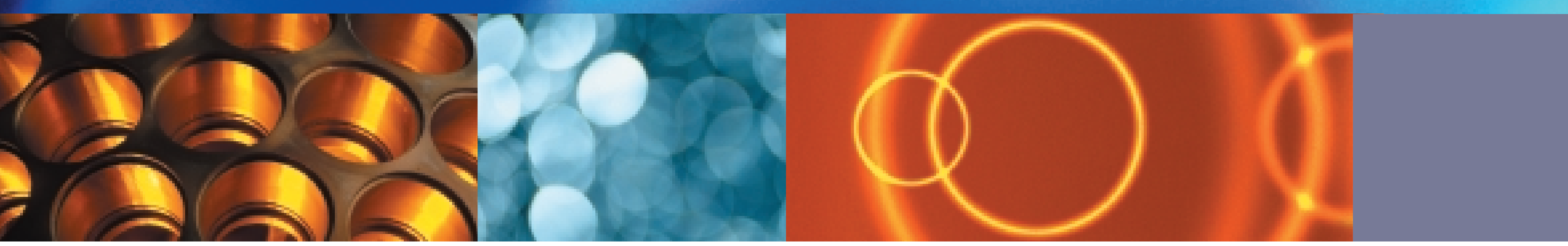
Annual Report 2002

WORLD CLASS – through people, technology and dedication



KONGSBERG

Contents

Organisation

Financial Calendar

Annual General Assembly:
The ordinary Annual General Meeting will be held at 2 p.m. on Monday, 12 May 2003. Venue: Conference Centre, Kongsberg Næringspark, Kongsberg

Presentation of the quarterly reports in 2003:
Q1: 30 April
Q2: 19 August
Q3: 28 October

World Class

Jan Erik Korssjøen
Chief Executive Officer

Without our customers, we would not be here. Our very existence depends on being able to create a corporation that stands out as the best alternative for customers. KONGSBERG has discerning customers the world over, and virtually all our competition is from abroad. Given our competitive situation, we compete in one "world championship" or another every single day. Accordingly, KONGSBERG has chosen a simple, but ambitious vision for its business activities: World Class. We have also chosen to amplify that vision by saying something about how we plan to achieve it: World Class – through people, technology and dedication.

Every enterprise depends on its employees. As a knowledge enterprise that aspires to survive on a world-wide market, we are completely reliant on them - not merely on their number, but on who they are, what they know, their attitudes and what motivates them.
One of the associations I hope the term "World Class" conjures up when used to describe KONGSBERG is technology: world-class technology. At KONGSBERG, technology is not merely a tool for product development, but a sort of "religion", something in which we believe and use actively, all the time. We are proud of this, and naturally it is an important aspect of our perception of "World Class".

However, equally important is the ability to develop a good idea into a product and then launch it on an international market at a profit. That is proof positive that you are "World Class". It is only when you are the preferred supplier and have an edge on all your international competitors that you can claim to be a world champion. To achieve this, KONGSBERG must employ dedicated individuals every step of the way, encourage winners, ensure that people take pleasure in their work, and strive to promote enthusiasm and stamina. Only then can we fulfil our vision. Only then is it possible to be truly "World Class".

Consequently, creating a culture and instilling fundamental values that inspire individual employees, setting their energy free, is the key to success in a forward-looking technology enterprise like KONGSBERG.

In Norway, 2002 was a year of high NOK exchange rates, high interest rates and strong wage growth. In other words, Norwegian competitiveness suffered yet another serious setback that presented formidable challenges for all industrial enterprises that face competition. Today, 20 per cent of KONGSBERG's employees work outside Norway, and the proportion is growing constantly. As a result, KONGSBERG's dependence on general business conditions in Norway is diminishing, even though a significant share of its cost base is still linked to NOK. This makes it important for us to focus on Norway's strong points, that is, on the elements that make it possible to run a successful business in this country.

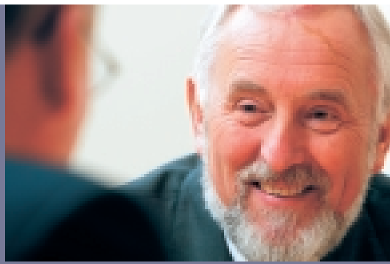
Norway is a well-organised society where there is ready access to qualified labour. The country also has a business culture with short decision-making chains and employees who are used to taking responsibility. Further, we have creative research and development communities with close ties to end-users in maritime circles and in the Norwegian Armed Forces. Norway is not a low-cost country, meaning we can never compete on wages; we have to compete on the good value we give our customers. That means we have to set our sights high, bearing in mind what is at stake. That is why we chose: World Class - through people, technology and dedication.

I hope you will see these factors reflected in this annual report. Happy reading!

Corporate management

Jan Erik Korssjøen
Chief Executive Officer

Torfinn Kildal
President
Kongsberg Maritime AS



Tom Gerhardsen
President
Kongsberg Defence & Aerospace AS

Arne Solberg
Chief Financial Officer

Stig Trondvold
Executive Vice President
Business Development

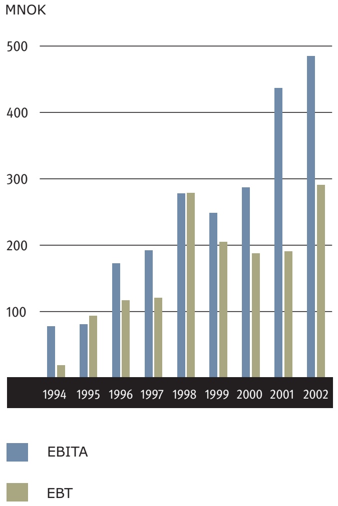
Even Aas
Executive Vice President
Corporate Communications

Key figures

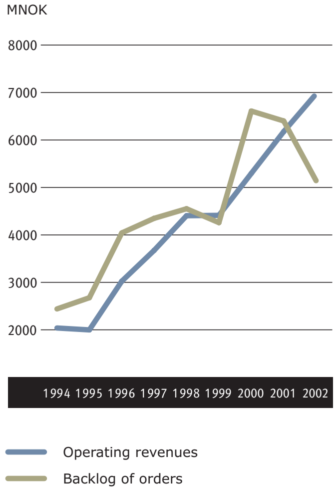
- **Progress since last year**
- **Operating revenues up 13 per cent, mainly through organic growth**
- **Enhanced strategic market positions in a number of areas**

Amounts in MNOK		2002	2001	2000	1999	1998	1997
Operations:							
Operating revenues		6 980	6 176	5 296	4 412	4 404	3 674
Operating revenues, civilian	%	62	63	64	73	71	71
Operating revenues outside Norway	%	72	74	74	62	62	55
Earnings before interest, tax and amortisation (EBITA)		485	437	287	249	278	192
Operating profit/(loss)		404	328	225	213	189	157
EBT (Earnings Before Tax)		291	191	188	205	279	121
Profit/(loss) for the year		213	122	(54)	233	169	73
Backlog of orders		5 143	6 401	6 610	4 258	4 551	4 349
Profitability:							
Operating margin prior to depreciation for goodwil	%	6.9	7.1	5.4	5.6	6.3	5.2
Operating margin	%	5.8	5.3	4.2	4.8	4.3	4.3
Return on total assets	%	7	6	5	6	9	6
Return on equity	%	18	13	13	16	26	12
Equity	%	31	27	26	37	28	31
Equity		1 741	1 538	1 406	1 490	1 106	1 042
Owners' values:							
Earnings per share after tax in NOK		7.21	4.18	(1.86)	8.84	7.04	3.04
P/E		12.55	23.09	-	16.22	10.79	24.99
Number of employees		4 208	4 012	3 765	3 382	3 333	3 262

Profit



Corporate Development

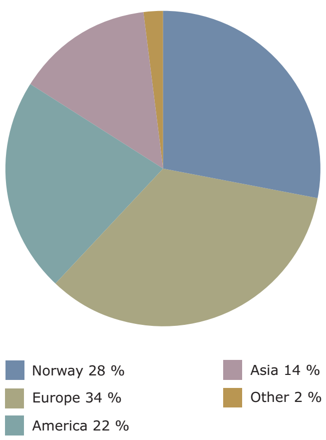


Key figures by business segment

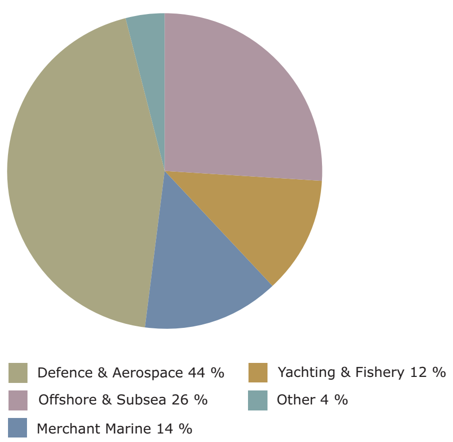
Amounts in MNOK	Operating revenues			EBITA*			Operating profit/(loss)		
	2002	*2001*	*2000*	*2002*	*2001*	*2000*	*2002*	*2001*	*2000*
Kongsberg Maritime	3 603	3 619	2 983	309	303	195	237	236	139
Offshore & Subsea	1 835	1 852	1 509	233	220	163	193	183	135
Yachting & Fishery	815	940	909	44	34	46	33	22	35
Merchant Marine	995	897	637	32	49	(14)	11	31	(31)
Kongsberg Defence & Aerospace	3 084	2 388	1 943	185	138	85	179	131	81
Other	395	270	515	0	(11)	9	(3)	(46)	7
Elimination	(102)	(101)	(145)	(9)	7	(2)	(9)	7	(2)
Group	**6 980**	**6 176**	**5 296**	**485**	**437**	**287**	**404**	**328**	**225**

*) Earnings before interest, tax and amortisation (EBITA)

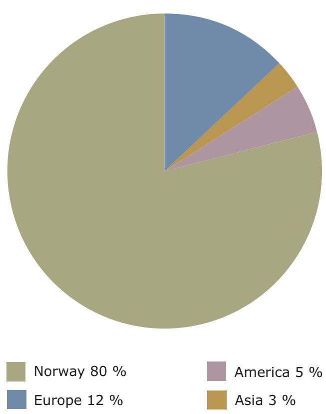
Operating revenues – geographical distribution



Operating revenues – by segment



Employees – geographical distribution



This is Kongsberg Gruppen

Kongsberg Gruppen is an international technology corporation headquartered in Norway. In 2002, 72 per cent of the Group's total consolidated operating revenues of NOK 7 billion were earned outside Norway. The export share has been on the rise for the past seven years. The Group has operations in 40 locations in more than 20 countries, and 830 of its 4 208 employees work outside Norway.

Business areas (BAs)
Kongsberg Gruppen's activities focus on two business areas:
• Kongsberg Maritime
• Kongsberg Defence & Aerospace

Kongsberg Maritime had operating revenues of NOK 3.6 billion and 2 425 employees in 2002. The business area consists of the three main segments: Offshore & Subsea, Merchant Marine and Yachting & Fishery. Leading positions have been built up in dynamic positioning, maritime automation, navigation, hydroacoustics, simulators, communications and information management. Kongsberg Maritime is among the world's leading companies in maritime information technology. In 2002, 75 per cent of the BA's operating revenues were generated abroad.

Kongsberg Defence & Aerospace had operating revenues of NOK 3.1 billion and 1 649 employees at year-end. The BA is Norway's premier supplier of high-technology defence systems and a niche supplier to international markets. 73 per cent of operating revenues were earned outside Norway. Kongsberg Defence & Aerospace is a leader in anti-ship missiles, military communications and weapons control systems. Alliances with large international defence contractors comprise a key element in the business area's market strategy.

Technology and products
The Group's products are based on four core competencies: signal processing, engineering cybernetics, software and systems integration. A shared knowledge-base and the re-use of technology furnish a very valuable foundation for the Group's activities. One objective is to exploit knowledge across company lines within the Group.
The Group's products are technologically challenging and designed to work in demanding situations. The products' reliability is of the utmost importance to the customer. KONGSBERG supplies equipment for seabed surveying down to a depth of 11 000 metres, as well as sophisticated equipment for satellites orbiting through outer space. No less than 72 per cent of the Group's operating revenues from the defence and civilian markets are related to the maritime environment.

Markets
The international market accounts for an ever larger and more important share of total consolidated operating revenues. This is true in the civilian and defence markets alike. All defence-related exports must be endorsed by the Norwegian Ministry of Foreign

1. Denmark **2.** Sweden **3.** Germany **4.** England **5.** Scotland **6.** Ireland **7.** France **8.** The Netherlands **9.** Italy **10.** Spain **11.** Greece **12.** Russia **13.** South Korea **14.** Singapore **15.** China **16.** The United Arab Emirates **17.** Connecticut (USA) **18.** Washington (USA) **19.** Texas (USA) **20.** Florida (USA) **21.** Vancouver (Canada) **22.** St. John (Canada) **23.** Halifax (Canada) **24.** Peru **25.** Chile **26.** Morocco **27.** India **28.** Svalbard **29.** Norway: *Kongsberg, Horten, Oslo, Drammen, Billingstad, Egersund, Bergen, Stjørdal, Trondheim, Tromsø*

KONGSBERG has offices in more than 20 countries. 830 of the Group's 4 208 employees work outside Norway.

Affairs. In 2002, MNOK 5 041 (72 per cent) of operating revenues were earned outside Norway. The corresponding figure for 1995 was MNOK 799 (40 per cent). In recent years, Kongsberg Maritime has increased its presence in Asia by setting up new businesses in South Korea and China.

Organisational model

The Group employs an organisational model that places considerable emphasis on clear responsibility for performance, featuring a high degree of delegation of authority. "Freedom of activity and responsibility for results" describes this way of organising the Group. Organisational form is important for the Group's profits and value added because it facilitates flexibility and rapid decision-making procedures.

Intellectual capital

The Group has drawn up a separate publication describing its intellectual capital for the first time in 2002.

Kongsberg Gruppen's history

History

In its current form, Kongsberg Gruppen is a young corporation. It consists of many different enterprises, each with its own history and place of origin. However, any historical retrospective cannot avoid linking the Group closely to the development of the city of Kongsberg for the past five centuries.

1624 – 1814 The Silver Rush

Kongsberg was founded in 1624 by King Christian IV, based on the discovery of silver in the area. The silver works and the silver mines at Kongsberg played a pivotal role in Norwegian history from 1650 to 1850. The silver works was Norway's largest enterprise. In about 1720, the works' aggregate earnings accounted for 20 per cent of Norway's national budget.

1814 – 1955 Kongsberg Våpenfabrikk and the maritime community in Horten

An economic slump for the silver works led to the establishment of Kongsberg Våpenfabrikk in 1814. The most gifted mining engineers were assigned the task of developing the new cornerstone enterprise. In the late 1800s, the factory introduced the Krag Jørgensen rifle, which was subsequently chosen as the primary weapon for the US Army. This marked one of the first major export contracts ever for Norwegian industry. Norway's main naval shipyards were established in Horten in 1849, laying a foundation for a flourishing maritime environment in the city.

1955 – 1987 An industrial locomotive

Kongsberg Våpenfabrikk played a key role in building up Norwegian industry in the post-World War II era. From 1960 to 1987, the company evolved from a mechanical engineering company into an enterprise engaged in product development for several markets that maintained the strictest performance standards. The market areas embraced the defence, automotive, energy, data, offshore, aviation and aerospace industries. In 1960, the Navy's Fleet Plan was adopted, heralding a new era for Horten's "electronic evolution".

1987 – 2002 Crisis, growth and progress

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

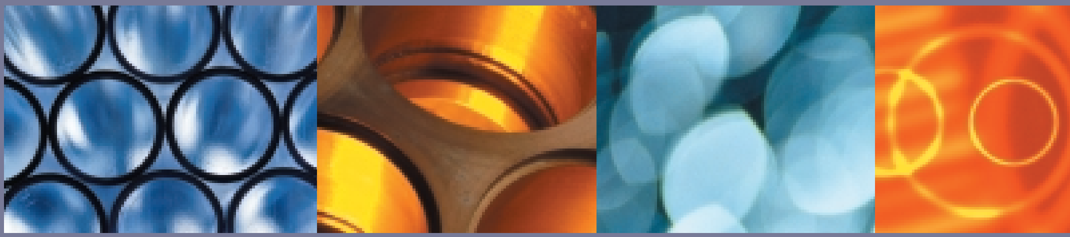
Defence activities were continued under the banner of Norsk Forsvarsteknologi AS, which formed the basis of today's corporation, Kongsberg Gruppen. After the fall of the Berlin wall in 1989, the Group devised a strategy that involved devoting more attention to civilian markets. Importance was attached to stepping up activities in areas of technology related to defence activities.

The company was listed on the Oslo Stock Exchange in 1993, and changed its name to Kongsberg Gruppen in 1995. In the 1990s, several strategic acquisitions were made in the maritime electronics and systems sector. Considerable organic growth was achieved in maritime and defence activities alike during the same years. Consolidated operating revenues expanded from MNOK 581 in 1987 to MNOK 6 980 in 2002. During the same period, the staff increased from 2 335 to 4 208 employees.

Vision, objectives and strategy

As an international corporation, Kongsberg Gruppen has decided to articulate its vision in English, the language that unites all KONGSBERG employees:

WORLD CLASS – through people, technology and dedication



Objectives

Kongsberg Gruppen's main objective is to enhance the value of shareholders' assets in the long term. This will be accomplished by:

- Achieving a 10 per cent EBITA (Earnings Before Interest, Taxes and Amortisation).
- Developing a business concept that will induce, capture and open opportunities for the further development of ideas based on knowledge already present in the Group. This will bring to light added value that already exists, paving the way for future growth.
- Having an image and standing that elicit support for its issues, ensure recruitment, help retain key employees and guarantee credibility in the equity market.

Strategy

To realise its profitability and growth objectives, KONGSBERG has devised a strategy based on:

Human resources development

Knowledge and expertise are KONGSBERG's most important competitive parameters. Offering all employees comprehensive human resources development opportunities is crucial to positive performance trends, making it a high priority. Recruitment is also imperative. The Group has an active recruitment programme for recent graduates as well as for more experienced individuals.

To recruit and retain personnel, a company must offer attractive, challenging jobs. The demands placed on employees extend beyond their formal qualifications, so emphasis is attached to training and raising awareness of the value of good, efficient interpersonal relations, in addition to career development opportunities. Considerable importance is attached to executive searches. The Group offers systematic training through in-house and external management development programmes.

Acquisitions

Acquisitions are a key part of the corporate growth strategy in the core business segments. The idea is to enhance corporate profitability by taking advantage of shared technologies and market synergies. This strategy is also motivated by the desire to augment the range of products offered, and to gain admission to new markets and access to specialised technology. Constant improvement in the Group's strategic market position plays a key role in its acquisition strategy.

Technological development

Each year, KONGSBERG spends about 10 per cent of its operating revenues on product development. The intention is to maintain this high level of R&D, considered a prerequisite for continued profitable growth. Parts of Kongsberg Gruppen's product development costs are covered by customers at any given time. KONGSBERG's products are largely based on the following core competencies: software, engineering cybernetics, systems integration and signal processing.

Adding value and focusing on the strategic business areas

The business areas are reviewed regularly to identify activities which do not occupy a natural place there, or which might better be developed under the auspices of other industrial constellations. The corporation thoroughly assesses when the time is right for any divestments, protecting assets as well as possible. Consequently, it may be prudent to continue to run certain operations until such time as assets are optimised.

Financial strategy

Corporate management attaches importance to having the financial strength needed to ensure freedom of action. Accordingly, growth will generally be funded by earnings and the availability of previously tied-up capital. External funding must always be based on a long-term perspective that is commensurate with the Group's business-related strategy. The Group's foreign exchange policy aims primarily at increasing predictability and decreasing risk in the core activities.

Highlights and trends

Results

Kongsberg Gruppen's consolidated profit for 2002 is one of the best ever. There was clear improvement in the performance of most of the business segments in both Kongsberg Maritime and Kongsberg Defence & Aerospace.

Acquisitions

- To strengthen activities in the offshore industry, the Group signed an agreement to acquire 62 per cent of Seaflex for MNOK 21. Seaflex specialises in riser technology for offshore oil and gas production. The unit has been made part of the Offshore & Subsea segment.
- Efforts to further improve the Group's good strategic market position in the Far East continue. Against that background, Kongsberg Gruppen acquired the majority of shares in HKM Co. Ltd. of South Korea. The company is now organised under the Merchant Marine segment.
- Offshore & Subsea bought ABB's dynamic positioning activities, at the same time as a world-wide co-operation agreement was signed between Kongsberg Simrad AS and ABB AS. The deal will help promote sales of the segment's core products as part of larger packages when the customer so desires.
- Kongsberg Defence & Aerospace (KDA) and the Norwegian Space Centre merged their satellite activities on Svalbard and in Tromsø, establishing Kongsberg Satellite Services AS as a new jointly and equally owned company. The objective is to enhance satellite services, including Earth observation services.

Disposals

- Kongsberg Maritime signed an agreement to sell the fire and safety unit organised under Kongsberg Maritime Ship Systems in Trondheim to Autronica Fire & Safety AS. The agreement was worth MNOK 55.
- The Group sold a 6 400 m^2 office building in Kongsberg Industrial Park, resulting in a gain of MNOK 10. A long-term lease was signed at the same time. The property generates annual rental income of MNOK 5.

The markets - Kongsberg Maritime

Offshore & Subsea

The offshore market has levelled off, slowing down during the latter half of the year more than in the early half. Our position in the LNG market continues to grow. Meanwhile, there is keener competition in the market for seabed surveying.

Yachting & Fishery

The market for electronic yachting instrumentation stabilised in the US and Europe, following several years of expansion. Commercial sonars have sold well. Framework agreements with the Ferretti Group (Italy) and Sunseeker (UK) marked a breakthrough in the boatbuilding market. The company maintained its position in the yachting market and improved its position in the commercial fisheries market. Margins have improved, and cost-cutting measures are paying off.

Merchant Marine

There is still a relatively high level of shipbuilding activity in the Far East and the company maintains a strong local presence there. During the latter half of the year, the result was influenced by higher expenses associated with simulators for the training of naval officers as well as by a shortfall in value added caused by delays in new orders for simulator products.

Major contracts - Kongsberg Maritime

- The company won two important orders for automation systems. The segment will be supplying automation systems for the Kristin platform, and the control, monitoring and automation system for the Thunder Horse platform in the Gulf of Mexico. Together, these contracts are worth about MNOK 100.
- The company won more contracts for deliveries to LNG carriers. Among others, it secured two contracts worth a total of MNOK 70 with Daewoo Shipbuilding and the Marine Engineering Company to supply automation and navigation systems for four LNG tankers. Altogether, nine contracts have been signed, representing a total value of MNOK 165.
- Important framework agreements were signed with yacht-makers Sunseeker of the UK and the Ferretti Group of Italy.
- Kongsberg Maritime won contracts worth a total of MNOK 3 471 in 2002, down slightly from the figure in 2001.

The markets - Kongsberg Defence & Aerospace

KDA is a niche supplier with strong international alliances. The company's long-term contracts involve a high degree of product development. All projects are progressing well. New defence market orders have been delayed somewhat. In Norway, KDA's activities in the years ahead will primarily focus on projects related to the new frigates, new MTBs, Naval Strike Missiles and updated anti-aircraft systems. The defence market in the US has an expansive budget, but it is difficult for foreign enterprises to gain access. Most European countries have tight budgets, delaying the start-up of new projects. In the Middle East, there are also delays in project clarifications and uncertainty linked to the political situation, but there are extensive market opportunities in the area. The same applies to Asia.

Contract with Boeing to upgrade NATO’s AWACS aircraft

Major contracts - Kongsberg Defence & Aerospace

- In January 2003, Kongsberg Defence Communications concluded a contract with the Kuwaiti Ministry of Defence for a mobile communications system. The contract has a scope of approximately MNOK 400.
- Kongsberg Defence Communications was chosen to supply Hungary's VHF radio project with products from the Multi Role Radio family. Signed in March 2003, the contract is valued at MNOK 700.
- In addition to the two above-mentioned contracts, Kongsberg Defence Communications won contracts to supply secure communications equipment to Romania and tactical communications systems to Saudi Arabia and Oman.
- A contract valued at about MNOK 250 was signed with the Norwegian Air Force for upgrading Norway's NASAMS anti-aircraft system.
- The company won two contracts, valued at MNOK 55 and MNOK 93, respectively, for the delivery of a weapons control system for the US Army's armoured personnel carriers. The contracts are part of a framework agreement signed earlier.
- A contract was concluded with the Spanish Navy for the Minesniper, a mine-hunting weapon. Representing an international breakthrough, the contract is valued at MNOK 15, but has a potential value of as much as MNOK 70.
- KDA signed a supplementary contract worth MNOK 75 with the Boeing Corporation of the US for the delivery of software and services related to the upgrading of NATO's AWACS aircraft.
- KDA landed a contract with Snecma Moteurs of France to develop mechanisms to unfold exhaust nozzles on a whole new type of engine for the Ariane 5's booster rocket. The contract is worth MNOK 36, but has a potential value of MNOK 200.
- NATO's approval of the secure GSM NSK 200 mobile telephone system has given Kongsberg Defence Communications a unique position on the market. The German Armed Forces placed its first series order right after the approval was granted.
- A MNOK 60 contract was signed with Raytheon of the US to upgrade the command and control units for the HAWK anti-aircraft system. The contract represents Phase 1 of a project that has a total scope of roughly MNOK 250 for Kongsberg.
- The company concluded a MNOK 37 supplementary agreement to upgrade the Norwegian Navy's Penguin missiles. The missile's guidance unit will be totally redesigned.
- KDA signed a contract worth MNOK 50 to participate in the project definition phase of VIKING, the joint Scandinavian submarine project.
- Kongsberg Defence & Aerospace won a MNOK 29 contract to supply a training system to the Swedish Army.

Other events

- In May 2002, Kongsberg Gruppen commissioned DnB Markets to arrange a listed 3-year bond issue. The MNOK 300 bond issue was fully subscribed.
- As from 1 January 2003, Kongsberg Gruppen was listed on in the Oslo Stock Exchange's All-Share Index (OSEBX), which will then consist of a total of 56 companies.

Directors' Report 2002

2002 was a year of progress and growth. Operating revenues were up 13 per cent, from MNOK 6 176 to MNOK 6 980. The operating profit increased to MNOK 404, a rise of 23 per cent. The profit per share was NOK 7.21, compared with NOK 4.18 in 2001. The Board considers Kongsberg Gruppen well positioned for further expansion in its core areas. The Board proposes a dividend of NOK 2.10 per share for 2002.

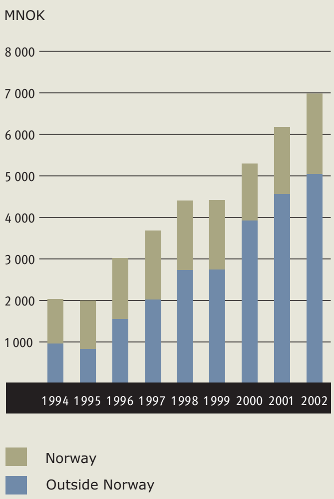
Over the past few years, systematic efforts have been made to develop strategic market positions in the Group's core areas. In this connection, several minor corporate acquisitions were made in 2002. One important target has been to boost competitiveness in terms of both marketing and technology. Expansion in the Far East, especially in China and South Korea, will help improve the Group's contact with the market and bring costs down. A number of cost-cutting measures were implemented through reorganisation, downsizing staff and moving operations abroad. Further, initiatives were taken to boost the profitability of products in the start-up phase that have had marginal profitability.

Kongsberg Gruppen aspires to be a world leader in the niches in which it operates. Consequently, major investments have been made in building up an international presence as well as in product development. The Group maintains a high level of product renewal as evidenced by the fact that more than 10 per cent of its operating revenues are reinvested in product development. This offers considerable long-term potential for enhanced profitability and growth.

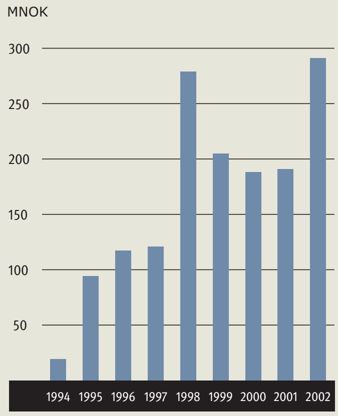
Kongsberg Gruppen's growth has been achieved on international markets in recent years. The Group earned 72 per cent of its operating revenues outside Norway in 2002. To sustain and intensify this international growth through closer proximity to customers, the Board deems it advisable to continue to pursue the Group's internationalisation strategy. Moreover, high costs in Norway and recent trends in NOK exchange rates imply that an increasing share of value creation will take place in other countries. However, high-technology solutions and the large proportion of employees with top-notch expertise make the Group less vulnerable to conditions peculiar to Norway.

Kongsberg Gruppen is currently performing several large-scale contracts with high development content for the Norwegian Armed Forces. Norwegian solutions have proven attractive on the international arena, and exports are burgeoning. Predictability is of the essence when it comes to export regulations and the way in which the authorities practice them. Repurchasing through national procurements is an established practice in the international arena. Kongsberg Gruppen's competitors and the industry as a whole take this into account. It is of the utmost importance to the Group that the rules for repurchasing are also pursued and practised in Norway. The Group's strategy is based on long-term industrial advances in selected core areas. Goal-oriented efforts are being made to boost growth and profitability to an EBITA level of 10 per cent.

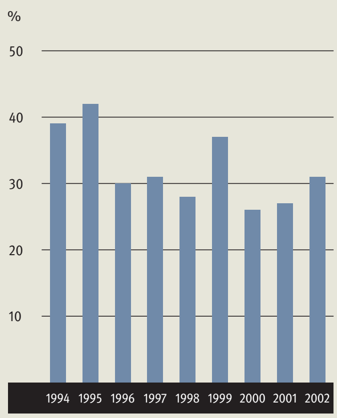
Operating revenues



EBT



Equity ratio %



Income statement and balance sheet

The annual accounts have been submitted on the assumption that Kongsberg Gruppen is a going concern, and the Board confirms that he requirements for making this assumption have been met.
The Group posted consolidated operating revenues of MNOK 6 980 (MNOK 6 176), a rise of 13 per cent. The EBITA was MNOK 485 (MNOK 437), and the EBITA margin was 6.9 (7.1) per cent. The operating profit totalled MNOK 404 (MNOK 328).
Net financial items, including associated companies, came to MNOK -113 (MNOK -137). In connection with the conversion of the life insurance company Gjensidige NOR to limited company status, the Group's interests were converted into tradable shares. It was subsequently decided to sell the shares, adding MNOK 17 to net financial items. Net financial items included expenses of MNOK 9 incurred by associated companies.
The ordinary result before tax was MNOK 291 (MNOK 191). Performance trends are discussed under the sections on the individual segments.
The Group recorded a net consolidated profit of MNOK 213 (MNOK 122).
The backlog of orders was valued at MNOK 5 143 at year end (MNOK 6 401).
The Group's total assets came to MNOK 5 597 (MNOK 5 629). Equity was MNOK 1 741 (MNOK 1 538), or 31.1 per cent (27.3 per cent).
Net interest-bearing debt aggregated MNOK 792 (MNOK 776), a reduction of MNOK 369 from Q3 2002. Kongsberg Gruppen ASA established a listed three-year bond issue in June 2002. The MNOK 300 bond issue was fully subscribed. The Group's central financing programme consists of MNOK 977 in loans, of which MNOK 210 in Norwegian certificate loans, MNOK 50 in a syndicated credit facility and MNOK 300 in Norwegian bond issues. Moreover, the Group has a mortgage of MNOK 365 and other long-term liabilities of MNOK 52, mainly incurred by Kongsberg Maritime Ltd.
The cash flows consisted of MNOK 264 in funds generated from operations, MNOK -301 from investment activities and MNOK -96 from financial activities. Total consolidated cash and cash equivalents added up to MNOK 182 at 31 December 2002. The profit per share came to NOK 7.21 (NOK 4.18), based on 29.5 million shares.

Operations and markets, by business area

Kongsberg Gruppen's two main business areas, Kongsberg Maritime and Kongsberg Defence & Aerospace, earned operating revenues of MNOK 3 603 and MNOK 3 084, accounting for 52 and 44 per cent, respectively, of aggregate consolidated operating revenues.

Kongsberg Maritime

The business area Kongsberg Maritime is divided into three segments: Offshore & Subsea, Yachting & Fishery and Merchant Marine. The business area (BA) earned MNOK 3 603 (MNOK 3 619) in operating revenues. The BA had an EBITA of MNOK 309 (MNOK 303) and an EBITA margin of 8.6 per cent (8.4 per cent) in 2002. The net consolidated profit was MNOK 119 (MNOK 118).
The BA gives priority to developing its strategic market position and to operating efficiently. Consequently, the BA has actively re-located business activities to reduce expenses and enhance/sustain its competitiveness and profitability.

Offshore & Subsea

The segment had operating revenues of MNOK 1 835 (MNOK 1 852) and an EBITA of MNOK 233 (MNOK 220). The EBITA margin was 12.7 per cent (11.9 per cent).
Altogether, MNOK 1 739 (MNOK 1 873) worth of new orders were booked in 2002.
The offshore market generally appeared to be slowing down. This resulted in a decline of about 15 per cent in orders compared with the level of the past two years.

To sustain profitability, downsiz-ing and other cost-cutting measures were implemented during the latter half of the year.

A strategically important agreement was signed with Statoil, making KONGSBERG one of Statoil's two suppliers for process automation projects. At the same time, KONGSBERG was chosen to supply automation systems for the Kristin platform. In addition, a contract was signed with British Petroleum for the control, monitoring and automation system for the Thunder Horse platform in the Gulf of Mexico. Altogether, these contracts are worth about MNOK 100.

The quest to find new niches for Kongsberg technology continues. The segment further consolidated its position as an important supplier of steering and control systems for LNG tankers (Liquefied Natural Gas) in 2002. The Group has signed a total of 17 such contracts since 2000. A significant number of options are associated with those contracts. For example, two prestigious contracts worth a total of MNOK 70 were signed in early October with the Korean shipyard Daewoo Shipbuilding and the Marine Engineering Company. The deliveries consist of integrated automation and navigation systems for four LNG tankers being built for Bergesen d.y. ASA, among others. The orders will be filled by various units of Kongsberg Maritime.

To strengthen operations in the offshore industry, the Group acquired 62 per cent of the shares in Seaflex AS for MNOK 21 from Advanced Product and Loading AS. Seaflex specialises in riser technology for offshore oil and gas production, and reported sales of approximately MNOK 37 in 2002.

The company has not only maintained its strong position in dynamic positioning, but expanded it by acquiring ABB's dynamic positioning activities. Acquired as at 1 August, the ABB unit includes product rights and personnel as well as the existing contract portfolio. Kongsberg Simrad AS and ABB AS also signed a world-wide co-operation agreement on marketing, sales and technological development relating to vessels and offshore rigs. This will help promote sales of the segment's core products as part of larger packages tailored to customers' needs.

Yachting & Fishery

The segment earned operating revenues of MNOK 815 (MNOK 940). The EBITA was MNOK 44 (MNOK 34), and the EBITA margin was 5.4 per cent (3.6 per cent). The productivity enhancement measures introduced in 2001 improved profitability in 2002.

Simrad improved its position in the fisheries market, due not least to its efforts to develop state-of-the-art lines of echosounder and trawler instrumentation products. Simrad also won substantial market shares in the international commercial tuna-fishing market.

The market for electronic yachting instrumentation stabilised at the 2001 level, following several years of expansion. Notwithstanding, Simrad improved its market position in the US owing to higher sales of autopilots for motor boats.

The segment has been making dedicated efforts for quite some time to promote its products among leading yacht manufacturers. In Q3, framework agreements were signed with yacht-makers Sunseeker of the UK and the Ferretti Group of Italy. This marked an important milestone in the company's strategy for penetrating the boat-building market.

Merchant Marine

The segment had operating revenues of MNOK 995 (MNOK 897) and an EBITA of MNOK 32 (MNOK 49) in 2002, while the EBITA margin was 3.2 per cent (5.5 per cent). During the latter half of the year, the result was influenced by higher expenses associated with simulators for the training of naval officers as well as by a shortfall in value added caused by delays in new orders for simulator products. New orders picked

up towards year end and are expected to have favourable effects in 2003.
The segment's competitive position was affected by the rise in Norway's level of costs. To compensate, cost-cutting measures were implemented, including downsizing by about 40 man-years of labour. These measures are expected to result in savings of about MNOK 30 in 2003.
The focus on ship systems entailed the acquisition of 100 per cent of the shares in SensIT AS, giving the segment a technological edge in wireless sensors for monitoring rotating machinery. Further, the unit in Trondheim that was engaged in the development and production of fire alarm systems was sold. Subsequent to these transactions, the segment's activities in Trondheim concentrate on radar-based cargo monitoring and sensors for maritime purposes.
The backlog of orders at year end aggregated MNOK 580 (MNOK 624). Market trends in the latter half of 2001 and in Q1 2002 were characterised by a decline in contracting and lower newbuilding prices. This impacted European shipyards in particular, while shipyards in East Asia continue to win market share. With a stable influx of new orders, this segment continues to maintain its strong position with shipyards in North-east Asia. To strengthen its strategic market position in the Far East, in early October, Kongsberg Gruppen acquired the majority of shares (58 per cent) in the company HKM Co. Ltd. of South Korea.
In co-operation with Offshore & Subsea, the segment has landed important contracts for deliveries to LNG carriers.
Merchant Marine launched a new Voyage Data Recorder (VDR) that has been well received on the market, as evidenced by the order placed by Viking Lines Amorella. Merchant Marine won strategically important navigation and automation contracts, including orders from Bergesen, Maersk, Stena, British Gas, BP Tankers and Shell Tankers International.

Kongsberg Defence & Aerospace (KDA)

The activities of Kongsberg Defence & Aerospace are distinguished by long-term projects entailing a large product development component. The business area (BA) had a backlog of orders valued at MNOK 3 729 (MNOK 4 641). KDA is a niche supplier that engages in international alliances. There are still large identified contract opportunities in Norway and abroad and more contracts are expected to be signed in 2003.
The defence market varies considerably from one country to the next. Markets with their own defence industry are often highly protectionistic, meaning repurchasing agreements with Norway are usually required if KDA is to gain market access. Thus far, the countries of the Middle East and the Far East have been characterised more by open competition, and KDA has built up a good market position in several countries in those regions.
The BA reported operating revenues of MNOK 3 084 (MNOK 2 388), up 29 per cent in 2002. The EBITA was MNOK 185 (MNOK 138). The net consolidated profit was MNOK 205 (MNOK 150).

Missiles & Space

The Missile (NSM) project is continuing to progress well. The project reached an important milestone when the missile took its first guided flight during a test firing in September. More development firings are scheduled for 2003.
Deliveries of Penguin missiles are on schedule. In autumn 2002, KDA signed a supplementary agreement to upgrade the Norwegian Navy's missile system. The missile's guidance unit will be totally revamped. The agreement is worth MNOK 37.

KDA and the Norwegian Space Centre have merged their satellite activities on Svalbard and in Tromsø, establishing Kongsberg Satellite Services AS as a new 50/50 joint venture aimed at strengthening satellite servicing activities, including Earth observation services.

KDA won a MNOK 36 contract to develop nozzle extension mechanisms for a new type of engine for the European Ariane 5 booster rocket. The development contract will be followed by serial production for the Ariane 5 potentially worth MNOK 200. Won against keen international competition, the contract will help reinforce KDA's position in aerospace activities.

Land Systems & Communications

KDA has experienced success with its communications products in Eastern Europe and the Middle East. When it was announced that KDA had won Hungary's VHF radio project, KDA's communications activities saw an international breakthrough for their Multi Role Radios (MRR), developed in collaboration with the Norwegian Armed Forces. KDA was selected on the basis of a tendering process that included several international vendors. Further, KDA signed a contract with the Romanian Ministry of Foreign Affairs for the delivery of secure communications equipment. Communications are secured by highly sophisticated encryption. The MNOK 120 contract is scheduled for completion by the end of 2003.

KDA signed contracts with the Armed Forces of Saudi Arabia and the Armed Forces of Oman for the delivery of tactical communications systems. Together, the two contracts are valued at roughly MNOK 128.

On behalf of CCIS House AS (an enterprise co-owned by KDA, Thales Communications AS and Ericsson AS), a MNOK 54 contract was concluded for the delivery of a decision-support and IT tool for the Army's command, control and information systems. KDA bears the main responsibility for the contract.

Dynamic Systems

The main activity at Dynamic Systems is the production of weapons control systems for the US Army. During the year, contracts valued at a total of MNOK 148 were signed in this connection. Including earlier orders, contracts worth MNOK 563 have been signed thus far under the NOK 2 billion framework agreement. A contract with the Norwegian Armed Forces for the delivery of weapons control systems for armoured personnel carriers was expanded from MNOK 25 to MNOK 65.

Naval Systems

KDA won a contract with the Spanish Navy for the Minesniper, a mine-hunting weapon. The Minesniper is a semi-submersible vessel designed to destroy sea mines. Representing an international breakthrough, the first contract is for six vessels. The contract has a scope of MNOK 38, including a contract expansion clause worth MNOK 23. The contract has a potential scope of MNOK 70.

Aircraft & Air Defence Systems

A contract worth MNOK 75 was signed with Boeing of the US in early July. The contract calls for the delivery of software and services related to the upgrading of NATO's AWACS aircraft. The contract is a continuation of an agreement signed with Boeing in 1997.

In November, two contracts aggregating MNOK 250 were signed for the upgrading of Norway's NASAMS anti-aircraft system. KDA will also be supplying parts for the upgrading of command and control units for the HAWK anti-aircraft system. In this connection, KDA signed a MNOK 60 contract with Raytheon of the US. The contract represents Phase 1 of a project that has a total scope of MNOK 250 for KONGSBERG. It is expected that the orders remaining under the contract will be placed in 2003. These contracts constitute important references for the international market.

KDA will be supplying a MNOK 29 training system to the Swedish Army. The contract was won against international competition and is an important continuation of the work done with combat simulators for the Norwegian Army.

Major contracts after year end
In early January 2003, KDA won a MNOK 400 contract for the delivery of a mobile communications system to Kuwait. The system includes both the mobile network Eritac and the Multi Role Radio (MRR) system. The contract is the result of long-term initiatives in Kuwait and it is expected to pave the way for further business opportunities.
In January 2003, the first part of a production contract was signed with Eurocopter SAS. The contract applies to the production of attachment mechanisms for the rotor blades of 250 NH90 helicopters. The first part of the contract has a scope of MNOK 60, while the total contract is valued at MNOK 160.
The final contract for the delivery of the Multi Role Radio to the Hungarian VHF Radio project was signed in March. The contract has a scope of some MNOK 700.

Research and development

Kongsberg Gruppen invested more than 10 per cent of its operating revenues in R&D in 2002: MNOK 318, or 5 per cent, was equity-financed. Externally funded programmes entail permanent commercial rights. Kongsberg Gruppen will continue to take a pro-active approach to product development and expects to sustain today's level in the years ahead. It is important that these activities focus on the Group's core areas.

Health, Safety and the Environment (HSE)

Kongsberg Gruppen has a well-developed system for safety efforts, and no serious mishaps or on-the-job accidents were reported during the year under review. Notwithstanding, one accident was reported in the Kongsberg Industrial Park in December 2002. A fitter was injured while installing a new crane. The fitter was employed by the company that supplied the crane. The Directors are deeply concerned about preventing job-related injuries and illnesses. Diligence and accountability at all levels of the organisation are essential for achieving this goal. Priority must be given to individuals' health and safety, and active efforts must be made to raise awareness and promote the interest of individuals and the organisation as a whole in environmental issues. Environmental efforts are handled by the individual segments to comply with the requirements that apply to that particular activity.
The Group's various working environment committees met on a regular basis during the year. The committees dealt with several specific issues, and improvements were made on an ongoing basis.
Average absence due to illness was 3.0 per cent. The Group also attaches importance to the psycho-social working environment, for example, helping employees cope with change. Working environment surveys are conducted annually to determine how employees feel about working for Kongsberg Gruppen in terms of the working environment and conditions for organisational development. The goal of the survey is to map out possible improvements. The 2002 survey indicated that the improvement processes initiated thus far are paying off, but that there is still room for improvement. Initiatives are tailor-made for the different segments.
In 2002, priority was also given to environmental measures related to buildings. Kongsberg Gruppen has a licence to distribute electricity and also offers Industrial Park tenants heating, compressed air and cooling. Over the past few years, substantial investments have been made in energy conservation measures in the premises occupied by the Group. Thus, it is vital to exploit available technology to optimise energy consumption and minimise emissions. Moreover, considerable attention is devoted to

source separation of rubbish. These measures are considered profitable for the Group. Kongsberg Gruppen's activities are mainly based on software development and systems integration. Consequently, few of its activities have any tangible impact on the outdoor environment. 89 per cent of the staff works in offices, while the operators involved with electronics and engineering production make up the other 11 per cent. The handling of liquids and substances covered by environmental safety standards is done in compliance with the enterprise's procedures, and the Group performs continuous follow-up through established routines. In this context, environmental risk is considered minimal.

The Group devotes considerable attention to pro-active environmental measures, and has compiled a separate environmental report for 2002, describing its efforts in more detail.

Human resources and management development

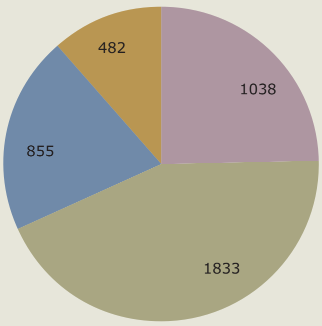
At 31 December 2002, the Group had 4 208 employees, 830 of whom worked outside Norway. At year end, the parent company had 32 employees. At 31 December 2001, the Group had 4 012 employees.

The way in which Kongsberg Gruppen uses and develops its human resources is an essential factor for its long-term success. Active efforts are made to encourage the exchange of knowledge between the BAs, and considerable importance is placed on systematic human resources development for technical staff and managers alike. The Kongsberg School is an important policy instrument and is intended to adapt, streamline and co-ordinate courses and training programmes within the Group. Courses span the range from instruction in the use software development tools, to management development programmes and instruction in KONGSBERG's internal control systems and routines. In addition, a common resource group was appointed to promote and help identify and develop qualified management talent throughout the corporation. This is being done, *inter alia*, through a series of custom-designed management development programmes based on Kongsberg Gruppen's values, management principles and business-related challenges. Offering excellent development opportunities for technical staff and managers alike is another important policy instrument for recruiting and retaining employees.

Kongsberg Gruppen has invested in various measures designed to ensure the recruitment of sufficient and appropriate expertise.

Co-operation with the trade unions through the established co-operation and co-determination schemes is good, providing valuable, constructive contributions to the resolution of challenges facing individual companies and the Group as a whole.

Employees – by educational level



Engineers/Technicians 44 %
Graduate engineers (and other university-level education – 4 years or more) 25 %
Other salaried staff (up to 3 years of higher education) 20 %
Operators 11 %

Other matters

In early July, KONGSBERG signed a contract for the sale of a 6 400 m2 office building in Kongsberg Industrial Park. The sales price was MNOK 55, resulting in a gain of MNOK 10. The amount is presented separately on the income statement under "Gains on sale of property". At the same time, a long-term (15-year) lease was signed with the buyer. The property generates annual rental revenues of about MNOK 5. Part of the building is used by Group companies and part is leased to external tenants.

Kongsberg Gruppen sold its shares in Predata Presentation Design AS. The company comprises the former distribution companies of Davis AS in Norway, Sweden and Denmark. The sale marked the end of the Davis AS wind up.

Board of Directors

The Board met eight times in 2002, and one Board seminar was arranged. Jens Ulltveit-Moe resigned his directorship of his own volition as at 17 December 2002.

Shares and shareholder relations

Kongsberg Gruppen's ordinary Annual General Meeting on 13 May 2002 authorised the Board to buy treasury shares. Limited to 5 per cent of the share capital, the authorisation will apply until the next ordinary AGM. At 31 December 2002, Kongsberg Gruppen ASA owned 420 378 of its own shares for use in the employee share programmes. The treasury share portfolio represents 1.4 per cent of the shares outstanding.

The sixth employee share programme was conducted in 2002. 907 employees subscribed a total of 247 593 shares. Free bonus options were attached to their purchases, granting each buyer about half the number of options as shares purchased. The options can be exercised after two years.

It is estimated that the 2002 adjustment on the tax-related incoming value of shares (RISK) will be NOK 0.95 per share for the shareholders in Kongsberg Gruppen ASA. The RISK trend for fiscal 2001 was fixed at NOK 0.40 per share and will go to those who were shareholders on 1 January 2002.

Fiscal prognoses for 2003

Given the market situation, the Board expects another good year in 2003. However, international economic trends and the situation in the Middle East can impact the Group's markets. Accordingly, the Board will monitor market developments closely throughout 2003.

Net profit and allocations

The parent company, Kongsberg Gruppen ASA, posted a profit of MNOK 43 in 2002. The Board proposes the following allocations for Kongsberg Gruppen ASA:

Dividends	MNOK	63
Transferred from legal reserves	MNOK	(20)
Total provision	MNOK	43

At 31 December 2002, distributable reserves totalled MNOK 329.

Kongsberg, 11 March 2003

Christian Brinch
Christian Brinch
Chairman

Roar Flåthen
Roar Flåthen
Deputy Chairman

Benedicte Berg Schilbred
Benedicte Berg Schilbred
Director

Berit Ågren Aas
Berit Ågren Aas
Director

Torolf Rein
Torolf Rein
Director

Roar Marthiniussen
Roar Marthiniussen
Director

Vidar Lande
Vidar Lande
Director

Jan Erik Korssjøen
CEO

Board of Directors Kongsberg Gruppen ASA

- **Christian Brinch**
  Chairman

- **Roar Flåthen**
  Deputy Chairman

- **Berit Ågren Aas**
  Director

- **Benedicte Berg Schilbred**
  Director

- **Torolf Rein**
  Director

- **Vidar Lande**
  Director

- **Roar Marthiniussen**
  Director

Income Statement 1 January – 31 December

Kongsberg Gruppen (The Group)

The income statement shows consolidated operating revenues and operating expenses for all companies of which Kongsberg Gruppen ASA owns more than 50 per cent, direct or indirectly. Kongsberg Gruppen uses EBITA (Earnings Before Interest, Tax and the Amortisation of goodwill) as a key profitability concept for operations.

Amounts in MNOK	Notes	2002	2001	2000
Operating revenues	4	**6 980**	**6 176**	**5 296**
Raw materials and consumables		(3 125)	(2 766)	(2 222)
Personnel expenses	5, 18	(2 119)	(1 876)	(1 670)
Other operating expenses	6	(1 063)	(906)	(939)
Depreciation on fixed assets	17	(188)	(191)	(178)
EBITA and litigation expenses		**485**	**437**	**287**
Amortisation of goodwill	16	(81)	(76)	(62)
Litigation expenses	3	-	(33)	-
Operating profit		**404**	**328**	**225**
Share of profit/(loss) in associated companies	19	(9)	(6)	2
Net financial items	7	(104)	(131)	(39)
Earnings before tax (EBT)		**291**	**191**	**188**
Gains on sale of properties	9	10	143	-
Loss on discontinued operation, net after tax	8	-	(98)	(156)
Tax expense	20	(85)	(113)	(88)
Net profit/(loss) for the year		**216**	**123**	**(56)**
Minority share		3	1	(2)
Majority share		213	122	(54)
Profit/diluted profit in NOK per share	21	7.21	4.18	(1.86)

Balance Sheet at 31 December – Kongsberg Gruppen (The Group)

The balance sheet shows the Group's consolidated assets and how they are financed through equity, interest-bearing debt and other liabilities, including pre-payments from customers. Fixed assets are assets intended for permanent ownership or use, such as, for example, machinery and plants, and land and buildings, in addition to goodwill. All assets related to commodity flows, receivables due for repayment within one year and assets not intended for permanent ownership or commercial use, are current assets. Liabilities include both interest-bearing and interest-free funding, and mainly consist of the Group's loans from various credit institutions, pre-payments from customers, trade debt, taxes and public fees due. Liabilities are classified as short-term if they are due for payment within one year.

Amounts in MNOK	Note	2002	2001	2000
ASSETS				
Deferred tax asset	20	7	10	4
Goodwill	16	1 213	1 187	1 249
Fixed assets	17	1 082	1 090	1 030
Investments in associated companies	19	78	112	34
Financial fixed assets	9, 10, 18	265	219	221
Total fixed assets		**2 645**	**2 618**	**2 538**
Inventory	11	616	677	643
Receivables	12, 13	2 151	2 017	1 998
Investments		3	2	10
Bank deposits and cash equivalents	3	182	315	182
Total current assets		**2 952**	**3 011**	**2 833**
TOTAL ASSETS		**5 597**	**5 629**	**5 371**
EQUITY AND LIABILITIES				
Share capital		150	150	150
Treasury shares		(2)	(3)	(5)
Share premium reserve		832	832	832
Total paid-in equity		**980**	**979**	**977**
Other equity		714	544	412
Minority interests		47	15	17
Total equity	22	**1 741**	**1 538**	**1 406**
Deferred tax liabilities	20	435	347	285
Other provisions	9	107	100	30
Total provisions		**542**	**447**	**315**
Long-term interest-bearing liabilities	14	977	1 093	1 221
Total long-term liabilities		**977**	**1 093**	**1 221**
Pre-payments from customers		818	1 028	957
Other short-term liabilities	15	1 519	1 523	1 472
Total short-term liabilities		**2 337**	**2 551**	**2 429**
Total liabilities		**3 856**	**4 091**	**3 965**
TOTAL EQUITY AND LIABILITIES		**5 597**	**5 629**	**5 371**

Kongsberg, 11 March 2003

Christian Brinch
Chairman

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Deputy Chairman

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Director

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Director

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Director

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Director

Jan Erik Korssjøen
CEO

Statement of Cash Flows – Kongsberg Gruppen (The Group)

A consolidated cash flow statement is influenced by three factors. The cash flow from operations indicates how the profit/loss earned during the period is reflected in terms of pure cash flow after depreciation (not the cash effect), and adjustments for changes in short-term items and pension liabilities/assets and the proportional results from associated companies, as well as adjustments for the effects of gains/losses from the sale of business assets. The net cash flow from investments indicates which cash flow is used for necessary re-investment, and the cash flow from sales and changes in the capital tied up in other long-term financial assets. The net cash flow from financial activities indicates the cash flow generated by, for instance, the receipt of fresh shareholders' funds, receipts and disbursements in connection with the sale/acquisition of treasury shares and payment of dividends to the owners. In addition, it shows receipts and disbursements on interest-bearing debt.

Amounts in MNOK	2002	2001	2000
Earnings before tax (EBT)	291	191	188
Other items before tax	10	7	(216)
Taxes paid	-	(10)	(54)
(Profit)/loss on sale of fixed assets	(10)	(143)	-
Depreciation and amortisation	269	267	248
Write-down of goodwill	-	-	118
Share of (profit)/loss in associated companies	9	6	(2)
Change in pension plan assets and pension liabilities	(44)	(38)	(33)
Change in shares and bonds	(1)	8	(3)
Change in short-term receivables	(91)	190	(483)
Change in projects and inventories	18	(242)	291
Change in trade creditors	(80)	(43)	148
Change in prepayments from customers	(210)	71	99
Change in other accruals	103	57	(255)
Net cash flow from operations	**264**	**321**	**46**
Payments for the acquisition of fixed assets	(291)	(339)	(307)
Payments for the acquisition of shares	(108)	(41)	(717)
Receipts from the sale of fixed assets	83	292	12
Net receipts/payments on long-term receivables and shares	15	-	5
Net cash flow from investment activities	**(301)**	**(88)**	**(1 007)**
Receipts from raising interest-bearing debt	-	-	1 115
Down payment of interest-bearing debt	(116)	(128)	-
Payments for purchase of treasury shares	-	-	(62)
Receipts for sale of treasury shares	20	28	17
Payment of dividends	-	-	(66)
Net cash flow from financial activities	**(96)**	**(100)**	**1 004**
Net change in cash and cash equivalents	(133)	133	43
Cash and cash equivalents at 1 January	315	182	139
Cash and cash equivalents at 31 December	**182**	**315**	**182**

Accounting principles

The annual accounts are presented in compliance with the Norwegian 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 at their 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 on 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 shareholders' equity.

Valuation and classification of assets and liabilities

The classification of items during the fiscal year is based on the assumption that all 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 into long-term bank loans. Current assets are valued at cost or their net market value, whichever is lower. Fixed assets are valued at cost less business 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 date of balance sheet recognition. Gains and losses related to items in the commodity flow are classified as operating revenues and expenses.

Intangible assets

Goodwill is amortised on the basis of estimated gains expected in conjunction with the acquisition of the individual company. At each closing of the accounts, the value of remaining goodwill is estimated and changes, if any, are made in write-downs or amortisation periods. All costs related to equity-financed research and development have been charged to the income statement.

Fixed assets

Fixed assets are depreciated over the expected useful life of the asset. Depreciation is generally distributed 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 Kongsberg Gruppen 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 and units in associated companies valued on the basis of the cost method of accounting.

Other long-term shareholdings and ownership interests

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

Investments in other enterprises (short-term shareholdings)

Other short-term investments are valued at the average cost price or actual value on the date of balance sheet recognition, 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.

Income recognition principles

The Group's main business objective is to develop and manufacture products and systems based on orders received. The processed value of work in progress is booked as operating revenue. Uninvoiced work in progress is reported on the balance sheet under "Projects in progress".
Work in progress is stipulated as incurred production costs plus a proportional share of the estimated contract profit. Production costs include direct wages, direct materials and a proportional share of the individual business areas' indirect costs, while general development costs, sales costs, common administrative costs and interest 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 income 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 on projects can involve a number of discretionary variables. Such estimates are based on the best judgement 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

Accounts receivable and other receivables are valued on the balance sheet at their nominal value less provisions for anticipated losses on bad debts. Provisions for losses are based on individual assessments regarding the collectability of each receivable. In addition, a general 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.
Amounts received or paid in connection with interest rate swaps that 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 on the individual employee's number of years of service and salary level at retirement age. To ensure uniform calculation of Kongsberg Gruppen's pension commitments, all corporate units use the same actuary. The Group's legal obligations are not affected by their treatment in the accounts.
On the income statement, the year's net pension expenses, after a deduction for the anticipated return on 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 fixed assets".
Differences estimated between the pension obligations and the pension plan assets are amortised over the assumed average years remaining until retirement age if net differences exceed 10 per cent of the gross pension obligations or pension plan assets, whichever is higher. Adjustments in the plan changes in the pension plan are distributed over the average number of years remaining until retirement age.

Uncertain commitments

Uncertain commitments are booked if there is more than a 50 per cent chance that the problem will arise. Best estimates are used to calculate the settlement value.

Taxes

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 the 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 according to the liability method. Income from long-term production contracts is not recognised for tax purposes until an individual contract has been completed. Owing to Kongsberg Gruppen's volume of large, long-term contracts, the accounts include considerable temporary tax-increasing differences.

Notes
Kongsberg Gruppen (The Group)

Notes provide further details about some of the items on the income statement and the balance sheet. The notes also cover other factors of significance, including commitments that cannot be booked on the balance sheet, e.g. guarantees and currency transactions.

1 CHANGES IN GROUP STRUCTURE

Kongsberg Defence Communicatons
In 2000, Kongsberg Gruppen acquired 100 per cent of Kongsberg Ericsson Communications ANS by purchasing Ericsson AS' 50 per cent of stake for MNOK 57.5. Kongsberg Gruppen had owned 50 per cent of Kongsberg Ericsson Communications ANS since 1990. 50 per cent of the company was included in the consolidated accounts up until 31 March 2000 and 100 per cent until 30 June 2000. As of 1 July 2000, the activities were transferred to the private company Kongsberg Defence Communications. At acquisition, goodwill came to MNOK 78, which 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 technologies in the defence market.

Navia
Kongsberg Gruppen acquired the majority of the shares in Navia ASA in May 2000, then 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 incorporated into the consolidated accounts as from 1 May 2000, at which time Navia's assets and liabilities were included at their net realisable value.

Davis
In 2000, Kongsberg Gruppen decided to dispose of Davis. In that connection, goodwill and assets on Davis' balance sheet related to earlier market investments, receivables and inventories were written down to zero. In 2001, the attempt to dispose of Davis was abandoned and controlled winding up proceedings were initiated. Winding up was completed in 2002.

Seaflex
In January 2002, Kongsberg Gruppen acquired 62 per cent of the shares in Seaflex AS in Asker for MNOK 21. The acquisition was made with a view to strengthening the Group's activities in the offshore industry. Seaflex specialises in riser technology for offshore oil and gas production.

Kongsberg Satellite Services
In January 2002, Kongsberg Gruppen and the Norwegian Space Centre merged their satellite activities on Svalbard and in Tromsø, establishing a new 50/50 joint venture, Kongsberg Satellite Services AS. The goal was to strengthen satellite servicing operations, including Earth observation services from Svalbard and Tromsø.

ABB's dynamic positioning activities
In the summer of 2002, Kongsberg Gruppen and ABB AS signed a world-wide co-operation agreement on marketing, sales and technology development relating to ships and offshore vessels. As a part of the agreement, ABB's dynamic positioning activities were transferred to Kongsberg Simrad for MNOK 60.

HKM
To strengthen its strategic market position in the Far East, in early October, Kongsberg Gruppen acquired the majority of shares (58 per cent) in the company HKM Co. Ltd. in Korea. A total of MNOK 44.4 was invested in the company.

SensIT
The focus on ships' systems entailed the acquisition of the remaining 68 per cent of the shares in SensIT AS in November 2002, giving the Group a technological edge in wireless sensors for monitoring rotating machinery. The purchase price for the shares was MNOK 9.5. Kongsberg Gruppen now owns 100 per cent of SensIT.

Fire & Safety
As a link in the focus on ships' systems, in December 2002, Kongsberg Gruppen agreed to sell its fire and safety unit in Kongsberg Maritime Ship Systems (KMSS) in Trondheim to Autronica Fire & Safety AS, a subsidiary of KIDDE plc. The unit had MNOK 85 in operating revenues and 25 employees. The sales price was MNOK 55.5.

2 FINANCIAL MARKET RISK

The note discusses how Kongsberg Gruppen handles risk related to interest and currency.

Interest rate risk
The Group's policy is to keep interest expenses predictable in a two- to four-year perspective.

Kongsberg Gruppen hedges its loans through fixed-interest and interest swap agreements. Any fluctuations in interest rates in 2003 will have little impact on the financial expenses related to existing loans.

Please see Note 23 for a more detailed explanation.

Currency risk
The Group has considerable foreign currency exposure. The USD is the pre-dominant foreign currency for revenues, as more than 20 per cent of the Group's operating revenues are earned in USD.

Kongsberg Gruppen's policy is to limit currency risk while actively assessing various currencies' importance as competitive parameters. Accordingly, all contractual foreign currency flows are hedged. Budgeted currency flows and foreign currency bids for major contracts are also hedged.

Since the Group has hedged budgeted currency flows and signed contracts in foreign currencies, corporate operating revenues and profits in 2003 are not expected to be influenced much by fluctuations in currency exchange rates. At 31 December 2002, the Group had no foreign currency loans. See Note 23 for a more detailed explanation.

3 LITIGATION EXPENSES

This item is presented separately to make it easier to compare the other lines on the income statement.

The Borgarting Court of Appeal ordered Kongsberg Gruppen to pay Hroar Hansen MNOK 17.2 in compensatory damages, plus interest and court costs. Altogether, MNOK 33 was booked to cover these costs in 2001. The Appeals Committee of the Supreme Court subsequently rejected the appeal, so the compensation payment has been transferred to a frozen account in DnB.

The case refers to a dispute the former Norsk Forsvarsteknologi AS had with the company BTT Info Sign AS of Drammen about the production of LCD panels for the company BN Bombardier of Belgium.

4 OPERATING REVENUES

The note shows the geographical distribution of the Group's sales revenues based on customers' locations and the distribution of certain key figures by segment.

By geographical area

Amounts in MNOK	*2002*	*2001*	*2000*
Norway	1 939	1 620	1 381
Scandinavia	381	306	304
Europe	1 959	1 866	1 811
America	1 514	1 199	912
Asia	963	879	614
Other	224	306	274
Total	**6 980**	**6 176**	**5 296**

Key figures by segment

Inter-Group sales are priced at stipulated market values.

Amounts in MNOK	*Operating revenues*	*Operating expenses*	*EBITA*	*Depreciation of goodwill etc. *)*	*Operating profit/(loss)*	*Tied-up capital **)*	*Non-interest bearing debt*	*Invest-ments*	*Deprec. and write-downs*
2000									
Offshore & Subsea	1 509	1 346	163	28	135	1 416	765	622	47
Yachting & Fishery	909	863	46	11	35	979	191	49	41
Merchant Marine	637	651	(14)	17	(31)	1 038	584	362	18
Defence & Aerospace	1 943	1 858	85	4	81	1 425	1 527	185	52
Other/elimination	298	291	7	2	5	321	(323)	17	20
Total	**5 296**	**5 009**	**287**	**62**	**225**	**5 179**	**2 744**	**1 235**	**178**
2001									
Offshore & Subsea	1 852	1 632	220	37	183	1 884	676	171	51
Yachting & Fishery	940	906	34	12	22	996	317	44	38
Merchant Marine	897	848	49	18	31	934	362	14	21
Defence & Aerospace	2 388	2 250	138	7	131	1 406	1 748	92	72
Other/elimination	99	103	(4)	35	(39)	92	(105)	18	9
Total	**6 176**	**5 739**	**437**	**109**	**328**	**5 312**	**2 998**	**339**	**191**
2002									
Offshore & Subsea	1 835	1 602	233	40	193	1 673	591	117	41
Yachting & Fishery	815	771	44	11	33	835	237	28	34
Merchant Marine	995	963	32	21	11	936	399	77	22
Defence & Aerospace	3 084	2 899	185	6	179	1 782	1 767	113	80
Other/elimination	251	260	(9)	3	(12)	186	(115)	25	11
Total	**6 980**	**6 495**	**485**	**81**	**404**	**5 412**	**2 879**	**360**	**188**

**) Includes litigation expenses under Other/elimination in 2001*
***) Tied-up capital comprises total assets less current investments, bank deposits and cash equivalents.*

5 PERSONNEL EXPENSES, NUMBER OF EMPLOYEES AND REMUNERATION

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

Personnel expenses

Amounts in MNOK	*2002*	*2001*	*2000*
Wages and salaries	1 742	1 549	1 378
Social security expenses	238	209	188
Pension expenses incl. soc. security	65	47	44
Other benefits	74	71	60
Total	**2 119**	**1 876**	**1 670**

The company had an average of 4 110 employees during the fiscal year.

Remuneration to the CEO (in NOK)

	2002	*2001*
Salary	1 955 435	1 642 995
Result-based wages	138 500	32 813
Pension premium for the CEO	683 864	679 838
Other remuneration	156 810	113 677

In June 2002, the Board decided to regulate the CEO's salary in advance of the regular annual adjustments. As of 1 July 2002, the CEO's remuneration consists of a regular salary of NOK 2 310 000, and performance-linked pay of up to 2.5 times his monthly wage. The CEO has six months' reciprocal notice of resignation/termination. Under certain circumstances, the CEO may be entitled to full wages until he begins in a new position, limited up to one year after severance. The CEO has an early retirement agreement.

In 2002, the CEO purchased a dwelling from Kongsberg Gruppen at its estimated market value based on the average of two independent assessments.

The other members of corporate management have six months' reciprocal notice of resignation/termination. They may be entitled to full wages until they begin in a new position, limited up to one year after severance. They also have early retirement agreements and performance-linked wages of up to 1.25 times their monthly wage.

Directors' fees (in NOK)

Directors' fees	986 331
Consultancy fee to the Chairman of the Board apart from his ordinary director's fee	140 600

6 OTHER OPERATING EXPENSES

Other operating expenses consist of all operating expenses apart from wages and depreciation. Selected types of costs are specified below.

Amounts in MNOK	*2002*	*2001*	*2000*
Sales, advertising, etc.	86	87	61
Contracted services	226	215	229
Repairs and maintenance	48	49	54
Rent-related expenses	151	86	93
Travel and *per diem* expenses	228	205	216
Procurements related to operations	156	139	154
Other	168	125	132
Total	**1 063**	**906**	**939**

Remuneration to the auditor for 2002

Amounts in NOK 1000	*Parent company*	*Subsidiaries in Norway*	*Subsidiaries abroad*
Corporate auditor Ernst & Young			
Auditing fee	500	4 015	191
Fees for other services	152	2 309	
Other auditors			
Auditing fees		152	1 971
Fees for other services		21	1 284

7 NET FINANCIAL ITEMS

Net financial items consist of all consolidated interest income and interest expenses associated with corporate funding. Moreover, the net foreign exchange effects of the Group's financial activities are reported as net exchange gains or losses. Exchange gains or losses linked to commodity flows are booked as operating items.

Amounts in MNOK	*2002*	*2001*	*2000*
Interest income	3	4	24
Interest expenses	(101)	(111)	(73)
Net interest expenses	**(98)**	**(107)**	**(49)**
Change in the valuation of current investments	-	(16)	4
Other financial expenses, net	(23)	(8)	-
Gain on sale of shares	17	-	6
Total	**(104)**	**(131)**	**(39)**

8 DISCONTINUED OPERATION

The activity being wound up is Davis AS and its subsidiaries. The wind up was for the most part implemented in 2001.

The following net result elements are presented:

Amounts in MNOK	*2002*	*2001*	*2000*
Operating revenues	-	283	351
Total operating revenues	**0**	**283**	**351**
Cost of materials and consumables	-	(307)	(328)
Personnel expenses	-	(38)	(37)
Depreciation	-	(2)	(3)
Other operating expenses	-	(67)	(64)
Earnings before interest, tax and amortisation (EBITA)	**0**	**(131)**	**(81)**
Amortisation and write-down of goodwill	-	-	(123)
Operating profit/(loss)	**0**	**(131)**	**(204)**
Net financial items	-	(5)	(12)
Earnings before tax (EBT)	**0**	**(136)**	**(216)**
Tax	-	38	60
Profit/(loss) after tax	**0**	**(98)**	**(156)**

9 SALE AND LEASEBACK OF PROPERTY

In 1999, 2001 and 2002, the subsidiary Kongsberg Næringseiendom AS sold real estate located in Kongsberg Industrial Park. The properties have been leased back on long-term leases that will continue to apply until 2014, 2018 and 2017, respectively. The leasebacks are considered operational leasing agreements.

In addition to the rent, Kongsberg Næringseiendom is responsible for certain expenses associated with fees on and the maintenance of the properties. The leases have durations ranging from three months to 11 years. Of the property sold, 25 per cent is rented to Group companies. The gains earned on the sale of the properties are booked under "Other items" on the income statement. The gains appear after provisions for commitments Kongsberg Næringseiendom has undertaken to cover leaseback costs, fees and maintenance beyond what is expected to be covered by the rents received from the tenants. The estimated commitments total MNOK 107 (MNOK 100 in 2001 and MNOK 30 in 2000).

In connection with the sale of property in 2001, Kongsberg Næringseiendom extended an interest-bearing seller's credit of MNOK 20 which is listed under "Other long-term liabilities". Kongsberg Næringseiendom has options to buy back the properties sold in 2001 at their market values upon expiry of the lease.

See Note 23 for more details.

10 FINANCIAL FIXED ASSETS

Financial fixed assets represent financial investments intended for permanent ownership or use.

Amounts in MNOK	*Note*	*2002*	*2001*	*2000*
Other shareholdings		13	16	84
Net pension funds	18	172	128	90
Loans to employees		12	9	9
Other long-term receivables		68	66	38
Total		**265**	**219**	**221**

11 INVENTORY

This note shows the Group's aggregate inventories, divided by raw materials and finished products.

Amounts in MNOK	*2002*	*2001*	*2000*
Raw materials	337	360	338
Finished products	279	317	305
Total	**616**	**677**	**643**

12 RECEIVABLES

Amounts in MNOK	*2002*	*2001*	*2000*
Amounts receivable	1 195	1 116	1 141
Projects in progress	720	678	470
Other receivables	153	104	204
Prepayments to suppliers	83	119	183
Total	**2 151**	**2 017**	**1 998**

13 LONG-TERM PRODUCTION CONTRACTS

Kongsberg Defence & Aerospace is the most project-oriented segment of Kongsberg Gruppen. At 31 December 2002, the largest production contracts in the various product areas were:

Amounts in MNOK	*Aggregate orders*	*Operating rev.2002*	*Residual operating revenues*	*Completion*
Missile and aerospace prod.	3 656	704	622	2005
Naval defence products	2 344	332	851	2007
Anti-aircraft, trainers and simulators	1 267	368	391	2004
Weapons control systems	875	467	265	2007
Military communications	2 236	294	520	2006

14 LONG-TERM DEBT TO CREDIT INSTITUTIONS

Amounts in MNOK	*2002*	*2001*	*2000*
Mortgages	365	385	405
Certificate loans/syndicated credit facility	260	650	750
Bond loans	300	-	-
Other long-term liabilities	52	58	66
Total	**977**	**1 093**	**1 221**

The mortgage was granted by Norwegian financial institutions in 2000 and has a term of 20 years with MNOK 20 in annual instalment payments. It has a fixed rate of interest until November 2003. At year-end 2002, negotiable certificates/syndicated credit facilities comprised MNOK 210 in Norwegian certificates and MNOK 50 in Sterling Acceptance in the UK, a short-term money market loan. The bond loan was established in 2002 and has a three-year term to maturity. Other long-term liabilities mainly consist of loans incurred by the subsidiary Kongsberg Maritime Ltd. (UK). Certificate loans are classified as long-term liabilities because it is possible to convert them to long-term bank loans.
Issues related to interest-rate risk are discussed in Note 24.

The syndicated credit facility entails the following 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 per cent
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 per cent of total assets or consolidated revenues
e) Net interest-bearing liabilities shall not exceed three times the EBITDA (Earnings Before Interest, Tax, Depreciation and the Amortisation of goodwill).

All covenants were fulfilled at year end.

15 OTHER CURRENT LIABILITIES

Other current liabilities represent operations-related interest-free debt. Other current liabilities include allocations and accruals related to projects, provisions for warranties, and accruals for holiday pay.

Amounts in MNOK	*2002*	*2001*	*2000*
Accounts payable	484	564	607
Withholding tax, social security, VAT, etc.	155	140	119
Tax payable	5	9	-
Procision for dividends	63	-	-
Other current liabilities	812	810	746
Total	**1 519**	**1 523**	**1 472**

16 INTANGIBLE ASSETS

Goodwill is the premium the Group has paid over and above any added value that can be traced to identifiable assets in connection with acquisitions. Goodwill is amortised on the basis of estimated gains expected in conjunction with the acquisition of the individual company. Goodwill is amortised over 15 to 20 years. Each time the accounts are closed, the value of remaining goodwill is estimated and changes, if any, are made in write-downs or amortisation periods.

The Group expensed MNOK 318 in costs related to equity-financed research and development. The costs are not considered to fulfil the criteria for balance sheet recognition.

Amounts in MNOK	*Year of acquisition*	*Amortisation period*	*Cost of aquisition 1 Jan.*	*Additions/ Disposals*	*Exchange rate differences*	*Cost of aquisition 31 Dec.*	*Depreciation for the year*	*Accumulated deprec./write-downs 31 Dec.*	*Closing balance at 31 Dec.*
Simrad	1996	20 years	154	-	(8)	146	7	53	93
Navico	1998	20 years	77	-	-	77	4	17	60
Yachting & Fishery, total			**231**	**-**	**(8)**	**223**	**11**	**70**	**153**
Simrad	1996	20 years	282	-	(3)	279	14	153	126
Navia (Seatex)	2000	20 years	503	-	-	503	24	67	436
Dynamic Positioning (ABB)	2002	20 years	-	58	-	58	1	1	57
Seaflex AS	2002	20 years	-	13	-	13	1	1	12
Offshore & Subsea, total			**785**	**71**	**(3)**	**853**	**40**	**222**	**631**
Norcontrol vessel automation	1992	20 years	36	-	-	36	2	22	14
Navia (Autronica)	2000	20 years	335	(7)	-	328	16	43	285
HKM Korea	2002	20 years	-	35	-	35	3	3	32
SensIT AS	2002	20 years	-	21	-	21	-	-	21
Ship Systems, total			**371**	**49**	**0**	**420**	**21**	**68**	**352**
Kongsberg Defence Communications	2000	15 years	78	-	-	78	5	14	64
Geco Defence	2001	15 years	14	(4)	-	10	1	2	8
Defence & Aerospace, total			**92**	**(4)**	**0**	**88**	**6**	**16**	**72**
Norcontrol IT	2000	5 years	12	-	-	12	3	7	5
Total goodwill			**1 491**	**116**	**(11)**	**1 596**	**81**	**383**	**1 213**

17 FIXED ASSETS

The figures indicate the Group's investments in fixed assets. The note shows the original acquisition cost and balance sheet values by type of production equipment. The Group uses straight-line depreciation for all fixed assets.

Amounts in MNOK	*Machinery and plant*	*Technical facilities*	*Land, buildings and other real property*	*Total*
Cost price at 1 January	440	807	857	2 104
Exchange rate differences	(8)	(6)	(11)	(25)
Additions	71	118	44	233
Disposals	(24)	(8)	(36)	(68)
Cost price at 31 December	**479**	**911**	**854**	**2 244**
Accumulated depreciation at 31 December	(313)	(666)	(183)	(1 162)
Book value at 31 December	**166**	**245**	**671**	**1 082**
Ordinary depreciation for the year	44	112	32	188
Depreciation rates	12-33%	12-33%	0-10%	
Annual rent for operating leases not recognised on the balance sheet	5	9	127	141

18 PENSION EXPENSES, FUNDS AND OBLIGATIONS

At 31 December 2002, 3 337 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:

	2002	*2001*	*2000*
Discount rate	7.0 %	7.0 %	7.0 %
Anticipated rate of return	8.0 %	8.0 %	8.0 %
Wage 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	*2002*	*2001*	*2000*
Service cost	43	39	39
Interest cost on pension obligations	45	40	34
Estimated return on pension plan assets	(50)	(47)	(43)
Amortisation of gains and losses	10	3	2
Accrued social security expenses	7	5	5
Total net pension expenses	**55**	**40**	**37**
Expenses related to pension subsidy plans outside Norway	10	7	7

Amounts in MNOK	*2002*	*2001*	*2000*
Gross pension obligations	(730)	(654)	(572)
Gross pension plan assets	683	683	596
Net pension plan assets/(obligations)	**(47)**	**29**	**24**
Unrecognised plan changes	28	-	-
Unrecognised estimated deviation	168	82	53
Accrued social security expenses	23	17	13
Net pre-paid pensions	**172**	**128**	**90**

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 per cent signing propensity, 20 per cent employer financing and otherwise the same assumptions that apply to ordinary pensions. Changes in actual signing propensity as well as final funding can lead to changes in the final pension obligations. Gross pension obligations are based on the number of employees and wages at 1 January 2002, while the gross value of pension plan assets includes an anticipated yield of 8 per cent in 2002.

19 SHARES IN ASSOCIATED COMPANIES, ETC.

Associated companies are companies in which the Group owns between 20 and 50 per cent. These investments are booked by reporting the Group's share of the companies' profit/loss after tax, adjusted for excess/negative values, if any. The balance sheet presents the stake at its cost price plus accumulated results, but less accumulated excess/negative values and dividends received, if any. A dividend is a disbursement of accrued funds and cannot be booked since the Group's share of the result has already been booked.

Amounts in MNOK	*Year of acquisition*	*Stake and voting interest*	*Cost of acquisition 1 Jan. 02*	*Opening balance at 1 Jan.*	*Additions/ Disposals*	*Share of profit/ (loss)*	*Depreciation attributable to excess/negative values*	*Closing balance at 31 Dec.*
Kitron ASA (Hisøy)	1998	21.1 %	45	63	-	(17)	-	46
Kongsberg Satellite Services AS (Tromsø)	1998	50.0 %	3	(2)	18	3	3	22
CCIS House AS (Asker)	1998	42.5 %	2	2	-	-	-	2
Teknologisk Institutt Labratorietjenester AS (Ågotnes)	1999	25.0 %	3	6	-	(1)	-	5
HKM Co. Ltd. (Pusan, Korea)	1999	35.0 %	20	30	(32) *	2	-	0
Reime Prosess Notodden AS (Notodden)	2002	44.0 %	-	-	1	2	-	3
SensIT AS (Trondheim)	2001	32.0 %	10	13	(12) *	(1)	-	0
Total			**83**	**112**	**(25)**	**(12)**	**3**	**78**

*) Disposals as a result of further acquisitions where the company has become a subsidiary.

20 TAX

Deferred tax

Deferred tax represents future payable tax-related commitments for the Group. Deferred tax arises as a result of differences in account-related and tax-related accruals. This applies especially to differences related to long-term production contracts. Deferred tax/deferred tax assets have been calculated on temporary differences and tax losses carried forward related to:

Amounts in MNOK	*2002*	*2001*	*2000*
Fixed assets/non-current liabilities	174	43	47
Current assets/current liabilities	1 879	1 224	1 161
Tax loss carried forward	(524)	(65)	(203)
Temporary differences and tax loss carried forward	**1 529**	**1 202**	**1 005**
Deferred tax	435	347	285
Deferred tax assets abroad	(7)	(10)	(4)
Net deferred tax	**428**	**337**	**281**

Tax expense

Total taxes are calculated on the basis of earning before tax. Tax expenses comprise the following items:

Amounts in MNOK	*2002*	*2001*	*2000*
Tax effects of activities being wound up	-	38	60
Change in deferred tax in Norway and abroad	85	56	15
Tax payable in Norway and abroad	-	19	13
Tax expense	**85**	**113**	**88**
Reconciliation of effective and nominal tax rates:			
28 % of the EBT (earnings before tax) and gains on the sale of properties	84	94	52
Amortisation of goodwill at Group level	3	3	23
Tax loss carried forward and the effect of tax rate differences between Norway and other countries	9	12	11
Other permanent differences	(11)	4	2
Tax expense	**85**	**113**	**88**

21 BASIC/DILUTED EARNINGS PER SHARE

The basic/diluted profit per share has been calculated by dividing the profit for the year by a weighted average number of ordinary shares outstanding in the period from 1 January 2002 to 31 December 2002. Ordinary shares issued in connection with the 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.

	2002	2001	2000
Majority share of the profit for the year (MNOK)	213	122	(54)
Share capital (million shares)	30.0	30.0	30.0
Weighted no. of shares outstanding (million shares)	29.5	29.2	29.1
Basic/diluted earnings per share in NOK	7.21	4.18	(1.86)

22 EQUITY

Equity should in principle develop at a pace commensurate with the result, but certain elements may be recorded directly against equity. Examples of this are share issues, differences in foreign exchange rates from the opening to the closing balance sheet and differences in exchange rates for profits/losses (average exchange rates) and the exchange rates for balance sheet purposes (closing rates). The purchase or sale of treasury shares will be direct equity transactions and holdings of treasury shares will be presented as a reduction in equity.

Amounts in MNOK	*Share capital*	*Treasury shares*	*Share premium fund*	*Other equity*	*Total, parent company*	*Group companies*	*Total, Group*
Equity at 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
Equity at 31 Dec. 2000	**150**	**(5)**	**832**	**375**	**1 352**	**54**	**1 406**
Treasury shares	-	2	-	30	32	-	32
Net profit	-	-	-	(26)	(26)	149	123
Translation differences	-	-	-	-	-	(1)	(1)
Adjustment, equity share, Kitron	-	-	-	-	-	(19)	(19)
New minority interests	-	-	-	-	-	(3)	(3)
Equity at 31 Dec. 2001	**150**	**(3)**	**832**	**379**	**1 358**	**180**	**1 538**
Treasury shares	-	1	-	24	25	-	25
Net profit	-	-	-	43	43	173	216
Translation differences	-	-	-	-	-	(4)	(4)
Dividends	-	-	-	(63)	(63)	-	(63)
New minority interests	-	-	-	-	-	29	29
Equity at 31 Dec. 2002	**150**	**(2)**	**832**	**383**	**1 363**	**378**	**1 741**

Share capital

At 31 December 2002, 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 2002 were:

Name	*Number of shares*	*percentage share*
The Norwegian State as repr. by the Ministry of Trade and Industry	15 000 400	50.0%
Umoe Invest AS	3 266 596	10.9%
The National Insurance Fund	1 350 000	4.5%
Fidelity Funds, Eur. Brown Brothers Harriman	1 026 160	3.4%
JP Morgan Chase Bank Clients, UK	736 370	2.5%
Tine Pensjonskasse	608 000	2.0%
Ferd Invest	603 642	2.0%
Skagen Vekst (unit trust)	450 000	1.5%
Gambak (unit trust)	420 504	1.4%
Kongsberg Gruppen ASA	420 378	1.4%
Total	**23 882 050**	**79.6%**
Other (stake < 1%)	6 117 950	20.4%
Total number of shares	**30 000 000**	**100.0%**

Share capital trends

Type of expansion	Date	Number of shares	Nominal value	Amount in MNOK	Adjustment factor	Share capital in MNOK
Stock Exchange launch	13 Dec. 1993	5 850 000	20	117 000		117 000
Private placement with employees	1996	6 000 000	20	3 000		120 000
Share split	May 1997	24 000 000	5		1:4	120 000
Share issue	July 1999	30 000 000	5	30 000		150 000

Treasury shares

Kongsberg Gruppen holds 420 378 of its own shares for use in employee share programmes. The shares were purchased in accordance with the authorisation issued by the Annual General Meetings on 27 April 1999, 5 May 2000, 10 May 2001 and 13 May 2002, which allows for the repurchase of up to 5 per cent of the outstanding shares. Re-acquisitions must take place at rates between NOK 75 and NOK 200 per share.

	Number	Amount in MNOK
Holding of own shares 31 Dec. 2001	667 917	74
Own shares conveyed to employees	(247 539)	(25)
Holding of own shares 31 Dec. 2002	420 378	49

Sales of treasury shares are booked at their market value at the time of the sale, while the employees' discount is booked as wages (MNOK 5). A total of 217 312 options have been issued to employees. The options have been granted through the share programmes conducted for all employees in the Group. For a more detailed description of the employee share and option programmes, please see the section on Shares and shareholders.

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

Name	Number of shares
Corporate management:	
Torfinn Kildal, President, Kongsberg Maritime	5 971
Arne Solberg, CFO	5 299
Jan Erik Korssjøen, CEO	4 757
Tom Birck Gerhardsen, President Kongsberg Defence & Aerospace	4 419
Stig Trondvold, Executive Vice President	936
Even Aas, Executive Vice President, Corporate Communications	882
The Board:	
Benedicte Berg Schilbred, Director (through Odd Berg AS)	17 500
Roar Marthiniussen, Director	2 400
Berit Ågren Aas, Director	1 569
Vidar Lande, Director	1 180

Distribution of shareholders by size of holding:

Number of shares	Number of owners	Holding %
1 - 100	397	0.08
101 - 1 000	1 708	2.59
1 001 - 10 000	480	3.66
10 001 - 100 000	72	7.94
100 001 - 1 000 000	18	16.92
Over 1 000 000	4	68.81
Total	**2 679**	**100.00**

Of the 2 679 owners at 31 December 2002, 252 were foreigners and owned a total of 8.61 per cent of the shares.

23 COMMITMENTS NOT RECOGNISED ON THE BALANCE SHEET

The information on pledged assets indicates which Group assets will be available to pledgees in the event of a bankruptcy or liquidation situation.

a) Assets pledged as security

The Group has pledged buildings equipped with operating equipment as collateral for loans. The loans have been granted by Norwegian financial institutions and have a 20-year term to maturity. The buildings are located in Kongsberg, Egersund and Horten.

Amounts in MNOK	2002	2001	2000
The following loans are secured by collateral:			
Loans against collateral in buildings, including operating equipment	365	385	405
Book value of assets pledged as security:			
Buildings, machinery, fittings, etc.	532	533	377

b) Guarantee liabilities, employees

Amounts in MNOK	2002	2001	2000
Guarantee liabilities, employees	0	2	2

c) Prepayment and completion guarantees

Consolidated companies must furnish guarantees for prepayments and completion in conjunction with projects. The guarantees are issued by Norwegian and foreign banks and insurance companies. Kongsberg Gruppen ASA stands behind all its guarantees.

Amounts in MNOK	2002	2001	2000
Prepayments and completion guarantees in respect of customers	2 479	2 475	1 944

Kongsberg Gruppen ASA has framework agreements for guarantees, entailing covenants with banks and insurance companies (see Note 14 to the consolidated accounts).
No collateral has been furnished for the guarantee amounts.

d) Sale and leaseback of property

The corporation has signed three sale-leaseback agreements for properties in Kongsberg Industrial Park.
The properties are leased by to Kongsberg Næringseiendom, which is wholly-owned by Kongsberg Gruppen ASA.

Property	*Year of sale*	*Amount of sale (MNOK)*	*Leaseback period*
Altogether 32 000 m2 of industrial premises/offices	1999	350	1999-2014
Altogether 43 800 m2 of industrial premises/offices	2001	265	2001-2018
Altogether 6 200 m2 of industrial premises/offices	2002	55	2002-2017

The parent company has guaranteed Kongsberg Næringseiendom's payments for the leaseback of properties that have been sold. Rent will total MNOK 64 in 2003. The rents are subject to annual adjustment and the leases are valid for up to 17 years.

e) Currency hedging

Kongsberg Gruppen's policy is to hedge future foreign exchange revenues against exchange rate fluctuations. All signed foreign currency contracts are hedged. Hedging is also used for budgetted foreign exchange revenues. Hedge accounting is based on forward foreign exchange and option contracts. At 31 Dec. 2002, the Group had the following futures and option contracts, broken down by foreign currency and year of expiration. (All figures translated to MNOK):

	2003	*2004*	*2005*	*2006*	*Samlet*
Net forward sale of foreign currency:					
USD	1 756	659	416	266	3 097
EUR	507	88	79	36	710
Other	188	(12)	2	-	178
Total	2 451	735	497	302	3 985
Put options:					
USD	201	152	-	-	353
Hedging a total of	**2 652**	**887**	**497**	**302**	**4 338**

For the most part, all foreign exchange income for 2003 and parts of the following years is guaranteed at levels from 2001/2002.

f) Interest rate hedging

Kongsberg Gruppen's policy is to have interest expenses that are predictable in a 2- to 4-year perspective. This is accomplished through fixed rates of interest on individual loans, or through interest swap agreements. At 31 Dec. 2002, the Group had the following fixed interest and interest swap agreements:

Amounts in MNOK	*Due date*	*2003*	*2004*	*2005*	*2006*	*2007*	*Years remaining*
Fixed interest agreements:							
Mortgage	30 Nov. 2003	365					0.9
Interest swap agreements:							
Agreement 1*)	17 Dec. 2007	(300)				300	5.0
Agreement 2	19 June 2005			300			2.5
Agreement 3	17 Dec. 2003	100					1.0
Agreement 4	16 June 2004		100				1.5
Agreement 5	15 Sep. 2004		100				1.7
Agreement 6	21 Dec. 2005			100			3.0
Total		**165**	**200**	**400**	**-**	**300**	**2.8**

*) Forward start 17 Dec. 2003

The table shows that the Group's interest expenses will only be marginally impacted by interest rate fluctuations in 2003. The relevant dates for interest rate changes and due dates for interest swap agreements are all towards year end. The average interest rate on the Group's loan portfolio is currently higher than the benchmark for market interest on 3-year bonds for industrial enterprises like Kongsberg Gruppen ASA. Any prolonged downturn in interest rates will not filter through in full until 2004/2005.

g) Decision pending

Kongsberg Defence Communications AS is currently involved in an arbitration case with a supplier for the Multi Role Radio (MRR) project. The case refers to a dispute about deliveries and financial compensation, and a decision is expected in spring 2003.

Income Statement, Balance Sheet and Statement of Cash Flows - Kongsberg Gruppen ASA

The financial statements for the holding company Kongsberg Gruppen ASA include all activities at the main office. Activities at the main office include the Group's executive management and corporate functions: corporate communications, legal affairs, business development, human resources development, management development and finance/funding. Corporate functions work largely on assignment for the Group's other companies, and charge them for services rendered. The central financial function "Kongsberg Finans" serves as the corporate bank and is responsible for the Group's external financing, management of corporate liquidity and general management of the Group's foreign currency and interest rate risk. All assets in subsidiaries are presented using the cost method of accounting.

Amounts in MNOK	2002	2001
INCOME STATEMENT 1 Jan. – 31 Dec.		
Operating revenues	**54**	**51**
Personnel expenses	39	29
Depreciation	3	3
Litigation expenses	-	33
Other operating expenses	34	38
Total operating expenses	**76**	**103**
Operating profit/(loss)	**(22)**	**(52)**
Interest from Group companies	151	161
Other interest income	-	3
Dividends received	-	6
Change in the value of short-term shareholdings	-	(16)
Trading gains/(losses)	45	5
Liquidation losses	(144)	-
Write-down on shares	(46)	(11)
Write-down on receivables	(24)	-
Interest to Group companies	(119)	(140)
Other interest expenses	(66)	(93)
Group contribution received	250	100
Net financial items	**47**	**15**
Earnings before tax (EBT)	**25**	**(37)**
Tax	18	11
Profit/(loss) for the year	**43**	**(26)**
Distributable reserves and equity transfers:		
Proposed dividend	(63)	-

Amounts in MNOK	2002	2001
STATEMENT OF CASH FLOWS		
Net cash flow from operations	(7)	(79)
Net cash flow from investment activities	(166)	(41)
Net cash flow from financial activities	173	120
Net change in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	-
Cash and cash equivalents at 31 Dec.	**-**	**-**

Amounts in MNOK	Notes	2002	2001
BALANCE SHEET AT 31 DECEMBER			
ASSETS			
Deferred tax assets		52	33
Tangible fixed assets		8	12
Shares in subsidiaries	1	1 944	2 222
Other shareholdings		49	67
Net pension funds		1	9
Long-term claims on subsidiaries		1 698	2 017
Other long-term trade debts		5	4
Total fixed assets		**3 757**	**4 364**
Claims on subsidiaries		256	136
Other short-term trade debts		19	15
Shares		3	2
Total current assets		**278**	**153**
Total assets		**4 035**	**4 517**
EQUITY AND LIABILITIES			
Share capital		150	150
Treasury shares		(2)	(3)
Share premium reserve		832	832
Total paid-in equity		**980**	**979**
Other equity		383	379
Retained earnings		**383**	**379**
Total equity		**1 363**	**1 358**
Long-term debt to subsidiaries		1 751	2 220
Liabilities to credit institutions		561	650
Total long-term liabilities		**2 312**	**2 870**
Other short-term liabilities		129	72
Overdraft facilities		231	217
Total short-term liabilities		**360**	**289**
Total equity and liabilities		**4 035**	**4 517**

Notes – Kongsberg Gruppen ASA

1 SHARES IN SUBSIDIARIES

Amounts in MNOK	*Year of acquisition*	*Main office*	*Stake/ voting interest %*	*Book value Dec. 2002*
Kongsberg Defence & Aerospace AS	1997	Kongsberg	100	392
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	88.5	1 101
Kongsberg Forsvar AS	1995	Kongsberg	100	0
Kongsberg NFT AS	1995	Kongsberg	100	0
Kongsberg Asset Management AS	1995	Kongsberg	100	5
Norsk Forsvarsteknologi AS	1987	Kongsberg	100	0
Kongsberg Næringseiendom AS	1997	Kongsberg	100	197
Davis AS	1998	Drammen	100	0
Navia Maritime AS	2002	Trondheim	100	113
Nerion AS	2002	Trondheim	100	0
Kongsberg Reinsurance LTD	2001	Dublin	100	3
Aentera Network AS **)	2000	Kongsberg	58	0
				1 944

*) The remaining 11.5 per cent of the shares in Kongsberg Maritime AS are owned by Kongsberg Basetec AS.

**) Kongsberg Protech AS also owns 18.9 per cent of the company.

Auditor's Report for 2002

To the Annual Shareholders' Meeting of Kongsberg Gruppen ASA

We have audited the annual financial statements of Kongsberg Gruppen ASA for the 2002 fiscal year, which show a profit of NOK 43 000 000 for the parent company and a profit of NOK 216 000 000 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 profit. The financial statements comprise the Balance Sheet, the Statements of Income and Cash Flows, the accompanying notes and the consolidated accounts. These financial statements have been presented by 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 applied and significant estimates made by management, as well as evaluating the overall content and presentation of the financial statements. To the extent required by good auditing standards, an audit also comprises a review of the management of the Company's financial management 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 2002, and the results of their operations and their cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway;
- the Company's management has fulfilled its obligation in respect of registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway;
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and complies with law and regulations.

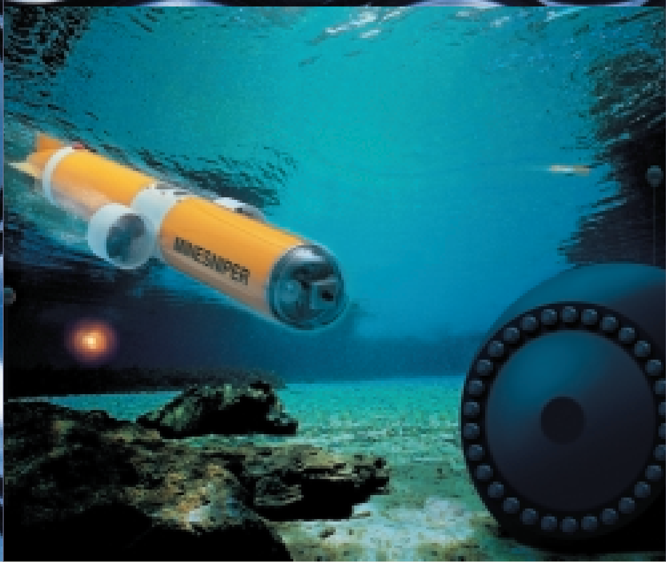
ERNST & YOUNG AS

Olve Gravråk
State Authorised Public Accountant (Norway)

Oslo, 11 March 2003

World Class – Products

Minesniper - World Class



Minesniper

The Minesniper is a one-shot sea mine disposal system, effective against all types of mines ranging from shallow water mines to mines moored at depths down to 500 metres. The Minesniper is a compact, lightweight, battery-operated ROV, weighing 25 kg and measuring 1.4 metres long. It can move at speeds up to six knots and is equipped with sonar, a video camera and lights. Positioning is handled by a special acoustic positioning system and the minehunting vessel's sonar. Each Minesniper carries an explosive charge to destroy a mine.

People, technology and dedication

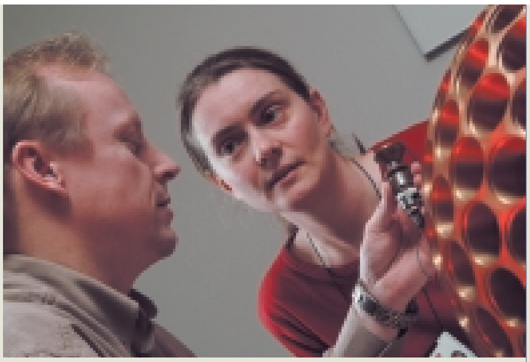
In 1990, the Norwegian Defence Research Establishment (FFI) and Kongsberg Defence & Aerospace of Stjørdal (formerly Bentech) filed a joint patent on the Minesniper concept and landed a Norwegian Navy development contract. Market opportunities picked up following the successful detonation of a sea mine in the Trondheim Fjord in March 2000. KDA concluded a contract with the Spanish Navy in conjunction with Simrad of Spain, and signed a contract for installation in Spain in 2002. Agreement was reached with the Norwegian Navy regarding an operative field test in 2001. The system is currently deployed on the KNM Oksøy.

The Minesniper's mechanical parts are currently made by Kongsberg Simrad UK, among others. Ably assisted by that company, KDA is now targeting the English market. During the year, KDA also established collaboration with EDO of the US to make a helicopter-based system for the US Armed Forces.

The Minesniper is a weapons system designed for integration into a minehunting vessel's command and control system. Sophisticated signal processing and positioning algorithms are used to control the vessel and to locate and destroy mines.

To facilitate easy operation, the Minesniper has a "way-point" navigation system that helps the vessel locate the target automatically.

High Precision Acoustic Positioning (HiPAP) - World Class



People, technology and dedication

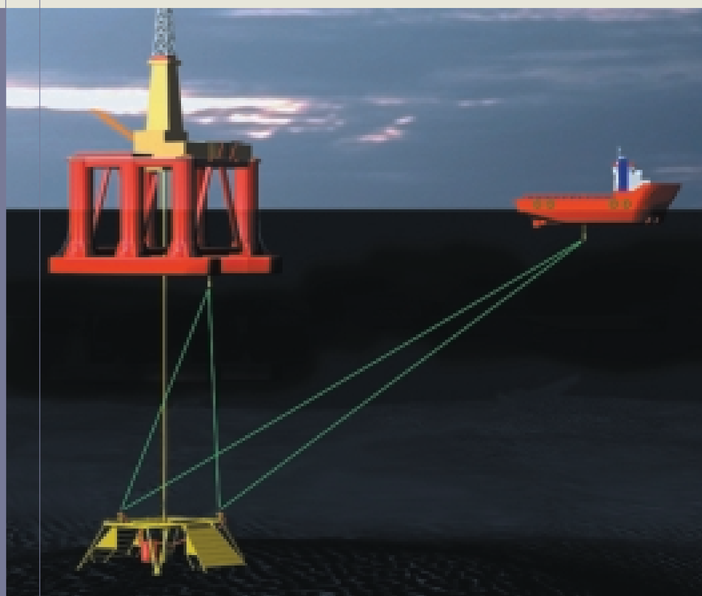
Hydroacoustics is the core area of excellence used in the development of HiPAP, and the North Sea oil development projects were also instrumental. HiPAP consists of 241 transmitters and receivers installed in a hull-mounted unit. The transmitters and receivers operate together to transmit and receive sound signals off a transponder, and thus to calculate exact positions.

In the early 1990s, development projects in the North Sea began moving to greater depths and Statoil needed an acoustic positioning system that was significantly more accurate than those on the market at the time. KONGSBERG's skilled engineers accepted the challenge and developed a HiPAP system that met customers' exacting standards. The largest markets for HiPAP are in the offshore oil and gas production industry, where the oil companies are the end-users. Today, the systems are sold to shipowners, shipyards, research organisations, surveying companies, petroleum drillers, contractors and directly to oil companies. Stringent standards are applied to this type of systems and to those who provide services that include the need for underwater positioning. Accordingly, good relations with customers and other market players are crucial to success.

High Precision Acoustic Positioning (HiPAP)

HiPAP is a hydroacoustic positioning system developed to determine the exact position of individual objects under water. The principle underlying the system is based on measuring the distance and direction from the surface vessel to known sources of sound that transmit signals back through the water.

HiPAP is KONGSBERG's most sophisticated hydroacoustic positioning system and can be used in all phases of an oil field's useful economic life. Lately, the product has also been used for research and military applications.

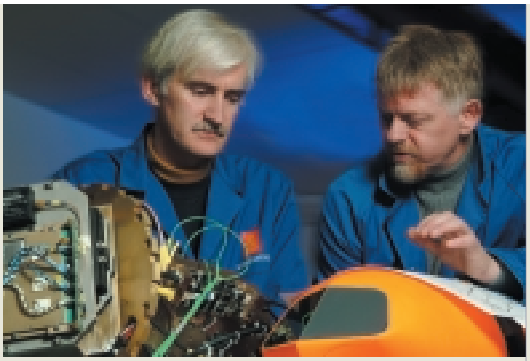


Autopilot - World Class

Autopilot
An autopilot is an automatic steering mechanism for boats. When engaged, it will maintain a steady course and speed.
An autopilot's input consists of information from compasses, electronic charts, the boat's speed and GPS (Global Positioning System).
An autopilot is one of the mate's most important technical aids. It helps improve safety onboard and translates into savings by reducing fuel consumption, especially on larger vessels. Offering a wide selection of models, Simrad is the only manufacturer that makes autopilots for super tankers, commercial vessels, high-speed ferries, motor boats and sailboats.

People, technology and dedication
Kongsberg Gruppen is the world's leading autopilot manufacturer, a position built up over several decades based on the activities at Simrad Robertson in Egersund. The first autopilot was launched as early as in 1952.
Expertise in signal processing, engineering cybernetics and systems integration is a prerequisite for success. Reliability, user-friendliness and an attractive design, along with robust software that steers the vessel according to the user's wishes, also contribute to the products' success. Simrad's autopilots are reputed to be the best equipped, most reliable ones on the market.
Today's autopilots from Simrad represent the culmination of long experience and close contact with end-users. Continuous improvements are made to accommodate users' requests and requirements insofar as possible.

The Naval Strike Missile (NSM) – World Class



People, technology and dedication

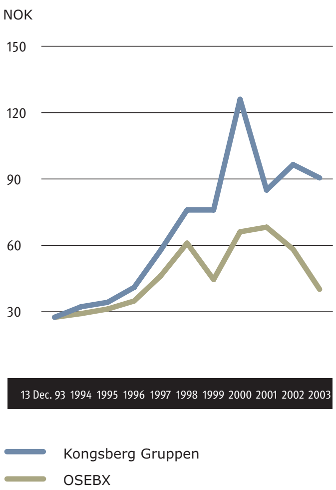
The NSM evolved as a result of the Norwegian Armed Forces' need for new vessels and KONGSBERG's long history of making anti-ship missiles. KONGSBERG's missile group has had a decisive influence on the design of the system and the choice of detailed solutions. It is important for KONGSBERG to continue to evolve in a product area where it has enjoyed so much international success. Accordingly, the missile is being developed so that the system can be adapted to a variety of different platforms, offering considerable flexibility for users. The long-term collaboration established between the Navy, the Norwegian Defence Research Establishment and KONGSBERG has been fundamental for the development of the NSM. Close, long-term co-operation with the Norwegian Navy has been desirable, natural and necessary. Good interpersonal relations have streamlined the work, and more integrated teams have now been established.

The Naval Strike Missile (NSM)

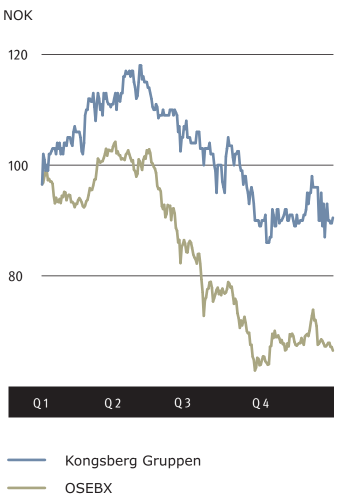
The NSM is a new long-range cruise missile, adapted for vessel deployment. The missile will also be adapted for helicopter and airplane deployment, as well as for Unmanned Aerial Vehicles (UAVs). The NSM has been developed based on the Norwegian Armed Forces' requirements and standards. The missile features unique characteristics and is well-prepared to meet the threats of tomorrow, for example, it is difficult to detect using radar or IR sensors. This, combined with unpredictable flight patterns, makes it especially effective, even against well-defended targets. Its long radius of action and terrain-following trajectory make the system highly effective in coastal waters. The NSM's new imaging target seeker allows the missile itself to determine whether it is headed towards the right target. Given its superior features, long radius of action and low weight, the NSM sets a new standard for such products.

Shares and shareholder relations

Share price trends from introduction on the Oslo Stock Exchange



Share price trends 2002



Shareholder policy

Kongsberg Gruppen's paramount objective is to enhance the value of its shareholders' investments. The Group's primary focus is on its two main business areas: Kongsberg Maritime and Kongsberg Defence & Aerospace. The Group's goal is to enhance profits and operating revenues. Kongsberg Gruppen plans to grow organically and through acquisitions in selected strategic market segments. The corporation aspires to be a world leader in its 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. Kongsberg Gruppen furnishes the equity market with relevant, comprehensive information as the basis for a balanced, correct valuation of the share. The Group will ordinarily 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 high-technology enterprise operating in a variety 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 by making presentations for analysts and investors.
Kongsberg Gruppen's website offers a special section on investor information, featuring consolidated annual reports, quarterly reports and presentation material.

Dividends and profit per share

Kongsberg Gruppen has experienced the following trend in dividends and profit per share in recent years:

NOK	*2002*	*2001*	*2000*	*1999*	*1998*	*1997*	*1996*
Dividend	2.10	0	0	2.25	2.00	1.00	0.88
Profit per share	7.21	4.18	-1.86	8.84	7.04	3.04	2.95
P/E*)	12.6	23.1	-	16.2	10.8	25.0	19.6

*) The price/earnings ratio per share, based on the share value on the last day of trading.

Dividends will be paid to those holding shares on the date of the AGM. The ordinary AGM will be held on 12 May 2003.

Market capitalisation

Market capitalisation dropped by 6.2 per cent, from MNOK 2 895 to MNOK 2 715. The Group was launched on the Oslo Stock Exchange in December 1993 with a market capitalisation of MNOK 643. Adjusted for the MNOK 300 share issue in 1999, its market capitalisation has increased by 375 per cent since the Group was first listed.

Share price trends and sales in 2002

Like most other equities, the Kongsberg share experienced slow growth in 2002. Opening relatively strong early in the year, the share price significantly outpaced the All-Share Index. Later in the year, the share price declined, ending the year at NOK

90.50, down 6.2 per cent from the end of 2001 (NOK 96.50). The All-Share Index saw a decline of 31 per cent during same period.

	2002	*2001*	*2000*	*1999*	*1998*
Number of shares traded	2 448 279	9 378 681	9 329 214	8 579 047	8 368 991
% of unrestricted shares*)	16 %	63 %	62 %	64 %	70 %

**) Of shares in circulation, i.e. excluding the Norwegian State's 50.001 per cent stake.*
The number of shares increased from 24 million to 30 million in July 1999.

As of 1 January 2003, Kongsberg Gruppen became part of the OSEBX, the Oslo Stock Exchange index for the largest listed companies.

Employee share and option programmes

The Group's annual employee share programme was conducted in spring 2002, marking employees' sixth annual opportunity to buy shares in the Group at a 20 per cent discount. 907 employees purchased a total of about 247 593 shares under the programme in 2002. Each employee could purchase shares for up to NOK 25 000. Bonus options were attached to their purchases, ensuring each buyer about half the number of options as shares purchased. The options can be exercised after two years.

Number of shares and nominal value

Kongsberg Gruppen ASA's share capital consists of 30 million shares with a nominal value of NOK 5 per share. There is just one class of shares and there are no restrictions on voting. When launched on the Oslo Stock Exchange on 13 December 1993, the Group's share capital consisted of 5 850 000 shares with a nominal value of NOK 20. 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, each share was split into four, increasing the total 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. Six million new shares were issued in July 1999, bringing the number up to the current total of 30 000 000 shares.

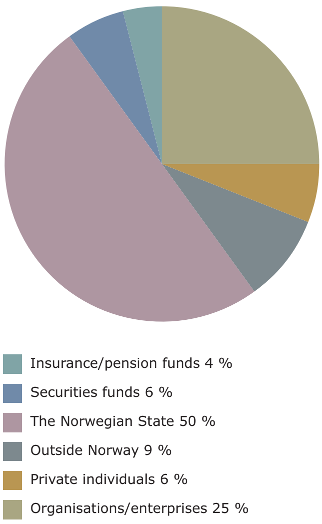
Own shares

Kongsberg Gruppen's ordinary Annual General Meeting on 13 May 2002 authorised the Board to buy shares in Kongsberg Gruppen. Limited to 5 per cent of the share capital, the authorisation is valid until the next ordinary AGM. At 31 December 2002, Kongsberg Gruppen owned a total of 420 378 or 1.4 per cent of its own shares. The shares were purchased for the employee option and share programmes.

Ownership structure

Kongsberg's ownership structure changed little during the year. The State is still the largest shareholder with a stake of slightly more than 50 per cent. Apart from the State, Umoe Invest and three foreign owners are the largest shareholders. Norwegian life insurance companies, unit trusts and pension funds rank high on the list of principal shareholders. The percentage of shares in foreign hands increased from 8.5 per cent to 8.6 per cent in 2002.

Ownership structure



Shares owned by directors and management
For information about shares owned by directors and corporate management, see Note 22 in the notes to the consolidated accounts, page 37.

Corporate Governance

Corporate Governance deals with issues and principles linked to the distribution of roles between the governing bodies in an enterprise and the responsibility and authority assigned to each body. This term is the one used to describe responsible interaction between owners, the Board and management, viewed in a long-range, value-adding perspective. It calls for effective collaboration between management and the Board, respect for the Group's other stakeholders, and open, honest communication with the communities in which the Group operates.
Kongsberg Gruppen makes every effort to give investors and other stakeholders open, reliable and relevant information. In terms of corporate governance, we take expert recommendations into account and insofar as possible organise our activities to adhere to "best practice". KONGSBERG aspires to draw up a special policy for this.

The Board's duties
At KONGSBERG, the Board's primary responsibility is to protect the interests of all the shareholders, although it also bears responsibility in respect of the Group's other stakeholders.
The Board's main tasks involve helping to draw up and adopt the Group's strategy, performing the requisite control functions and serving as an advisory body for corporate executive management. These tasks are not static. Their focus will depend on the Group's needs at any given time.

Composition of the Board of Directors
The members of the Board of Kongsberg Gruppen ASA have considerable directorship experience and expertise in the Group's main business areas. According to the Articles of Association, the Group is to have five to eight directors. At present, the Board consists of four external directors and three directors elected by and from among the Group's employees. Ordinarily, the Board has five external directors. Jens Ulltveit-Moe resigned his directorship of his own volition in December 2002. His seat will remain vacant until the election of directors at the AGM on 12 May 2003.
The CEO is not a member of the Board of Directors. The Board is responsible for hiring the CEO. Five directors are elected by the AGM, while three are elected directly by and from among the Group's employees. Directors are elected for two-year terms and are eligible for re-election. The Board elects its own chair for a two-year term. Christian Brinch is Chairman of the Board.

The Board's independence
The Board considers itself autonomous and independent of the Group's corporate management. It is important that there be no conflicts of interest between owners, the Board, the administration and the Group's other stakeholders.

Board routines

The Board schedules regular board meetings each year. Ordinarily, the Board meets 7 or 8 times a year. Extra meetings are convened on an *ad hoc* basis. In 2002, the Board met eight times. Each year, a special seminar is organised for the Board on topics related to the Group's activities and the Board's duties and work routines.

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

Ordinarily, the CEO proposes the agenda for Board meetings and the Chairman of the Board takes the final decision. In addition to the directors, the Board meetings are attended by: the CEO, CFO and chief legal officer (secretary of the Board). Other participants are summoned as needed. The Board adopts decisions of particular importance to the Group, including the approval of the annual and quarterly accounts, strategies and strategic plans, the approval of significant investments (usually those in excess of MNOK 10), and the approval of major business acquisitions and disposals.

Kongsberg Gruppen's ordinary Annual General Meeting in May 2002 authorised the Board to buy shares in Kongsberg Gruppen. Limited to 5 per cent of the share capital, the authorisation is valid until the next ordinary AGM.

There is a clear division of responsibility between the Board and executive management. The Chairman of the Board is responsible for the directors' work being conducted in an efficient, correct manner in accordance with the Board's duties. The CEO is responsible for the Group's operational management. New directors are briefed on the Group's current strategy and historical conditions of relevance to its current situation. Special instructions have been drawn up for the Board.

Changes in the Board in 2002

None of the directors was up for election in 2002. Member of the Board Jens Ulltveit-Moe resigned his directorship of his own volition in December 2002.

The Nominating Committee

The Nominating Committee consists of three members who are shareholders or representatives of shareholders. Two members are elected by the AGM and one by the Board. The Group's Chief Legal Officer is secretary of the Nominating Committee. The Committee elects its own chair. The Nominating Committee submits its nominations to the AGM.

Board elections are held every other year. The Nominating Committee is responsible for ensuring continuity on the Board.

Investor relations

In connection with the presentation of consolidated annual and quarterly reports, the Group organises open investor presentations at which the CEO reviews the results and comments on products, markets and prospects for the future. The Group's CFO, and occasionally other members of corporate management, also participate in these presentations.

The presentations made for investors in connection with annual and quarterly reports are available on the Group's website at www.kongsberg.com. Beyond that, the Group conducts an ongoing dialogue with and makes presentations for analysts and investors. Management considers it vital to keep owners and investors informed about the Group's progress and economic and financial status.

The Annual General Meeting is held every year in May, at which time the CEO reviews the state of the company. The Chairman of the Board and the Group's CFO are also present to respond to questions from shareholders.

In addition to the above-mentioned activities, a large number of presentation meetings are organised during the year with other players in the financial market.

All shareholders are treated equally.

Limitations on voting rights

Kongsberg Gruppen's shares are all Class A shares. There are no restrictions placed on voting rights. All shares are equal.

Corporate management

Corporate management currently consists of six individuals. In addition to the CEO, the executive management group consists of the CFO, the presidents of the two main business areas (Kongsberg Maritime and Kongsberg Defence & Aerospace), the executive vice president of Business Development and the executive vice president of Corporate Communications.

Corporate management usually meets once a fortnight, supplemented by routine contact on an operational basis. The corporation practises a decentralised form of corporate governance that gives the individual units considerable latitude along with the responsibility that entails.

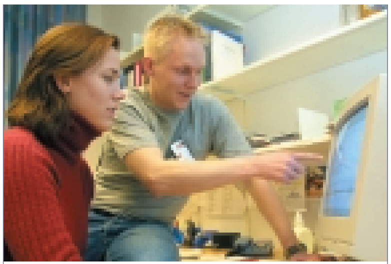
Corporate management's main responsibility is the operation of the corporation, and it is the overall situation of Kongsberg Gruppen that governs the decisions that are made. Management follows up earnings and budgets on a monthly basis with the performance centres in the Group.

Evaluations

The Board's work routines and interaction are discussed on an ongoing basis, especially in connection with Board seminars. Each year, executive management evaluates its own work and work routines.

Defence mechanisms (poison pills)

The corporation has no type of defence mechanisms in its Articles of Association or any other measures to prevent the acquisition of the Group's shares.



In-house control

Accounting controls are accomplished through different types of division of responsibilities, guidelines and approval routines. The consolidated central accounting unit has overall responsibility for establishing and following up guidelines and principles. Consolidated internal and external financial transactions are the object of separate control systems and routines. Financial risk is offset using appropriate financial instruments. Financial risk management is handled by the Group's central financial unit. Responsibility for the commercial content of contracts and agreements lies with the individual business area. At the corporate level, a web-based tool has been introduced to simplify and improve quality assurance in terms of how contracts and agreements are handled.

Special share register

The company has stipulated in-house guidelines for trading in Kongsberg Gruppen's shares. The regulations are in accordance with the guidelines drawn up by the Oslo Stock Exchange for insider trading. These guidelines are updated regularly in accordance with regulations from the Oslo Stock Exchange, and distributed to primary insiders at regular intervals.

Auditor

The corporation had used Arthur Andersen & Co. as its independent auditor from its inception in 1987. In spring 2002, Arthur Andersen & Co in Norway was merged with Ernst & Young. In addition to ordinary auditing, the company performed other services that accounted for about 30 per cent of the total fees.

Analytical data

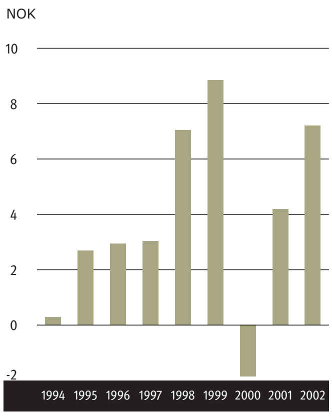
Key figures

Amounts in MNOK		2002	2001	2000	1999	1998	1997	1996	1995	1994
Operations	Operating revenues	6 980	6 176	5 296	4 412	4 404	3 674	3 023	1 998	2 038
	- of which, civilian %	62%	63%	64%	73%	71%	71%	61%	52%	49%
	- outside Norway %	72%	74%	74%	62%	62%	55%	51%	41%	47%
	EBITA	485	437	287	249	278	192	173	81	78
	Operating profit/(loss)	404	328	225	213	189	157	140	64	45
	Earnings before tax (EBT)	291	191	188	205	279	121	117	94	19
	Profit/(loss) for the year	213	122	(54)	233	169	73	69	63	6
	Effective tax rate %	28%	38%	-	32%	33%	40%	36%	33%	74%
	Net cash flow from operations	264	321	46	409	423	358	190	121	130
	EBITA margin %	6.9%	7.1%	5.4%	5.6%	6.3%	5.2%	5.7%	4.1%	3.8%
	Operating margin %	5.8%	5.3%	4.2%	4.8%	4.3%	4.3%	4.6%	3.2%	2.2%
	Profit margin %	4.2%	3.1%	3.5%	4.6%	6.3%	3.3%	3.9%	4.7%	0.9%
	New orders	5 725	5 967	7 648	4 123	4 604	3 952	3 955	2 291	1 590
	Backlog of orders	5 143	6 401	6 610	4 258	4 551	4 349	4 041	2 676	2 440
	Equity-financed R&D	318	282	184	185	172	146	142	74	77
	Equity-financed development as a % of operating revenues	5%	5%	3%	4%	4%	4%	5%	4%	4%
Capital	Total assets	5 597	5 629	5 371	4 012	3 949	3 412	3 221	2 171	2 216
	Tied-up capital	3 260	3 078	2 942	1 796	1 959	1 798	1 888	1 254	1 319
	Pre-payments from customers	818	1 028	957	858	552	555	376	217	361
	Net interest-bearing debt	792	776	1 029	(330)	456	126	298	(255)	(330)
	Equity	1 741	1 538	1 406	1 490	1 106	1 042	975	917	871
	Equity %	31%	27%	26%	37%	28%	31%	30%	42%	39%
	Return on total assets %	7%	6%	5%	6%	9%	6%	6%	5%	4%
	Return on tied-up capital %	13%	11%	11%	13%	18%	10%	11%	9%	7%
	Return on equity %	18%	13%	13%	16%	26%	12%	12%	11%	2%
	Investments	360	391	1 235	305	574	216	715	112	84
	Depreciation	269	267	240	187	228	149	133	87	108
Employees	Number of employees	4 208	4 012	3 765	3 382	3 333	3 262	3 212	2 049	2 131
	Graduate engineers/engineers	2 871	2 633	2 294	2 106	1 990	1 901	1 901	706	773
	Wage share	30%	30%	32%	32%	30%	33%	33%	37%	36%
Owner's value	Market capitalisation	2 715	2 895	2 550	3 780	1 824	1 824	1 386	959	801
	Annual share price trend %	(6%)	14%	(33%)	107%	0%	32%	45%	20%	6%
	Profit per share (in NOK)	7.21	4.18	(1.86)	8.84	7.04	3.04	2.95	2.69	0.28
	P/E	12.55	23.09	-	16.20	10.80	25.00	19.60	15.20	124.50
	Dividens (in NOK)	2.10	0.00	0.00	2.25	2.00	1.00	0.88	0.69	0.26
	RISK (in NOK)	0.95	0.40	(0.59)	2.13	(1.90)	(0.95)	(0.81)	(0.69)	(0.25)

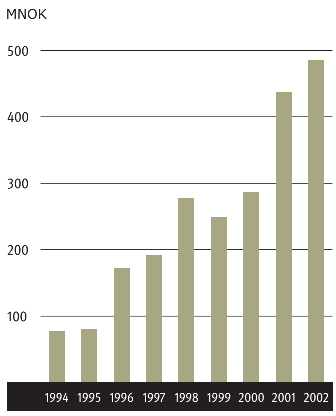
Definitions

EBITA	Earnings Before Interest, Taxes and Amortisation.
Effective tax rate	Tax as a % of the profit/loss before tax.
Net cash flow	See the Statement of Cash Flows on page 26.
Operating margin	Operating profit as a % of operating revenues.
Profit margin	Profit after financial items as a % of operating revenues.
Tied-up capital	Total assets less short-term interest-free liabilities.
Financial strength	Book equity.
Return on total assets	Operating profit plus financial income as a % of total assets.
Return on tied-up capital	Earnings before tax plus financial income as a % of tied-up capital.
Return on equity	Profit/loss after financial items 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 Stock Exchange on 13 December 1993.
Wage share	Wages and social security expenses as a % of operating revenues.
Earnings per share	Net profit after tax divided by a weighted average number of shares.
P/E	Price/Earnings ratio Market price at 31 December divided by the earnings per share.
RISK	The year's adjustment on the tax-related incoming value of shares.

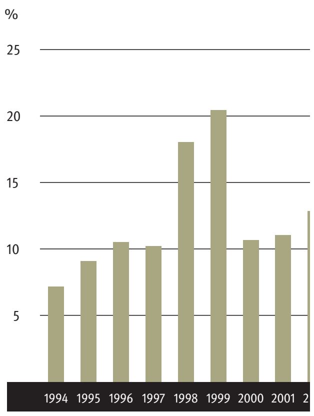
Earnings per share



EBITA



Return on tied-up capital



Market conditions and other general parameters

Offshore & Subsea

Investment tapered off in the offshore sector in 2002, and new orders diminished throughout the year.

The segment maintained its position as a leading supplier of dynamic positioning and hydroacoustic systems. To further strengthen its position, considerable efforts were invested in product improvements (e.g. Green DP) and in expanding areas of application, for example, automation and process control systems for LNG (Liquefied Natural Gas) vessels.

The price of oil is a crucial parameter in this context. Given the high oil prices in 2002, one might expect the investment level to rise, but that was not the case, due *inter alia* to a softening of the international economy and considerable uncertainty about the future.

The segment is focusing on exploiting its technologies in markets other than the offshore market. Today, 45 per cent of Offshore & Subsea's business is in non-offshore markets. The segment's international position furnishes a good point of departure for gaining access to markets other than those linked to the Norwegian Continental Shelf. The segment has a backlog of orders sufficient to ensure its revenue-generating capacity throughout large parts of 2003.

Merchant Marine

Kongsberg Maritime Ship Systems (KMSS) supplies navigation and automation systems to the merchant marine, and is a major exporter to shipyards in South Korea and China. The company has launched the concept "from sensors to systems" and is the world's most complete total supplier of ships systems today. KMSS has also carved out a strong position in e-learning, a field with considerable growth potential.

The segment is influenced by market trends in shipbuilding, especially in the Far East where shipbuilding has seen a boon recently. This has had a favourable impact on the Group's activities. The downturn in the world economy and the terrorist attack on 11 September 2001 led to a decline in contracts for new vessels, but the backlog situation is still good for KMSS' largest customers in South Korea and China. The outlook is also good in the tanker and container market.

Yachting & Fishery

Simrad's position in the yachting and fishery market has improved as a result of several years of dedicated product development and marketing efforts. Considerable attention has been devoted to product renewal in the fishery market in recent years. Now featuring a broader, more state-of-the-art range of products than ever before, Simrad is a leading international brand name.

The yachting market is heavily impacted by the general economic situation as well as by private consumption. No market growth is expected in 2003. Simrad's contracts with the Ferretti Group and Sunseeker open opportunities on the boat-building market. USD exchange rates also impact this segment, given its high level of activity in the USA and the fact that it also competes with US companies in other parts of the world.

Defence & Aerospace

Kongsberg Defence & Aerospace (KDA) has seen strong growth in recent years. Exports are on the rise, and KDA's R&D programmes are pro-active and future-oriented. At the international level, the market for sophisticated defence systems is expansive, and KDA has experienced steadily more success in this market. The constant changes taking place in the European and US markets alike will pose challenges for KDA in future. The Norwegian defence market is in a transition phase, which will eventually have an impact on the Norwegian Armed Forces' defence investment needs. Although US defence budgets are expansive, it is difficult for foreign industry to gain market access. Budgets are tight in most European countries, causing delays in new project start-ups. There are also hold-ups in project clarifications from the Middle East. KDA is actively exploring contract opportunities in Norway and abroad.

The competitive situation is changing as a result of restructuring in the European defence industry. Competitors are becoming fewer and larger. KDA has entered into alliances with several of the largest players in its niches, including Raytheon, Lockheed Martin and EADS/Aerospatiale Matra Missiles.

Foreign currency

Although most of Kongsberg Gruppen's production takes place in Norway, roughly 72 per cent of its output was exported in 2002. The Group's competitors are located in Europe, the USA and Japan, which translates into considerable corporate foreign currency exposure. The strengthening of the NOK in 2002 implies a considerable negative distortion of competition for the Group.

Kongsberg Gruppen's policy is to limit currency risk while actively assessing various currencies' importance as competitive parameters. Accordingly, all contractual foreign currency flows are hedged. Budgeted currency flows are also hedged. The hedging of budgeted currency flows and foreign currency bids for major contracts are based on the individual enterprise's market and competitive situation.

At 31 December 2002, the Group had hedged a total of NOK 4.3 billion in future foreign currency revenues, mainly in USD. Since the Group has hedged budgeted currency flows and signed contracts in foreign currencies, corporate operating revenues and profits will not be influenced much in 2003 by the strengthening of the NOK in 2002. For more information, see Note 23 e) on page 38.

Interest rates

Kongsberg Gruppen experienced a stable debt situation in 2002, with net interest-bearing liabilities averaging some MNOK 1000. Norway's high interest rates had an adverse impact on the Group's net result compared with foreign competitors. The Group's policy is to commit to two- to four-year fixed interest rates on its external loans.

At 1 January 2003, Kongsberg Gruppen had MNOK 925 in gross interest-bearing liabilities under the auspices of the Group's central financing programme.

The Group's central loans are distributed as follows:

Mortgages	MNOK	365
Norwegian commercial papers	MNOK	210
Bond issue	MNOK	300
Sterling Acceptance	MNOK	50

Kongsberg Gruppen has hedged its loans by contracting fixed rates of interest and interest swaps. Any fluctuations in interest rates in 2003 will have little impact on the financial expenses related to existing loans.

Liquidity/financing

Kongsberg Gruppen's funding is based on a syndicated loan facility of MNOK 800 which will run until 2004, a 20-year mortgage for MNOK 365, and a three-year bond issue of MNOK 300 that was set up in 2002. Financial and liquidity management are co-ordinated by Kongsberg Finance, the Group's corporate financial services unit. The Group attaches importance to diversified funding.
The Group's loan parameters will be evaluated in the light of its growth strategy.
Net interest-bearing debt showed a decline in Q4 2002 as a result of a healthy cash flow from operations.
At year end, Kongsberg Gruppen had MNOK 182 in cash and cash equivalents and MNOK 870 in unused lines of credit.

IFRS

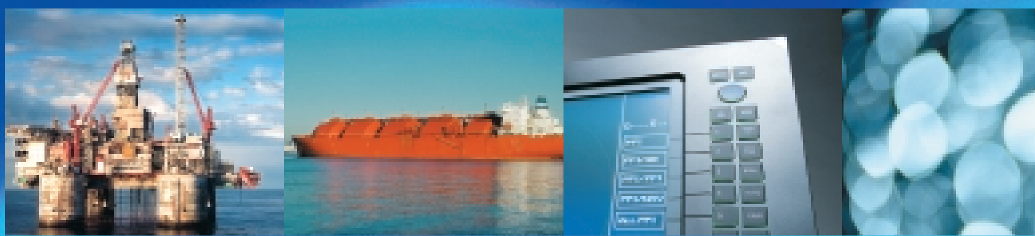
As of 2005, all listed companies are required to draw up their financial reports according to the International Financial Reporting Standards (IFRS). KONGSBERG has begun to identify the differences between the current accounting principles and IFRS. As the accounting principles will be subject to constant development until 2005, KONGSBERG will continue to assess the consequences of the transition to the new accounting regime.

Kongsberg Finans - in-house bank and hub of financial expertise

Established in 1999 as a separate profit centre, Kongsberg Finans now has nine employees who run the Group's in-house bank and constitute the corporate hub of financial expertise. Kongsberg Finans was established as a step in the Group's plan for growth and internationalisation, and in response to the need to professionalise at every level in the fields of financial risk and international interest and currency issues. Kongsberg Finans serves all members of the KONGSBERG family, offering financing, currency hedging, bank solutions, insurance and guarantees, in addition to consultancy and human resources development services. Kongsberg Finans' contact with Group companies in Norway and abroad provides a good overview of KONGSBERG'S overall financial risk and good opportunities for central control. It is also possible to obtain better market terms when all financial transactions are gathered in one place. Kongsberg Finans has been a successful initiative thus far and it will be further developed at a pace commensurate with corporate development.

Business Area

Kongsberg Maritime



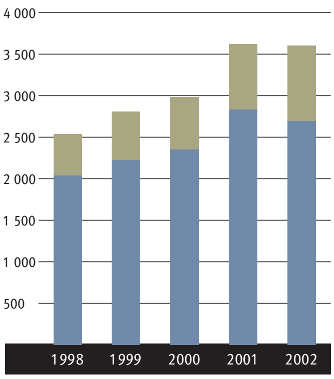
Kongsberg Maritime in brief

Kongsberg Maritime

MNOK	*2002*	*2001*	*2000*
Operating revenues	3 603	3 619	2 983
EBITA	309	303	195
Operating profit	237	236	139
EBT	119	118	80
Number of employees	2 425	2 373	2 290

Operating revenues

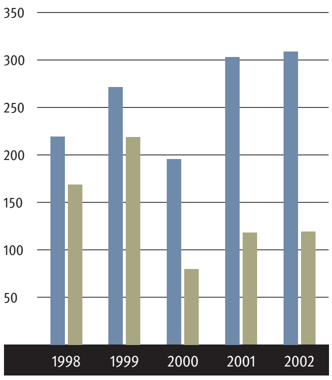
MNOK



Norway
Outside Norway

Profit

MNOK



EBITA
EBT

Kongsberg Maritime is among the world's leading suppliers of high-technology products and systems in the field of marine electronics. Based on technologies related to dynamic positioning, marine automation, navigation, hydroacoustics, simulation, communications and data processing, Kongsberg Maritime serves three main segments world-wide:

- Offshore & Subsea
- Merchant Marine
- Yachting & Fishery

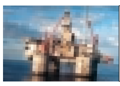
Kongsberg Maritime is currently developing a new segment: Information Technology. The initiative is aimed at providing new software solutions for use on board vessels and for ship administration.

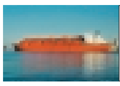
Kongsberg Maritime experienced favourable trends in 2002 with a view to operating revenues, market position and profits. Kongsberg Maritime's activities accounted for 52 per cent of Kongsberg Gruppen's total operating revenues in 2002.

The business area's aggregate operating revenues edged down from MNOK 3 619 in 2001 to MNOK 3 603 in 2002, of which MNOK 2 684 was generated by exports or activities outside Norway. The corresponding figure for 2001 was MNOK 2 832. The EBT increased from MNOK 118 to MNOK 119. The BA has 2 425 employees in 21 countries.

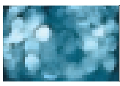
Kongsberg Gruppen ASA
Financial Affairs/Funding • Information • Legal Affairs • Human Resources/ Organisational Development • Business Development • Property

Kongsberg Maritime AS


Offshore & Subsea


Merchant Marine


Yachting & Fishery


Information Technology

Torfinn Kildal
President
Kongsberg Maritime

The high Norwegian exchange rate and cost trends have affected the general conditions under which Kongsberg Maritime operates, causing its competitive position to deteriorate in 2002. Investment levels stagnated in some markets, and declined in others. This translates into keener competition for fewer contracts. Several of Kongsberg Maritime's markets are being affected by consolidation among customers.

Kongsberg Maritime has made active efforts to adapt to these general business conditions. The goal is to further develop the BA's strategic positions while improving and streamlining operations.
Several events in 2002 moved the business area in the right strategic direction.
A framework agreement was signed with Statoil, making KONGSBERG one of two alternative suppliers for Statoil's process automation projects. At the same time, KONGSBERG was chosen to supply process automation systems for the Kristin platform.
Efforts continued to introduce KONGSBERG technology into new marine niches.
KONGSBERG consolidated its position as a major supplier of integrated steering and control systems for LNG tankers in 2002, when nine such contracts were signed.
KONGSBERG also won contracts to furnish sonars for underwater monitoring of harbours and fairways, putting it in a position to serve a new and growing market.
Kongsberg Maritime maintained its positions in dynamic positioning and underwater navigation, and enhanced them by acquiring ABB's dynamic positioning activities.
Competition has grown sharper in the seabed surveying market.

The attention devoted to the merchant marine is changing somewhat. Focusing activities entailed the reinforcement of KONGSBERG's position in sensors for propulsion machinery. The BA acquired 100 % of SensIT AS (wireless sensors for monitoring rotating machinery), giving it a technological edge on competitors. KONGSBERG disposed of activities related to the development and production of fire alarm systems.
North-East Asia is becoming increasingly important as the world's premier shipbuilding region. To further develop its strategic position, KONGSBERG increased its stake in the company HKM Co. Ltd. of South Korea to 58 per cent, giving the Group a good platform for further efforts in the region.

The market for maritime training is in flux. New technology makes training easier and more specialised. Recruitment to the industry is increasingly taking place in the Far East, included India. KONGSBERG's simulator activities have to be adapted to these changes.

The market for electronic instrumentation for yachts and commercial fishing vessels stabilised at the 2001 level.

Simrad improved its market position in the fisheries market, due not least to its focused initiative to develop a modern range of echosounder, sonar and trawl net

instrumentation products. The company has won considerable market shares in the commercial tuna-fishing market, a particularly gratifying development.
The US market for yachting instrumentation was difficult in 2002. Nonetheless, Simrad improved its market position in the US, largely thanks to increasing sales of autopilots for motor boats.
Simrad has been working for quite some time to promote its products among leading yacht manufacturers. In 2002, framework agreements were signed with yacht-makers Sunseeker of the UK and the Ferretti Group of Italy. These agreements represent important milestones in the company's boat-builder strategy.

The company Marine Information Technology was established in 2002 as a dedicated target area offering software solutions for vessels, shipping companies and harbours. This sector is expected to grow, and the concept has attracted considerable interest in the market.

KONGSBERG's external general business conditions are not expected to improve in 2003. Accordingly, the BA will continue its efforts to consolidate its strategic positions and streamline operations. This entails, among other things, that KONGSBERG will continue its dedicated effects to promote product development, and will develop its products and systems in close collaboration with customers and users.

The current efficiency improvement measures will be pursued further and new ones will be introduced in 2003.

Offshore & Subsea

MNOK	2002	2000	1999
Operating revenues	1 835	1 852	1 509
EBITA	233	220	163
Operating profit	193	183	135
Number of employees	1 020	979	900

Offshore & Subsea

Offshore & Subsea is Kongsberg Maritime's largest segment, accounting for 51 per cent of the business area's operating revenues in 2002.
KONGSBERG is a world leader in dynamic positioning, marine automation systems and oil/gas process automation. A new manoeuvring and control system for offshore vessels was launched in 2002. The first systems have already been sold, and there are great expectations associated with this product.

Numerous large-scale deliveries in marine and oil/gas automation in recent years have made Kongsberg Maritime's automation group Norway's largest. Major automation contracts for the Thunder Horse (BP) and Kristin (Statoil) platforms, as well as for Daewoo in the LNG (Liquefied Natural Gas) segment, have further reinforced this trend.

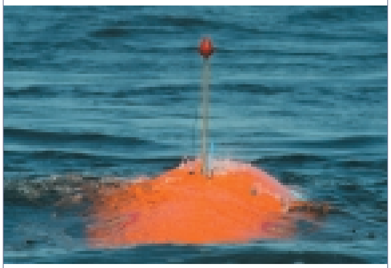
With long traditions in applied hydroacoustics, KONGSBERG has developed a number of high-technology products for seabed surveying, subsea communication and underwater positioning. The non-tethered semi-submersible Hugin 3000 has created quite a sensation in the field of seabed mapping and surveying. Otherwise, KONGSBERG has numerous customers engaged in hydrography and oceanography. The same technology and expertise are applied in connection with sonars. Various types of sonars have been developed and supplied to naval services in many countries. Applications are generally related to mine hunting, submarine hunting or general surveillance.

Offshore & Subsea also offers positioning systems based on GPS and motion sensors for a variety of vessels. Most operate in the offshore or seabed surveying industry, and KONGSBERG has carved out a niche as a leader in this high-technology market segment. A new product is currently being developed to automatically record a vessel's navigation and movement data, and to communicate this data to other vessels in the area as well as to vessel traffic monitoring centres onshore (AIS). Such systems are in the process of becoming mandatory. From 2002 to 2008, the systems will be installed on all vessels of more than 300 gross metric tonnes.

The company also supplies instrumentation for underwater craft, including cameras and a variety of small sonars which are used to find objects on the seafloor and for surveillance purposes.

The market

The offshore market has slowed down. However, although new orders declined during the year, they remain at a high level. KONGSBERG's success with LNG automation systems for gas tankers appears to be continuing. Several major contracts have been signed for systems for Norwegian and foreign vessels alike. Dynamic positioning activities have maintained a steady, high level. The acquisition of ABB's dynamic positioning activities helped build up this speciality further, but a steady stream of new competitors is appearing on the market.



A Hugin 3000 as it submerges

In the subsea market, the Hugin product appears to be living up to customer expectations.
Owing to new regulations for automatic vessel monitoring, the market for precision vessel positioning is expected to expand in 2003. Sonar systems for harbour monitoring are a growth area due to growing attention to safety. Trends are stable and favourable for the other product areas as well.

Highlights
Major contracts were signed with British Petroleum (BP) for automation systems for the Thunder Horse platform and with Statoil for the Kristin platform. Together, the two contracts are valued at roughly MNOK 100. This confirms the company's position as the leading supplier of automation systems for the offshore oil and gas industry.

Offshore & Subsea acquired ABB's dynamic positioning activities.

The company acquired the majority of shares in Seaflex AS. Seaflex makes surveying and monitoring systems for drilling risers. The acquisition will facilitate closer collaboration, ensuring better integrated, more complete deliveries to the oil-drilling industry.

A new manoeuvring and control system was introduced at Offshore Northern Seas (ONS) in Stavanger. The system is specially designed for supply boats and other offshore vessels. The product was exceptionally well received.

A HUGIN 3000 AUV was delivered to Geoconsult AS. The HUGIN has already demonstrated its superiority to other methods: 42 km^2 of seafloor at a depth of 1 000 m were mapped in just 3 days. HUGIN covered a total distance of 550 km, and the longest dive lasted for 61 hours.

The LNG segment showed a favourable trend. A contract was signed with Daewoo of South Korea in Q4 for automation systems for another four LNG gas tankers ordered by Bergesen d.y. ASA.

Merchant Marine

Merchant Marine

MNOK	2002	2001	2000
Operating revenues	995	897	637
EBITA	32	49	(14)
Operating profit	11	31	(31)
Number of employees	604	564	645

Merchant Marine makes products related to automation and navigation systems, cargo management systems, sensors, and maritime simulators and training systems. The products are exported the world over through sales offices, distribution companies and networks of agents.
Given the focus on internationalisation, value is now being added in closer proximity to the company's customers in China and South Korea.

The market

Fewer contracts were signed for newbuildings in 2002. A dip was expected in 2001, but the trend was intensified by the terrorist attack on 11 September 2001, and the subsequent downturn in the world economy. Combined with the strong NOK exchange rate, this has entailed formidable challenges and called for new approaches in this field.
The company's strong focus on South Korea and China has helped strengthen its competitive position in the region. Korean shipyards have chosen Merchant Marine's automation systems for about 40 newbuildings. The introduction of total packages/integrated systems has proven exceptionally competitive, despite the difficult market.
The market for maritime training is also in flux. The concept of e-learning will play a key role in future initiatives. In 2001, the Canadian Navy chose the recently developed PC-based training system that combines the use of simulators and the Internet. In autumn 2002, the Canadian Coast Guard College also gave the nod to Merchant Marine to supply the newly developed Maritime-eCampus.com™, a further development of the system used by the Canadian Navy.

LNG carrier under construction at the Samsung shipyards in South Korea

Highlights

Merchant Marine has received large orders for automation, navigation and cargo management systems for South Korean shipyards. They opted in favour of the Data Chief C20 automation system for 100 newbuildings. A contract was also signed for the delivery of Cargo Monitoring & Control Systems for another 50 vessels. In the field of navigation, Samsung/Daewoo ordered Kongsberg Maritime Ship Systems' integrated bridge systems, Bridge Line, for seven LNG tankers. In 2002, the company also launched the Midi Operative Station, a new optional compact operator station for the DataChief C20™system.
The segment has seen a breakthrough in the market for upgrading. Viking Line's passenger ferry, the M/S Amorella, replaced an earlier product with the newly developed DataChief C20™.
A contract was signed for the e-learning concept "Maritime-eCampus.com" and to provide services to the Canadian Coast Guard College to make its courses accessible through its Internet gateway.

Yachting & Fishery

Yachting & Fishery

MNOK	2002	2001	2000
Operating revenues	815	940	909
EBITA	44	34	46
Operating profit	33	22	35
Number of employees	694	733	736

Yachting & Fishery has aimed extensive activities at building up and reinforcing SIMRAD as a leading international brand name. As a result, SIMRAD has become a lead-ing brand name in instrumentation for yachts and fishing vessels. The company devel-ops, produces and sells systems for navigation, steering, communication and fish find-ing to the fisheries and yachting markets as well as to the coastal fleet. Product devel-opment and production take place at the factories in Horten, Egersund, Denmark and the United Kingdom, and the products are sold the world over.

The market

The market for yacht electronics is sensitive to seasonal fluctuations, frequent changes of models, and the general economic situation. Uncertainty in the world economy has caused market growth to taper off for the moment. In the long term, however, this is considered a growth market.

The market for fishing fleet electronics is governed largely by the revenue-generating capacity of the fisheries industry. In the short term, it is difficult to predict the market. That being said, major local and national variations must be expected.

In recent years, SIMRAD has developed a number of competitive new products for the fisheries market. They paved the way for a positive trend in 2002, and are expected to result in favourable growth in future.

Highlights

SIMRAD increased its sales of fish finding equipment in 2002. The company has enjoyed market breakthroughs for three new sonars, all of which have been well received:

- A long-range sonar for tuna has increased market shares in the Mediterranean and the Pacific;
- A new high-resolution sonar offers significantly better classification opportunities to those fishing for mackerel, herring, capelin and white fish;
- A new long-range sonar for the coastal fleet has been launched on the Norwegian market and the first steps have been taken to introduce it to the international market.

Echosounders for fisheries research are one of the most important tools researchers have for estimating fish stocks in the ocean and then making recommendations about fishing quotas. SIMRAD has cornered nearly 80 per cent of the market for saltwater research and further consolidated its position with the new research echosounder introduced in 2001.

SIMRAD has enjoyed a strong market position in autopilots for many years. The company has been awarded a number of prizes by NMEA (The National Marine Electronics Association) in the USA.

In 2002, SIMRAD introduced a new Autopilot, the AP50, and a sophisticated directional sensor/compass (the HS50) that uses GPS satellite receivers to determine directions. The HS50 was developed in collaboration with Offshore & Subsea's company in Trondheim, Kongsberg Seatex AS. These products are specially designed for commercial vessels and larger yachts.

In 2002, SIMRAD signed framework agreements with several boat builders, including Sunseeker in the UK and Ferreti in Italy, for the delivery of electronics packages as standard equipment on their boats.

Marine IT

Marine Information Technology is a target area for Kongsberg Maritime. It was established as a separate activity to offer customers dedicated software solutions for use onboard vessels, at shipping company offices and for harbours and waterways. The segment has 104 employees, divided among activities in Norway, Singapore, India, and the UK. Norcontrol IT AS is a leading name in the Port IT and VTMIS (Vessel Traffic Management Information System) sectors, conducting projects at the international level. The other main company is the Marine IT Company AS, which is responsible for IT solutions for maritime ship operation and fleet administration from shipping company offices.

The market

These concepts have aroused considerable interest in the markets, raising expectations of higher demand in the Marine IT sector in general.

More stringent safety standards in harbour and coastal areas are expected to boost demand in the VTMIS sector in the years ahead.

AIS (Automatic Identification System), a system for automatic identification of vessels, has been made mandatory and is expected to be a market driver in terms of both VTMIS and the development of IT onboard vessels.

The market for Marine IT onboard and at shipping company offices is also expected see a favourable trend. In addition to mandatory equipment, such as AIS, the market will be driven by the development of selected solutions to replace existing methods and streamline operations.

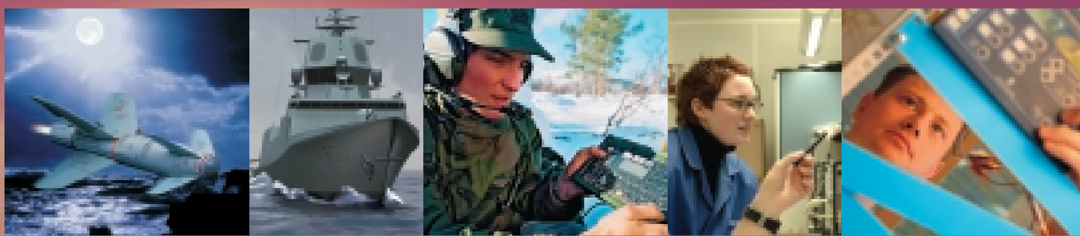
Highlights

Substantial contracts have been completed for harbour and coastal monitoring in Singapore, Taiwan and for the Straits of Dover.

The company has been a pioneer in the development of electronic logbooks, technical logs and remote vessel diagnosis. The systems have now been installed on the first five vessels.

Business Area

Kongsberg Defence & Aerospace



Kongsberg Defence & Aerospace in brief

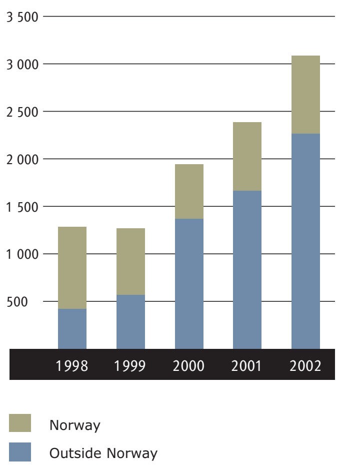
Kongsberg Defence & Aerospace

MNOK	*2002*	*2001*	*2000*
Operating revenues	3 084	2 388	1 943
EBITA	185	138	85
Operating profit	179	131	81
EBT	205	150	113
Number of employees	1 649	1 499	1 132

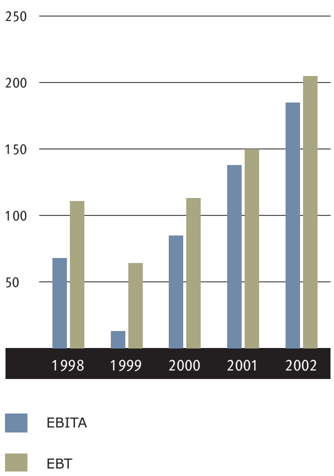
Kongsberg Defence & Aerospace (KDA) has long traditions of developing sophisticated systems in close collaboration with the Norwegian Armed Forces. KDA's anti-ship missiles, command and weapons control systems and communications systems have also proven competitive on the export market. Alliances with major foreign defence enterprises are a key part of the business area's international marketing strategy.

In 2002, the business area earned MNOK 3 084 in operating revenues, compared with MNOK 2 388 in 2001. The EBT was MNOK 205 in 2002, up MNOK 55 from 2001. Kongsberg Defence & Aerospace had a backlog of orders worth MNOK 3 729 at year-end 2002, compared with MNOK 4 852 in 2001. 73 per cent of the new orders received in 2002 are destined for the export market. The number of employees increased by 150 in 2002, to a total of 1 649.

Operating revenues



Profit

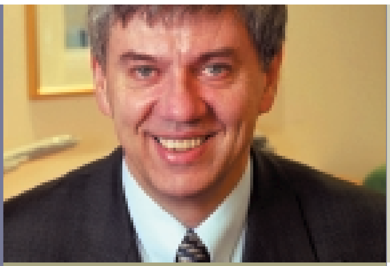


The market

Kongsberg Defence & Aerospace is largely project-oriented. Through procurements for the Norwegian Armed Forces, the company has secured orders either for the sale of its own proprietary products or as a partner to foreign suppliers. It is important for KDA that procurements of Norwegian defence materiel from foreign contractors be conducted in a manner that benefits Norwegian industry. Kongsberg Defence & Aerospace subcontracts with more than 1 200 enterprises, large and small alike.
The BA will continue to promote individual products by engaging in strategically important alliances with major foreign defence contractors. Co-operation agreements have been established through large-scale projects with the Norwegian Armed Forces.
In most countries, the choice of defence supplier is a question of industrial policy, with considerations related to domestic industry and human resources often appearing to outweigh the importance attached to performance and price. In consequence, KDA targets markets in which competitiveness is a decisive factor. In recent years, the company has won contracts against strong international competition, and decisions are currently pending on a number of major contract opportunities.

Highlights

- Kongsberg Satellite Services AS established jointly with the Norwegian Space Centre in Tromsø.
- Contract signed with the Romanian Ministry of Foreign Affairs for the delivery of communications equipment.
- International breakthrough for the Minesniper assured by a contract with the Spanish Navy.
- Contract signed with the Swedish Armed Forces for training simulators for Swedish armoured personnel carriers.
- Agreement signed with Boeing for the delivery of software for man-machine communications on surveillance aircraft.
- Kongsberg Spacetec AS chosen as main contractor for meteorological terminals for EUMETSAT, the European meteorological satellite.
- Contract signed to upgrade airport defence in Norway.
- The first test firings of the new anti-ship missile were completed on schedule.
- Contract with Raytheon regarding delivery of an anti-aircraft system to Turkey.



Tom Gerhardsen
President
Kongsberg Defence & Aerospace

Kongsberg Defence & Aerospace (KDA) experienced continued growth in operating revenues in 2002, due not least to the performance of large-scale contracts signed in 2000. Projects were generally on schedule, promoting considerable growth in both EBITA and EBT and leading to the best financial result ever for KDA.

The development of the weapons station for the US Army has been completed, and production has been initiated. This represents a formidable challenge as the schedule is exceptionally tight. Although formal qualification of the system is still pending, several hundred units have been delivered to end-users and the field test results have been highly satisfactory. The cost of KDA's development work will be divided between the two first brigades (scheduled for delivery in 2002/3). Accordingly, deliveries to subsequent brigades (3-6) will be more profitable.
The development of the new Missile (NSM) reached an important mile-stone in connection with its first guided flight, demonstrated at a test firing in September. More development firings are scheduled in 2003. A bid has been tendered to the Norwegian Navy for the production phase, and it is expected that some activities with extra long lead-times will commence in 2003. The decrease in development work in 2003 and 2004 will reduce NSM activities, pending the production phase from 2005 and onwards, when activities will pick up again.
Kongsberg Defence Communications (KDC) won a competition to supply VHF radio equipment to the Hungarian army. The contract was signed in March 2003. This represents an important international breakthrough for the MRR radio system delivered to Norway. KDC also signed a contract for the delivery of a mobile communications system for Kuwait.

2002 marked the advent of a discussion in Norwegian political circles about the expediency of the repurchasing requirements attached to Norway's foreign procurements of military equipment. The Norwegian defence industry has collectively pointed out that such repurchasing rules are common on the international market, and are used to ensure high-tech expertise and value added resulting from large procurements by the Armed Forces. Regardless, Norwegian industry must be competitive to win contracts in other countries. Meanwhile, it will continue to be decisive to quell ordinary protectionism by using Norwegian repurchasing requirements to open doors. It appears that this approach to the issue is gaining increasingly political acceptance in Norway.
At the international level, defence market trends show considerable variations. Although US defence budgets are expansive, it is difficult for foreign industry to gain market access. Budgets are tight in most European countries, causing delays in new project start-ups. There are also hold-ups in project clarifications from the Middle East and uncertainties linked to the political situation, although there appears to be considerable potential both there and in Asia. In Norway, KDA's activities in the years ahead will primarily focus on projects related to the new frigates, new MTBs (Skjold), new missiles (NSM) and updated anti-aircraft systems (NASAMS II), and there will be a gradual increase in activities related to "Network-centric warfare".

Naval Systems

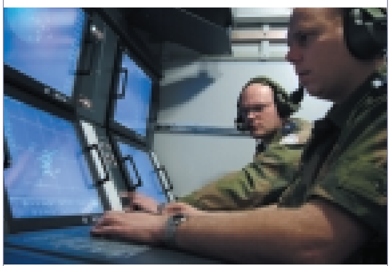
Naval Systems delivers systems for submarines, surface vessels and minehunting vessels. The main products are related to command and weapons control systems.
The segment's largest programme is a contract signed in 2000 with Lockheed Martin of the US to develop and deliver vital sub-systems for the command and weapons control system destined for the new Norwegian frigates. Now in the development phase, the programme is being conducted in accordance with the original plans. The first complete system will be delivered in 2004. The companies are working together to land new export orders for similar systems.
A command and weapons control system has been developed for and delivered to Norway's Ula Class submarines. This system will also be delivered to the U212A Class German and Italian submarines currently under construction. In addition, the contracts cover deliveries to the national land-based facilities for simulator training.
The command and weapons control system for Norway's Hawk Class missile torpedo boats (MTBs) is being developed and manufactured in collaboration with DCNI of France. This system will probably also serve as the basis for deliveries to Norway's new MTBs, based on the Norwegian Storting's decision to build five new MTBs.
The contract is also expected to cover the armaments on the KNM Skjold.
"The Minesniper", a product designed to destroy sea mines, has been developed for and sold to the Norwegian Navy. A breakthrough was achieved on the export market in 2002 when a contract for delivery of this system was signed with the Spanish Navy.

Land Systems & Communications

The segment's activities include the product niches encryption, tactical radio and communications systems and command, control and information systems at the national and international levels. Most of the activities are performed through the subsidiary Kongsberg Defence Communications AS (KDC) in Asker.
The company has completed partial delivery of the K2IS system, a development contract for the Norwegian Army that includes a command, control and information system. The system will give users a new tactical leadership tool as well as a state-of-the-art fire control system for artillery. A supplementary contract worth MNOK 60 was also signed in 2002. The main contract was signed in 2000 and first phase is scheduled for completion in 2003.
The company has developed a secure VPN (Virtual Private Network) solution for the Norwegian Armed Forces and for other customers requiring certified data protection. The solution covers the protection of data locally and at the access point to the office server from home PCs or laptops, as well as the protection of e-mail. The launch is in the start-up phase, while customer testing is in the implementation phase.
The contract with the Armed Forces for new tactical Multi Role Radios (MRR) is in the delivery phase. Field tests conducted by the Armed Forces have shown that the MRR meets users' expectations. A contract with the Armed Forces to develop and deliver a smaller version, the Light multi-Functional Radio (LFR), is currently being implemented. The MRR and LFR are designed to meet different needs in users'

organisations. Both are required to meet the needs of the international market. The company is currently engaged in specific international market initiatives. The tactical communications segment operates on the export market exclusively, inevitably in competition with large international companies. Considerable resources are invested in developing new product solutions. One example of such a product solution is a newly developed radio-line system (STELLA), which has already been sold to foreign customers.

Aircraft & Air Defence Systems



This segment includes anti-aircraft systems, tactical training systems and information systems for aircraft. In collaboration with the Royal Norwegian Air Force, KDA has developed a mobile anti-aircraft system called NASAMS (Norwegian Advanced Surface to Air Missile System), a highly effective and competitive solution for the international market. In 2002, a contract was signed with the Norwegian Air Force to upgrade NASAMS by implementing new technology for radar processing and the command and control centre. In addition, a contract was signed to prepare NASAMS to participate in international operations. Co-operation with the Air Force on GBA-DOC (Ground Based Air Defence Operation Centre) is continuing, and NATO-related drills were conducted successfully during the year. The system will be used to co-ordinate Norwegian and allied anti-aircraft units. GBADOC is an important part of KDA's international initiative aimed at command and control systems for ground-based anti-aircraft facilities. The tactical control element of GBADOC is marketed internationally in co-operation with Raytheon of the US. KDA is engaged in strategic anti-aircraft collaboration with Raytheon. KDA's most important contribution in this context is its software-based command and control solutions. An anti-aircraft contract was signed with Raytheon.

Advanced systems to train troops in sophisticated weapons systems continue to be an important market in Norway and abroad. The simulators are based on established KDA products, adapted to customer specifications to provide the best possible emulation of operational reality. Personnel use the equipment to practise opera-tions, skills, communications and tactical command and control. KDA has supplied simulators and trainers to the Norwegian Navy's training centre on the KNM Tordenskjold at Haakonsvern in Bergen and to the Cavalry's Tactical Training Centre at Rena. KDA has contracted for Boeing for the upgrading NATO's AWACS (Airborne Warning and Control System) system. The sophisticated system presents complex information to operators onboard AWACS aircraft. KDA's software tested successfully on the first upgraded NATO AWACS aircraft in autumn 2002. The contract is the basis of a strategic partnership agreement with Boeing to export world-wide.
In 2002, KDA invested considerable efforts in long-term project opportunities related to Norway's future procurements of fighter aircraft. The initiative will continue in 2003, when the company expects to land specific projects.

Missiles & Space

Kongsberg Defence & Aerospace develops and manufactures anti-ship missiles. In 1996, a contract was signed with the Norwegian Navy to develop a new anti-ship missile, the Missile (NSM). The development programme is on schedule and should be completed in 2004. Made of composites, the new 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 seek-er technology. The first test firing of a guided missile was conducted in September 2002. A French partner bears special responsibility for the turbo-jet engine and a German partner is responsible for the development of a new warhead. The Norwegian Navy plans to deploy NSMs on its new frigates and high-speed vessels. The Coast Guard's new NH90 helicopter and Norway's new frigates will be equipped to deploy NSMs. Several countries have shown considerable interest in the new missile.

The Penguin missile is one of the main weapons of the Royal Norwegian Navy. It has been exported to a total of six countries in recent years. 2002 was a busy year for Penguin-related activities. The focus was on production, delivery and maintenance pursuant to existing contracts. Implementation proceeded on schedule.

KDA's aerospace activities are divided between Kongsberg and Tromsø. The activities at Kongsberg are based on civilian, commercial applications for advanced technologies acquired in connection with defence programmes. The Tromsø-based subsidiary Kongsberg Spacetec AS focuses on equipment for download-ing and processing data from observation satellites.

Kongsberg Defence & Aerospace is now Norway's largest supplier to ESA, the European Space Agency. KDA has also carved out a role for itself as a supplier for commercial satellites in Europe and the US, and as a supplier of sophisticated mechanisms for the Ariane 5 rocket.

Kongsberg Satellite Services AS was founded on 1 January 2002. Kongsberg Defence & Aerospace and the Norwegian Space Centre are joint and equal owners of the company, which is located in Tromsø. The company provides satellite services, including Earth observation services, from Svalbard and Tromsø.

Dynamic Systems

This segment has the following main products: Weapons systems for armoured personnel carriers (RWS – Remote Weapon Station) and the launcher component for anti-aircraft systems.

The RWS, a sophisticated weapons control system for armoured personnel carriers, is the segment's main product. The system is operated from a protected position inside the vehicle. This type of product has only been on the market for a few years. Many countries are now planning to procure similar systems. Dynamic Systems currently has contracts for deliveries to the Norwegian Army and to the USA.

The framework agreement for deliveries to the US Armed Forces is valued at NOK 2.0 billion. Orders for MNOK 700 have been received thus far. The framework agreement is based on delivery to six brigades, i.e. one each year. Deliveries to brigade 1 were completed in 2002, and the order for brigade 2 will be filled in 2003.

The unit also provides services related to the production of special tools, engineering and maintenance. The market comprises the defence, aerospace and offshore industries.

Business Development

The main focus of Business Development is to assist and drive forward the Group's strategic development from the executive level. In actual practice, this means exploring and developing projects related to acquisitions and/or different types of collaboration at the corporate level.

Kongsberg Innovasjon AS was established in autumn 2002, and Kongsberg Gruppen owns 18.7 per cent of the company. Co-owners include other industrial enterprises in the Kongsberg area, as well as SIVA (the Industrial Development Corporation of Norway), SND (the Norwegian Regional and Industrial Development Fund) and TI (the National Institute of Technology, Norway). The company's objective is to exploit local expertise and technology related to managed innovation processes in sectors not in direct competition with the owner enterprises. To facilitate these efforts, the enterprises will form a network and place their collective expertise at the disposal of Kongsberg Innovasjon.

Business Development manages Kongsberg Gruppen's stakes in several companies not directly related to the Group's two main business areas: Kongsberg Maritime and Kongsberg Defence & Aerospace.

Property

Kongsberg Næringseiendom AS

As of year-end 2002, Kongsberg Gruppen had about 114 000 m^2 of floor space, divided among offices and production facilities in Kongsberg, Horten and Egersund. The properties are for the most part used by the Group's own business activities. In addition, Kongsberg Næringseiendom rents out 98 000 m^2, mainly to external tenants. Altogether, the company managed 213 000 m^2 at year end. Thirty-three per cent of rental revenues were derived from companies outside Kongsberg Gruppen and, at year end, the average time remaining on current leases was six years. The occupancy rate at the industrial park in Kongsberg remained high throughout the year, and was 97 per cent at year end. The annual rental revenues aggregated MNOK 161 at year end, compared with MNOK 135 in 2001.

In August, the company sold off some minor pieces of real estate in Kongsberg for MNOK 55. The properties have been leased back for 15 years.

Work began on a new 3 400 m^2 building for Kongsberg Defence & Aerospace AS in 2002. The building is scheduled for completion in 2003 and will replace temporary premises.

Kongsberg Næringspark AS

Kongsberg Industrial Park handles all service functions, and operates and manages the Group's real property. Importance is attached to energy efficiency to minimise expenses for the tenants. Telecom services have been developed further and the broadband network has been expanded throughout the Industrial Park. The company has a local licence for the operation, maintenance and development of the high-voltage and district heating plants in the Industrial Park, and has been granted a permit for the sale of electrical power.

Data on the Directors

Christian Brinch (56)
Chairman of the Board
Number of years on the Board: 12
Number of KOG shares: 0
Position: Self-employed

Roar Flåthen (53)
Deputy Chairman of the Board:
Number of years on the Board: 10
Number of KOG shares: 0
Position: Vice President, Norwegian Confederation of Trade Unions (LO)

Torolf Rein (68)
Director
Number of years on the Board: 8
Number of KOG shares: 0
Position: Former Chief of Defence, Norway

Benedicte Berg Schilbred (56)
Director
Number of years on the Board: 2
Number of KOG shares: 17 500
Position: Executive Chairman of the Board, Odd Berg Group

Vidar Lande (41)
Director (Employee Representative)
Number of years on the Board: 6
Number of KOG shares: 1 180
Position; Chief Shop Steward, Kongsberg Protech

Berit Ågren Aas (42)
Director (Employee Representative)
Number of years on the Board: 6
Number of KOG shares: 1 569
Position: Secretary, Kongsberg Defence & Aerospace

Roar Marthiniussen (46)
Director (Employee Representative)
Number of years on the Board: 4
Number of KOG shares: 2 400
Position: Sales Manager, Kongsberg Simrad

Addresses

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