme, ensure tenants' safety and security. These services have been further improved over the past year. Project and construction management is a key area for the Technical Department, and is also important for tenants in connection with new buildings and major renovation/remodelling projects.

Considerable efforts are invested in ensuring the lowest possible energy and telecommunications costs, and all tenants benefit from the economies of scale achieved. The company has a local licence for the operation, maintenance and development of the high-voltage and district heating plants in Kongsberg, and a permit has been issued for the sale of electrical power.

The district heating grid has been expanded to improve the reliability of supply to new buildings and existing facilities alike. The new central cooling plant will ensure safer, more efficient operation of cooling facilities.

The company is currently studying the idea of using biogas from the municipal landfill and sewage treatment facility to help reduce the emission of greenhouse gases. The biogas would be used to fuel the existing central heating plant.

Kongsberg Simrad's new building, with room for about 550 new employees, is scheduled for completion in autumn 2001.



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Business Development  
Stig Trondvold  
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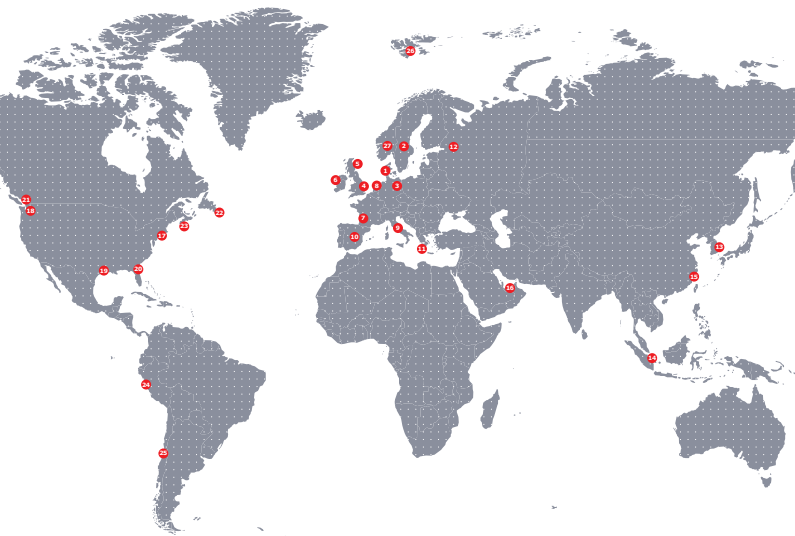
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# Kongsberg world-wide locations



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

- |                       |                                 |                         |
|-----------------------|---------------------------------|-------------------------|
| 1. Denmark            | 14. Singapore                   | 23. Halifax<br>(Canada) |
| 2. Sweden             | 15. China                       | 24. Peru                |
| 3. Germany            | 16. The United<br>Arab Emirates | 25. Chile               |
| 4. England            | 17. Connecticut<br>(USA)        | 26. Svalbard            |
| 5. Scotland           | 18. Washington<br>(USA)         | 27. Norway              |
| 6. Ireland            | 19. Texas (USA)                 | <i>Kongsberg</i>        |
| 7. France             | 20. Florida (USA)               | <i>Horten</i>           |
| 8. The<br>Netherlands | 21. Vancouver<br>(Canada)       | <i>Oslo</i>             |
| 9. Italy              | 22. St. John<br>(Canada)        | <i>Drammen</i>          |
| 10. Spain             |                                 | <i>Billingstad</i>      |
| 11. Greece            |                                 | <i>Egersund</i>         |
| 12. Russia            |                                 | <i>Bergen</i>           |
| 13. South Korea       |                                 | <i>Stjordal</i>         |
|                       |                                 | <i>Trondheim</i>        |
|                       |                                 | <i>Tromso</i>           |

# Financial calendar

## **Annual General Meeting**

The ordinary Annual General Meeting will be held at 10 a.m. on Thursday, 10 May at the Conference Centre, Kongsberg Industrial Park, in Kongsberg.

## **Announcement of the quarterly results in 2001**

Q1 – 2 May

Q2 – 9 August

Q3 – 30 October

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Kongsberg Gruppen

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