KONGSBERG

ANNUAL REPORT AND SUSTAINABILITY REPORT

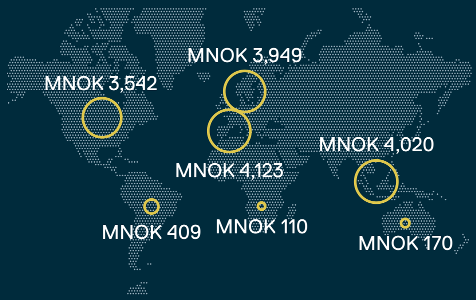
2014

“Overall, KONGSBERG had a good year in 2014, with **good earnings and cash flows**, **growth in revenues**, and **record-high orders**”

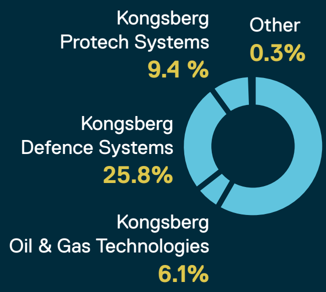
CONTENT – ANNUAL REPORT AND SUSTAINABILITY REPORT 2014

KEY FIGURES

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Sales										
Revenues	16 613	16 323	15 652	15 128	15 497	13 816	11 056	8 306	6 720	5 791
New orders	22 097	15 043	14 605	15 016	13 584	17 605	14 635	14 338	7 672	5 683
Order backlog	21 020	15 687	16 523	17 839	17 759	19 892	16 692	12 646	6 472	5 416
Book-to-Bill Ratio	1.3	0.9	0.9	1.0	0.9	1.4	1.5	1.5	1	0.9
Performance										
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	2 060	2 142	2 294	2 385	2 485	1 619	1 319	1 560	627	536
Earnings before interest, taxes and amortisation (EBITA)	1 718	1 797	1 971	2 123	2 216	1 376	1 122	796	464	378
Earnings before interest and taxes (EBIT)	1 258	1 659	1 840	2 026	2 113	1 263	1 038	1 346	448	371
Earnings before taxes (EBT)	1 285	1 644	1 809	1 991	2 097	1 169	861	685	390	314
Profit for the year	880	1 225	1 304	1 418	1 500	828	587	490	252	262
Profitability										
EBITDA %	12.4	13.1	14.7	15.8	16.0	11.7	11.9	18.8	9.3	9.3
EBITA %	10.3	11.0	12.6	14.0	14.3	10.0	10.1	9.6	6.9	6.5
EBIT %	7.6	10.2	11.8	13.4	13.6	9.1	9.4	16.2	6.7	6.4
Balance sheet										
Equity	6 282	6 657	6 274	5 484	4 881	3 726	1 894	2 758	1 684	1 505
Equity ratio %	31	38	39	35	35	30	15	30	23	23
Net interest-bearing debt	(3 551)	(1 935)	(1 198)	(2 191)	(1 813)	(634)	1 439	(242)	294	282
Working capital	3 274	3 319	3 528	2 250	1 957	1 183	(217)	1 425	1 249	1 325
Employees										
Number of employees, total	7 726	7 493	7 259	6 681	5 681	5 423	5 243	4 205	3 560	
Number of recordable injuries per million hours (TRI)	4.7	3.7	1.5	1.7	6.3	5.5	3.5			
Injury severity rate (number of days lost per one million man hours worked) (ISR)	45.3	15.6	13.6	1.1	22.3	58.2	5.6			
The environment										
Energy consumption (GWh)	123.7	127.0	114.7	108.9	103.2	100.0	74.4			
CO_2 emissions (metric tonnes)	26 006	25 294	19 579	22 747	20 005	12 980	7 801			
Waste (metric tonnes)	1 788	1 935	1 784	1 622	1 772	1 473	1 256			
Water (m^3)	176 743	115 968								
Owners' value										
Market capitalisation	14 760	15 300	14 940	13 920	15 960	10 590	9 840	10 170	5 250	3 720
Earnings per share after tax (EPS) in NOK	7.28	10.24	10.91	11.83	12.46	6.83	4.86	4.04	2.08	1.80
P/E in NOK	16.77	12.49	11.46	9.82	10.64	12.92	16.87	20.96	21.08	17.24
Dividend per share in NOK	9.25	5.25	3.75	3.75	3.75	2.00	1.38	1.25	0.63	0.54



Revenues
MNOK 16,613

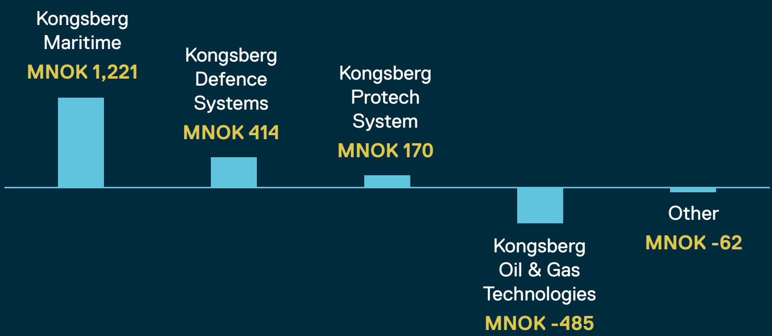


EBITDA
MNOK 2,060

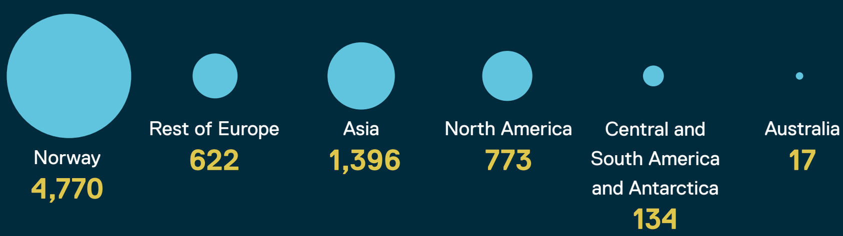
EBIT
MNOK 1,258

Profit for the year
MNOK 880

Distribution of EBIT



Number of employees



Earnings per share after tax
NOK 7.28

Dividend per share
NOK 9.25

Market capitalisation
MNOK 14,760

Back

KONGSBERG GRUPPEN

Kongsberg Gruppen (KONGSBERG) is an international technology corporation that delivers advanced and reliable solutions that improve safety, security and performance in complex operations and during extreme conditions. KONGSBERG works with demanding customers in the global defence, maritime, oil and gas and aerospace industries.

KONGSBERG GRUPPEN

Kongsberg Maritime
- Offshore
- Merchant Marine
- Subsea
- Emerging Business

Kongsberg Defence Systems
- Missile Systems
- Naval Systems
- Integrated Defence Systems
- Aerostructures
- Defence Communications
- Space & Surveillance

Kongsberg Protech Systems

Kongsberg Oil & Gas Technologies

EXTREME PERFORMANCE FOR EXTREME CONDITIONS

KONGSBERG develops and delivers advanced systems and technologies for extreme conditions. Our solutions ensure efficiency, safety and high performance in operations ranging from deep sea to outer space. KONGSBERG's objective is to secure and increase the stakeholders' values through a profitable and growth oriented industrial development in a long-term and international perspective.

Vision

WORLD CLASS – through people, technology and dedication

We have a strong, value based culture that drives our business performance. Our corporate vision reminds us where we are heading, our horizon and the point we always aim for in our work.

Ambitions

KONGSBERG shall be a leading technology industrial group with World Class positions, driving a proactive growth agenda. We aspire to achieve a sustainable development with a good balance between financial performance, value creation and social and environmental responsibility.

KONGSBERG shall develop value adding solutions for our customers in key technology intensive industries. We shall develop superior expertise to deliver leading systems, products and services in our international market segments. It is of importance that the strategic and business related decisions made by the group are based on a sustainable perspective.

- Group ambition is an annual average growth of 10 per cent over a five year period, of which about half is organic
- We shall be a "double digit" EBITA-margin business
- Through accelerated efforts to increase shareholder return and improve competitiveness, we have the ambition to achieve annual cost improvements by 2016 of NOK 1 billion
- KONGSBERG will target a return on capital employed matching historic levels – new projects and initiatives will be evaluated against a 10–15 per cent requirement dependent upon project risk

Our values

Determined

(intent, resolute, good-oriented)

We are known for our drive and persistence. We always strive to meet our customers' expectations. We set ambitious goals for ourselves and we are driven towards them with a clear and constant focus.

What we start, we finish. We do not give in.

Innovative

(unconventional, pioneering)

Always performing better is a vital part of who we are. We constantly innovate and implement improvements in all parts of our business – from our products, through our processes, to our customers' experiences.

We relentlessly pursue improvements, new ideas and new solutions.

Collaborative

(cooperative, network-oriented)

Collaboration is fundamental to our business. We exchange ideas among ourselves, with our suppliers and partners, and we cooperate closely with our customers. We work as teams, we share knowledge and we value team success – to the benefit of our customers and our own competitiveness.

We collaborate as individuals and as an organization.

Reliable

(dependable, trustworthy)

Our customers and partners can trust KONGSBERG to deliver, always. Dealing with KONGSBERG means dealing with reliable people, a reliable corporation and reliable products. KONGSBERG is a responsible organization characterized by integrity and concern for health, safety and the environment.

We are reliable people. We are responsible citizens.

PRESIDENT AND CEO WALTER QVAM

Dear fellow shareholders! 2014 marked yet another important chapter in the technology company KONGSBERG's history. The anniversary year was a year to honour and recognise the journey of one of the world's oldest technology companies; but beyond that, it was a year for looking ahead at the opportunities the future holds. As the anniversary year came to an end, we embarked on the next 200 years of KONGSBERG's history. We can look back on a year where we celebrated our history, our partners and our customers, and delivered yet another year of good results.

The fact that the world is changing is news to no one, nor that the pace of change is increasing. We are a technology company with relatively few resources tied up in large, costly production lines and production facilities. Our most important resource is the knowledge and skills of our employees, in combination with the cooperation within our "ecosystem" of suppliers and partners. This makes us flexible, adaptable and energetic. We have a competitive advantage in times where surroundings and trends are changing more rapidly making the planning horizon shorter and the competition more intensive. When we see market potential for our existing technology, or areas where our expertise can be applied, we can quickly innovate world-class solutions.

2014 was a year of continued positive development for the Group. The expertise, technologies and products we possess have seen high demand in their respective market segments.

KONGSBERG's maritime activities continued the growth they've had in recent years. In 2014, customers continued to choose us for their new projects and operations in both Norway and internationally within all our maritime areas – subsea, offshore and the merchant fleet. Statoil chose us for its pre-FEED study on the Johan Sverdrup field, Petrobras chose KONGSBERG technology for several new pipe-laying vessels, our "Full Picture" solution was chosen for 17 new United Arab Shipping Company container vessels that are being constructed at Hyundai Heavy Industries, and AXA Engehnaria Submarina and Deep Ocean, Fugro and DOF are just a small selection of the key players that chose our autonomous underwater vehicles for their respective operations, to mention a few examples. We experience that the KONGSBERG brand has a strong position in the market, which is also reflected in the increasing service and aftermarket for our maritime portfolio. The aftermarket share grew in 2014 in parallel with the rest of the business area, and accounts for about one-third of the maritime business area's total revenues.

In 2014, we also saw an increased turbulence in the security situation in several locations in the world, and the defence budgets in many countries are now increasing again. For our part, we saw clearly increasing demand for our modern core products in many countries. The record-breaking contract for the air defence system NASAMS in January, a number of contracts for deliveries to F-35, the Phase III contract for development of the Joint Strike Missile (JSM) and the billion-kroner contract for coastal artillery for Poland are just some of the highlights that made 2014 a year of considerable growth in the Group's defence segments.

The potential in several of our defence technologies is undisputed. The Naval Strike Missile (NSM) has been met with significant interest throughout the year, in part from the US Navy through the implementation of a successful firing test on board one of the navy's Littoral Combat Ship vessels. JSM is in its final phase and, in addition to being the only missile of its type that fits in the bomb bay on the F-35, it has also been fit-checked for other aircraft types such as the F-18. JSM confirmed its position as the most advanced missile for deployment on the F-35 yet again in February 2015, when Australia announced their cooperation with Norway on the further development of the missile. NASAMS is being further developed continuously, and is the world's leading air defence system in its segment. The list is long, and illustrates how well-adapted and positioned KONGSBERG's modern defence portfolio is in the market.

Considerable work was carried out in deliveries, product development and marketing throughout 2014 for our remote weapons stations. KONGSBERG is the world's undisputed leading supplier of remote weapons stations, and the most recent addition to the portfolio, the Medium Caliber RWS (Remote Weapon Stations), has been received with great interest in the market, and is a product that represents a significant market potential. We look forward to continued growth in our position in the segment for remote weapons stations and the opportunities that lie ahead, both in the short and longer term.

2014 was a turbulent and challenging year within the oil and gas segment. In the first quarter, parts of the Polarled contract with Statoil was cancelled, and after the summer, we witnessed, together with the rest of the industry, how these uncertain times with a rapidly declining oil price have led to drastic cuts in the oil and gas companies' investments. For our part, this posed challenges for our solutions and services within advanced software for the oil industry.

These developments caused us to carry out adaptations and adjustments throughout the year, and this will also continue in 2015. However, despite the challenges, we are finding that the portfolio within oil and gas is well-positioned to help solve the challenges the industry is facing with regard to increasing efficiency and cost cuts. We will therefore continue to work towards giving our software-based decision support systems and subsea solutions a strengthened foothold within their segments over the long term.

One of the areas that saw strong growth is our portfolio for space and surveillance technology. We are participating in a number of important space projects; for example were the control mechanisms for the solar cell panels on the historic comet landing of space probe "Rosetta" delivered by KONGSBERG. The unique geographical positions of our data download stations, e.g. on Svalbard and the South Pole, is another example of our position within space technology. We will continue to position ourselves to win more market share in the commercial satellite segment, and continue to promote our industrial content within the Ariane programme. Both exploration and use of space is increasing, and KONGSBERG is well-positioned for the opportunities of today and tomorrow.

In the autumn of 2013, we implemented a Group-wide efficiency program DeltaOne, which aims to improve the efficiency of KONGSBERG's operations by NOK 1 billion a year by the end of 2016. This work is off to a good start, and in 2014 we can already see how programs for sourcing, project management, technology sharing and other areas are yielding results. DeltaOne is continuing in full force in 2015 and 2016. The program increases the awareness of each employee regarding the importance of efficiency and a focus on costs to ensure that we remain competitive in the face of increasingly tough international competition.

We implemented yet another initiative in 2014 that will also strengthen our long-term competitiveness. "Innovate with KONGSBERG" is a Group initiative that accelerates and strengthens innovation and product development for the Group as a whole. The initiative places a particular focus on the potential across and beyond the business areas' existing core areas. This entails that we increase our efforts to identify opportunities in the synergies between the business areas' different expertise and technology in new applications and products, and how we can do an even better job of exploiting the expertise and capacity in the ecosystem beyond ourselves.

To continue KONGSBERG's positive development, we need to make sure that we continue to have the best minds, the newly educated, the established talents and the experienced professionals. This is an important long-term effort, and it is something in which we invest considerable resources. To provide a concrete example, we received nearly 2,000 applications for this year's 150 summer jobs in the Group. Everything from first-year to last year-students have applied to work for us during the summer of 2015. This is a solid increase from last year's 1,350 applications. We are both proud and pleased that technologists of the future view KONGSBERG as a challenging, innovative and exciting technology company with great opportunities.

The celebration of a 200-year-old that is more energetic than ever has helped strengthen KONGSBERG both internally and externally, and provided a solid foundation for further development. I want to take this opportunity to thank all our employees for the passion they show in making us better every single day, our customers for the trust they place in us as we join forces to solve some of the most challenging and exciting tasks we face together, our partners and suppliers for excellent cooperation, and our owners and other stakeholders for their collaboration and support.

Walter Qvam

Walter Qvam
President and CEO
March 2015

THIS IS KONGSBERG

KONGSBERG is an international, knowledge-based group that delivers high-technology systems and solutions to customers in the oil and gas industry, the merchant marine, defence and aerospace.

KONGSBERG's solutions and deliveries contribute to safer, more efficient operations at sea, on land and in outer space. Whether we are talking about defence, the merchant marine, the exploitation of oil and gas resources or fisheries resources, our products are of strategic importance in Norway and internationally. We also supply technological solutions for global challenges such as environmental monitoring and resource management.

Organisation

The Group is divided into four business areas and a corporate services centre. The four business areas are Kongsberg Maritime, Kongsberg Oil & Gas Technologies, Kongsberg Defence Systems and Kongsberg Protech Systems.

The Corporate Centre provides staff and support functions to the business areas. The corporate staff has expertise in financial affairs, business development, investor relations, corporate law, corporate social responsibility, communication and HR.

Ownership structure

Kongsberg Gruppen ASA is listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation and stock exchange regulations. The Norwegian state owns 50.001 per cent of the shares in the company.

Financial value added

KONGSBERG creates value in the areas and countries in which we operate. First, we create value for our customers through our products. Then we create value through the payment of dividends to owners and wages to employees, and indirectly by buying goods and services from suppliers. Value is also created through the importance we attach to research and development. See page 140 for a table about the financial value added.

Corporate social responsibility

Corporate social responsibility is important to KONGSBERG. It is part of routine operations and the Group's business strategy.

KONGSBERG's international operations are significant. At the beginning of 2015, 38 per cent of our employees worked outside of Norway, and 77 per cent of the Group's sales took place outside the country's borders. This makes us an important player in many local communities the world over. That implies an obligation. Companies that engage in international activities have a special duty to ensure responsible operation.

We live in an era in which climate change, shortages of clean water and poverty are formidable global challenges. In addition, several countries are experiencing debt crises and instability. These challenges also affect KONGSBERG's activities, directly or indirectly.

Kongsberg Maritime

- Delivers positioning, surveillance, navigation and automation systems for merchant vessels and the offshore industry.
- Is a market leader in dynamic positioning, automation and surveillance systems, process automation, fisheries, satellite navigation and hydroacoustics, as well as back-deck handling equipment for use on offshore vessels.

Kongsberg Defence Systems

- Norway's premier supplier of defence and aerospace-related systems. The portfolio comprises products and systems for command and control, weapons guidance and surveillance, communications solutions and missiles.
- Has expertise and production equipment to make advanced composite and engineering products for the aircraft, offshore and helicopter markets.

Back

Kongsberg Protech Systems

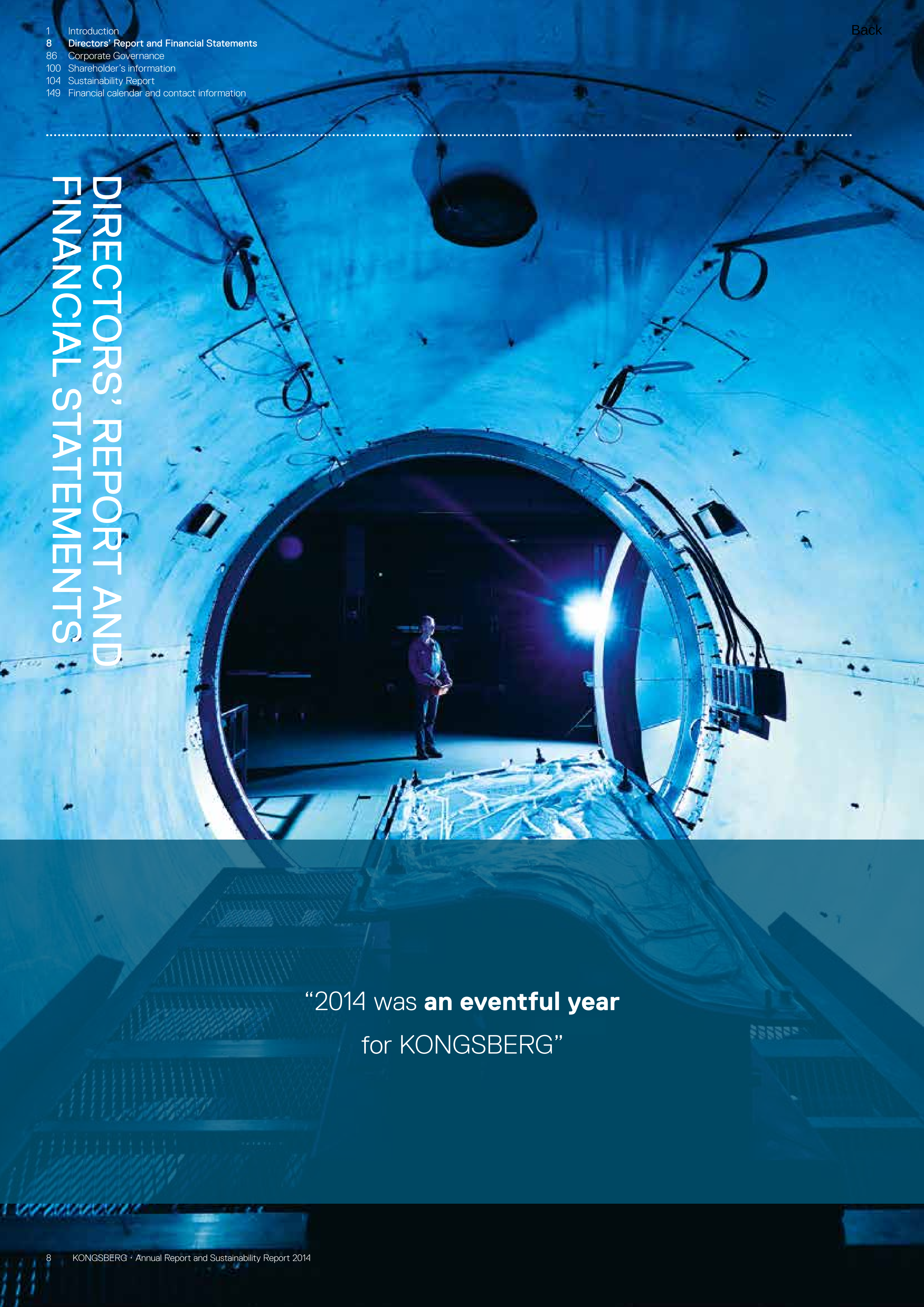
- World's leading suppliers of remotely controlled weapons control systems.
- Main products are the PROTECTOR Remote Weapon Station weapons control system. The system enhances safety and security for personnel in military vehicles. KONGSBERG is the world leader in this market

Kongsberg Oil & Gas Technologies

- Delivers innovative solutions for oil and gas operations, including drilling, production and subsea development projects.
- Integrates software and services with physical products for improving oil production, efficiency, and health, safety and the environment

Back

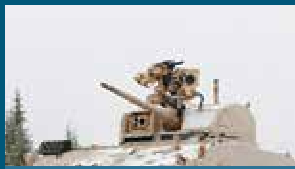
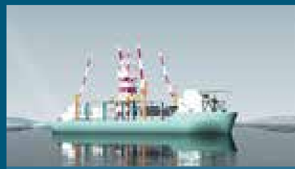
DIRECTORS' REPORT AND FINANCIAL STATEMENTS



"2014 was **an eventful year** for KONGSBERG"

SHORT SUMMARY BUSINESS AREAS



	KONGSBERG MARITIME	KONGSBERG DEFENCE SYSTEMS	KONGSBERG PROTECH SYSTEMS	KONGSBERG OIL & GAS TECHNOLOGIES
Revenues	MNOK **9,703** +17 % from 2013	MNOK **4,276** -6% from 2013	MNOK **1,566** -35% from 2013	MNOK **1,017** -6% from 2013
EBITDA	MNOK **1,441** +22% from 2013	MNOK **530** +2% from 2013	MNOK **254** -39% from 2013	MNOK **-99** -302% from 2013
EBITDA margin	**14.9%** +4% from 2013	**12.4%** +9% from 2013	**16.2%** -6% from 2013	**-9.7%** -315% from 2013
Priorities in 2015	• Additional efficiency and productivity improvements throughout the value chain • Continue the efforts on aftermarket activities and service portfolio • Secure and take new market positions, within all main segments • Continue developing cost-efficient product and system solutions • Expand the scope of supply in general and engineering services in particular	• Ensure continued satisfactory completion of the large, ongoing programs in missiles, air defence systems and other delivery projects. • Secure good progress in developing JSM and pursue the possibilities that become available with the teaming agreement with Raytheon • Maintain a high market activity related to the entire product range • Additional strengthening of strategic foundation in key markets	• Continue the work on securing the first contact on the MCRWS – position KPS for new known possibilities for MCRWS • Continue to focus on costs – introduce further adaptations to a lower volume for KPS while also preparing the organisation for potential rapid growth with MCRW • Secure existing and establish new positions in the RWS market	• Better earnings in a challenging market • Strengthen the position for the business area's software solutions and niche products within the oil and gas market • Continue developing the product range against the subsea and software markets • Growth outside our own domestic market

Back

DIRECTORS' REPORT 2014

Overall, KONGSBERG had a good year in 2014, with good earnings and cash flows, growth in revenues, and record-high orders on both the defence side and in Kongsberg Maritime (KM). KM and Kongsberg Defence Systems (KDS), which constitute about 84 per cent of the Group's sales, had a good year, while Kongsberg Protech Systems (KPS) and Kongsberg Oil & Gas Technologies (KOGT) had unsatisfactory underlying earnings. Total revenues for the Kongsberg Group in 2014 amounted to MNOK 16,613, an increase of 1.8 per cent compared to 2013. A large share of this growth can be attributed to KM, which increased its revenues by 17.4 per cent. While development in KDS has been relatively flat in recent years, it saw a sharp upswing in order inflow in 2014, which will provide a solid foundation going forward. KPS had reduced revenues in 2014, but built its order backlog. KOGT also had a challenging year, characterised in part by the decline in the oil and gas market.

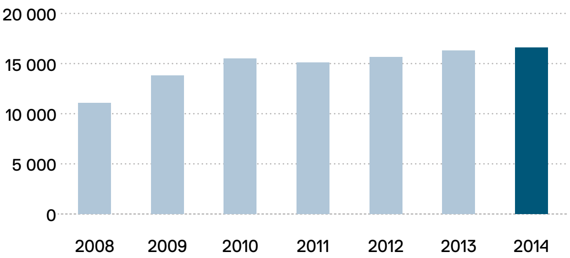
EBITDA for the Group in 2014 amounted to MNOK 2,060, compared to MNOK 2,142 in 2013. The Board decided to write-down goodwill in KOGT by MNOK 300 at the end of 2014. Profit for the year after tax amounted to MNOK 880 (MNOK 1,225), corresponding to NOK 7.28 per share (NOK 10.24). On this basis, the Board of Directors will propose an ordinary dividend for the 2014 accounting year of NOK 4.25/share (4.25) and an extraordinary dividend of NOK 5.00/share (1.00) – a total of NOK 9.25/share (5.25). In determining the extraordinary dividend, the Board took a basis in KONGSBERG's strong equity and liquidity at the end of 2014 and the need to support the company's growth strategy going forward. Ordinary dividend and total dividends constitute 58.4 per cent and 127.1 per cent, respectively, of the ordinary annual profit.

Important events in 2014

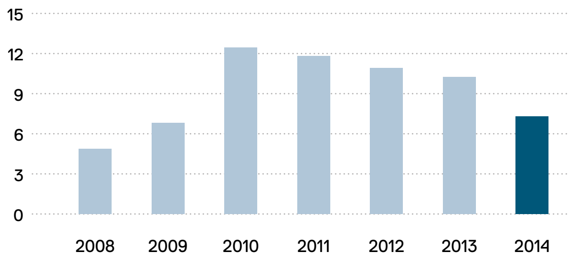
2014 was an eventful year for KONGSBERG. The defence market became stronger throughout the year and KONGSBERG's position in the market is more visible than before, both as a result of new, major international contracts and collaboration agreements, but also as a result of the generally increased focus towards some of KONGSBERG's product portfolios. The market within offshore, oil and gas is more difficult, mainly due to the significantly reduced oil price in the second half of 2014. This development led to challenges in KOGT. Despite the challenging offshore market, KM experienced a record influx of orders in 2014. KM also has considerable activity vis-à-vis the merchant marine market. This market developed in a positive direction in 2014. KM's subsea market is also going strong.

In February, the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) took charges out against Kongsberg Gruppen ASA, Kongsberg Defence & Aerospace AS

Revenues
MNOK



Earnings per share
NOK



and an employee of Kongsberg Defence & Aerospace AS with allegations of serious corruption. KONGSBERG is co-operating with Økokrim to clarify the actual circumstances.

In 2014, KONGSBERG celebrated the company's 200th anniversary. This is a milestone very few companies experience, and KONGSBERG wanted all of its employees, customers, and partners to participate in the celebration. The anniversary celebrations were concluded with a major event in Oslo, attended by H.M. King Harald V, members of the Norwegian Government, customers and partners.

KM had a very good year with growth in revenues totalling 17.4 per cent, a good EBITDA margin and more than NOK 10 billion in incoming orders. Activity increased in the Offshore, Merchant and Subsea segments, and all divisions saw an increased order influx compared to 2013. KDS achieved a record-high EBITDA margin of 12.4 per cent and has won a number of major and important contracts during the year, which amounted to new orders of more than NOK 9 billion. KPS had reduced revenues and a weak underlying EBITDA in 2014. However, the intake of orders was strong and the business area increased its order backlog by more than MNOK 700 during the year. The many positive signals throughout the year, both related to order inflow, but also feedback and interest in the expanded product portfolio, give reason to be optimistic going forward. KOGT had a very challenging year characterised by adjustment and a significant decline in the oil and gas market. This yielded negative results, and goodwill was written down by MNOK 300 in 2014.

Future strategy and priorities in 2015

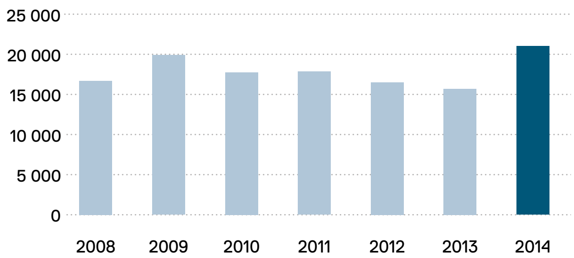
KONGSBERG's focus going forward is to ensure increased competitiveness while also laying the foundation for continued profitable growth. The Group's growth ambition, announced in 2013, is to grow by an average of ten per cent annually over a five-year period. This growth shall be achieved by a combination of organic growth and acquisitions. Organic growth is to be based on further development and extension of existing products, services and market positions. Hence, the Group will continue to invest considerably in product development, but also through further market adjustments of the international business model. Going forward, the Group will maintain its leading position in innovation and technological development. Acquisitions will be a means to supplement the Group's deliveries, but also to expand the extent of deliveries and further develop the industrial product range within defence, maritime and offshore, oil and gas.

In the international defence market, KONGSBERG is well positioned with its modern product portfolio. The main focus in this market is growth in selected geographical areas both by own activities, together with partners and acquisitions to strengthen our presence. KONGSBERG has a successful and long cooperation with the Norwegian Armed Forces. This is important for continued international success. Within KONGSBERG's maritime product range, the emphasis is on achieving growth through further developing leading positions, as well as extending the range of deliveries by continued innovation and acquisitions. KONGSBERG's portfolio within oil and gas is relatively small, but comprises unique and newly-developed solutions. The oil and gas market is quite challenging at the moment, but the main focus over a long time perspective in this area will be concentrated on continuing to contribute to new growth through innovation and acquisitions, both in order to extend existing deliveries, but also to establish new bases for growth.

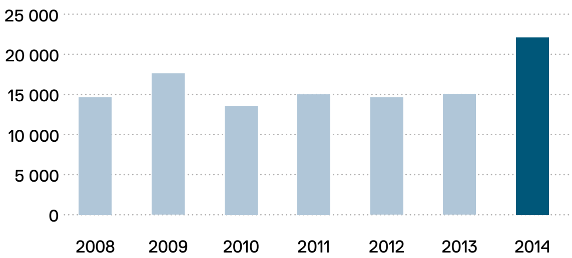
The Group's growth shall generate satisfactory return for the company as well as our owners. In recent years, the Group has achieved EBITA margins well over ten per cent, a goal to be achieved also over the next five-year period. Return on capital is also an important parameter for measuring profitability. KONGSBERG has in the last few years had a satisfactory return on employed capital, and it is an expressed goal that the return shall be on the same levels as we have experienced historically.

As part of securing the Group's future competitiveness, "DeltaOne", an efficiency program at group level, was started in the autumn of 2013. The ambition for the program is a realised efficiency gain of NOK 1 billion per year before the end of 2016. More than 50 different initiatives

Backlog of orders
MNOK



New orders
MNOK



were started in the Group in 2014, and the program is on schedule in relation to goal achievement. DeltaOne will make the Group well equipped to meet the increasing international competition and also secure a satisfactory return for our owners.

The business areas' priorities in 2015

Kongsberg Maritime

- Additional efficiency and productivity improvements throughout the value chain
- Continue the efforts on aftermarket activities and service portfolio
- Secure and take new market positions, within all main segments
- Continue developing cost-efficient product and system solutions
- Expand the scope of supply in general and engineering services in particular

Kongsberg Defence Systems

- Ensure continued satisfactory completion of the large, ongoing programs in missiles, air defence systems and other delivery projects.
- Secure good progress in developing JSM and pursue the possibilities that become available with the teaming agreement with Raytheon
- Maintain a high market activity related to the entire product range
- Additional strengthening of strategic foundation in key markets

Kongsberg Protech Systems

- Continue the work on securing the first contact on the MCRWS – position KPS for new known possibilities for MCRWS
- Continue to focus on costs – introduce further adaptations to a lower volume for KPS while also preparing the organisation for potential rapid growth with MCRW
- Secure existing and establish new positions in the RWS market

Kongsberg Oil & Gas Technologies

- Better earnings in a challenging market
- Strengthen the position for the business area's software solutions and niche products within the oil and gas market
- Continue developing the product range against the subsea and software markets
- Growth outside our own domestic market

Comments to the financial statements

Revenues

The Group's revenues were MNOK 16,613 in 2014, up 1.8 per cent from MNOK 16,323 in 2013. KM increased its revenues by nearly NOK 1.5 billion, corresponding to 17.4 per cent. Both KDS and KOGT had a minor reduction in revenues, while KPS had a reduction of approx. MNOK 800, corresponding to 35.3 per cent.

EBITDA development

EBITDA in 2014 constituted MNOK 2,060 (MNOK 2,142). The Group's largest business areas, KM and KDS, performed well, increasing both the EBITDA and EBITDA margin in 2014 compared to 2013. KPS reversed provisions and also reached clarification with customers regarding previous deliveries, which added a total of approx. MNOK 200 in positive EBITDA effects. KOGT has a negative EBITDA both as a result of failing markets and restructuring.

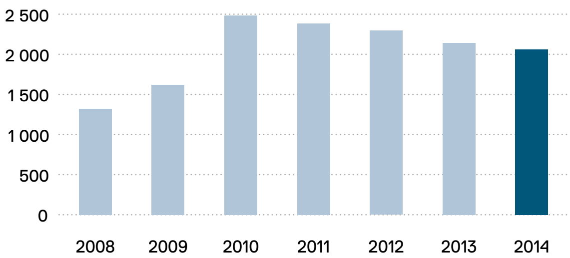
Results

Profit before tax amounted to MNOK 1,285 (MNOK 1,644). At the end of 2014, the Board decided to write down goodwill in KOGT by MNOK 300. The profit after tax was MNOK 800 (MNOK 1,225), corresponding to NOK 7.28 (NOK 10.24) per share. Return on average capital employed (ROACE) was 16.4 per cent in 2014 (21.5 per cent).

KONGSBERG's dividend policy stipulates that dividend over time shall constitute between 40 per cent and 50 per cent of the company's net profit for the year. On this basis, the Board proposes an ordinary dividend for the accounting

EBITDA

MNOK



KONGSBERG

KONGSBERG is an international, knowledge-based group that supplies high-technology systems and solutions to customers in the oil and gas industry, merchant marine, defence and aerospace industries.

Headquarter	Kongsberg
Number of employees	7,726
Share of employees outside Norway	38%
Number of locations, countries	25
Revenues outside Norway	77%

year 2014 of NOK 4.25/share (4.25). In addition, the Board proposes an extraordinary dividend of NOK 5.00/share (1.00) – a total of NOK 9.25/share (5.25). The ordinary dividend and total dividend constitute respectively 42.7 per cent and 93.0 per cent of the ordinary profit before write down, and, 58.4 per cent and 127.1 per cent of the ordinary profit for the year.

In determining the extraordinary dividend, the Board took a basis in KONGSBERG's strong equity and liquidity at the end of 2014 and the need to support the company's growth strategy going forward. The Board concludes that there is room for a certain adjustment of the company's capital structure, while also having sufficient financial capacity for any opportunities that arise. On this basis, the Board concluded an extraordinary dividend of NOK 5.00/share.

Cash flows

In 2014, KONGSBERG improved net cash flows from operations by MNOK 332 compared to 2013, to MNOK 2,315 (MNOK 1,983). This primarily includes operating profit before depreciation and amortisation (EBITDA) of MNOK 2,060 net of taxes and adjusted for changes in net current assets and accruals. The good cash flow from operations is a result of generally good EBITDA, a strong focus on costs, as well as more advance payments from customers. MNOK 211 of cash flows from operating activities were spent on investments, of which MNOK 264 concerned sale of shares related to KONGSBERG's property portfolio, MNOK 339 was paid for purchases of property, plant and equipment, MNOK 46 was related to disbursements from acquisition of companies, and MNOK 102 was spent in capitalising in-house developments. The cash flow from financing activities amounted to MNOK – 1,050. This is mainly related to repayment of a bond loan, as well as disbursement of MNOK 628 in dividends to shareholders. The net change in cash and cash equivalents in 2014 amounted to MNOK 1,152.

Capital structure

The Group's equity at 31 December 2014 was MNOK 6,282 or 31.0 per cent of total assets. The equity book value declined by MNOK 375 during 2014, in part as a result of increased negative value of the Group's currency portfolio, as well as changes in estimated actuarial gains/losses. The Group's net interest-bearing debt (cash less long-term interest-bearing debt) at 31 December 2014 was negative (positive net cash balance) by MNOK 3,551 (MNOK 1,935). Long-term interest-bearing debt mainly consists of two bond loans totalling MNOK 750. The Group also has an undrawn syndicated loan facility of MNOK 1,500, which expires in April 2019. The loan facility requires that net interest-bearing debt does not exceed three times EBITDA, but can be up to 3.5 times EBITDA for a maximum of three quarters. KONGSBERG's business requires a long-term perspective in both performance and strategy. At the same time, the need for working capital may vary substantially. This calls for sound liquidity and predictable access to capital over time. Accordingly, one of the Group's goals is to maintain a good credit rating with its lenders and investors.

Currency

KONGSBERG's currency policy implies that the contractual currency flows are hedged mainly by using forward contracts, fair value (project) hedges. In addition, a portion of expected new orders is hedged in line with set principles, cash flow hedges (forecast hedges).

At the end of 2014, the balance of forward contracts related to fair value hedges was MNOK 10,532 measured at hedged rates. At 31 December 2014, these forward contracts had a net negative value of MNOK 1,492. The Group also had MNOK 9,240 in cash flow hedges measured at hedged rates, constituting forward contracts. At 31 December 2014, the cash flow hedges had a total net negative value of MNOK 1,031.

		KONGSBERG consolidated	*Kongsberg Maritime*	*Kongsberg Defence Systems*	*Kongsberg Protech Systems*	*Kongsberg Oil & Gas Technologies*
Revenues	2014	16 613	9 703	4 276	1 566	1 017
	2013	16 323	8 264	4 554	2 420	1 077
	Change in per cent	1.8%	17.4%	(6.1)%	(35.3)%	(5.6)%
EBITDA	2014	2 060	1 441	530	254	(99)
	2013	2 142	1 179	520	419	49
	Change in per cent	(3.8)%	22.2%	1.9%	(39.4)%	(302)%
EBITDA margin	2014	12.4%	14.9%	12.4%	16.2%	(9.7)%
	2013	13.1%	14.3%	11.4%	17.3%	4.5%

Back

Development in the business areas

Kongsberg Maritime

Amounts in NOK million	*2014*	*2013*
Revenues	9 703	8 264
EBITDA	1 441	1 179
EBITDA margin	14.9%	14.3%

Kongsberg Maritime experienced growth in both revenues and the EBITDA margin in 2014. The business area has strong market shares within its established market segments, and strengthened these even further in 2014. Revenues increased by 17.4 per cent, to MNOK 9,703 (MNOK 8,264). The EBITDA margin was 14.9 per cent, compared to 14.3 per cent in 2013. New orders increased by 18.7 per cent, and ended at a record MNOK 10,038 in 2014, compared to MNOK 8,455 in 2013. The order backlog at the end of the year was MNOK 7,480.

This strong order backlog provides good predictability for the business area in 2015. KM operates in cyclical markets.

KM has a strong market position within the offshore segment, which resulted in a good inflow of orders from both established segments as well as new areas, such as electrical, telecommunications and instrumentation (EIT). In 2014, contracts were signed for deliveries to Petrofac's new JSD 6000 deepwater pipe-laying vessel, as well as an important contract for delivery of integrated control and safety systems for BW Offshore's new 'Catcher' FPSO.

Another major contract is a project-specific agreement concerning delivery of safety and automation systems for Statoil's four platforms on the Johan Sverdrup field.

The Merchant Marine division experienced an increase in new orders of more than 60 per cent compared to 2013. In general, the development can be attributed to strong market shares, particularly in the bulk and container segments. KONGSBERG achieved a contract for deliveries to 17 advanced container ships for United Arab Shipping Company (UASC). In May, KM announced contracts on a series of 14 crude oil and product tankers ordered by BP Shipping from STX Offshore and Shipbuilding Co. Ltd. The influx of orders was also good for deliveries to gas and chemicals tankers, both for integrated automation systems, including vessel performance solutions, as well as load measurement systems. KM appears to have strengthened its market position even further in the merchant marine segments during 2014.

KM's subsea activity experienced an order inflow in 2014 that is 25 per cent higher than in 2013. The market for autonomous underwater vehicles is growing. KM has positioned itself as the leading player in this market, with a strong portfolio of vehicles adapted to various tasks and market segments. The product range consists of vehicles Hugin, Munin, Remus and Seaglider, with associated instrumentation. In 2014, the two first AUVs equipped with software and sensors for quick inspection of pipelines were delivered to a customer. The technology can be used on both HUGIN and the new MUNIN. Pipeline inspection using an AUV, which is estimated as being four to six times faster than the traditional method using an ROV, is expected to result in major savings for the principal, and could open a new market for KM.

The market for seabed mapping is growing and the subsea division has received more orders for underwater mapping systems from the survey industry and national players. Seabed mapping is important in connection with

SELECTED KEY CONTRACTS AND EVENTS IN 2014

KONGSBEG gathers operations under one roof in "Subsea Valley". 330 employees in a new building in Asker.

KDS signs contract worth NOK 3.7 billion for NASAMS

KONGSBERG celebrates its 200th anniversary

KM technology chosen for several Petrobras pipelaying newbuilds

Record number of summer students at KONGSBERG safe navigation, resource utilisation and sovereignty claims. Mapping of own waters, continental shelf and Arctic areas is a strategic activity for many nations.

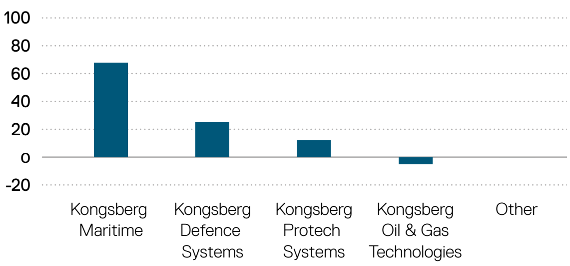
The strong influx of orders in the offshore segment is also reflected in the Subsea division, with contracts for underwater navigation and acoustic 'blowout preventer' (BOP) systems, that are both sold as an integrated part of control systems for offshore vessels (Full Picture Systems), but also as separate deliveries.

KM has equipment installed on more than 17,000 active vessels. This has resulted in a stable increase in the activities related to aftermarket and customer support. This is an important part of KM's product portfolio, and is also considered an added value for customers. Continued development of this segment is an important part of KM's strategy, also going forward. Activities within the seabed mapping, inspection, sea exploration and fisheries segments are, together with the aftermarket activity, only impacted by the contracting level of shipyards to a limited extent. About 60 per cent of KM's deliveries are related to the oil and offshore market.

The Norwegian maritime and offshore industry has a strong position and is important for the export industry. The Board of Directors therefore emphasises the need for a governmental industrial policy promoting growth and development in this sector, including competitive conditions and financing solutions.

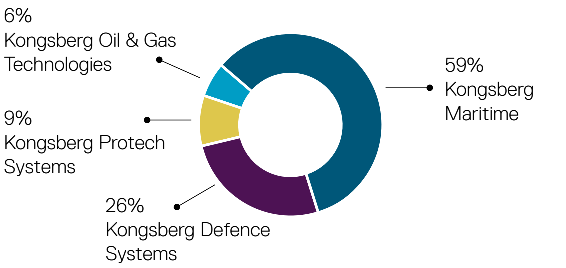
Distribution of EBITDA

Per cent



Distribution of revenues

Per cent



KONGSBERG signs NOK 1.1 billion JSM contract with the Norwegian Armed Forces

KONGSBERG chosen by Statoil for Johan Castberg project

KONGSBERG to deliver ocean laboratories for seabed research

Successful test firing of NSM from US Navy's Littoral Combat Ship

NSM Coastal Defence contract valued at NOK 1.3 billions with Poland

Kongsberg Defence Systems

Amounts in NOK million	*2014*	*2013*
Revenues	4 276	4 554
EBITDA	530	520
EBITDA margin	12.4%	11.4%

KDS has experienced significant activity both within development, deliveries and markets in 2014. Revenues constituted MNOK 4,276 (MNOK 4,554). The EBITDA margin increased from 11.4 per cent to 12.4 per cent, resulting in an EBITDA of MNOK 530 (MNOK 520). There was major activity on the delivery side for both NASAMS to Finland and Naval Strike Missile (NSM) to Norway, as well as the coast artillery system to Poland. In December, a new contract was signed with Poland for delivery of coast artillery to another squadron. Air defence for Finland and the first coast artillery contract with Poland are now in the final stages. The record NASAMS contract of NOK 3.7 billion where KONGSBERG is a sub-supplier also started in 2014. Activity in this project will increase in 2015.

The activity level was high in the Joint Strike Missile (JSM) development program in 2014, and the final phase development contract for the missile was signed in June. This was also expanded with a part two of MNOK 280, which includes production of test missiles, auxiliary equipment and missile testing from F-16 in the period 2015–2017. Considerable interest has been shown in the missile from potential customers, also outside Norway. In June, KONGSBERG and US company Raytheon entered into an agreement to market and potentially deliver JSM to the US and the international market. The agreement is also considered to significantly increase the missile's market potential, particularly in the US.

KDS has a modern product portfolio with several newly developed systems and products considered to be at the beginning of their life cycle. These include the anti-aircraft system NASAMS and missiles NSM and JSM, all regarded to have a great market potential. The market activities around these projects and the remaining systems of the business area were high in 2014. There is growing activity and better profitability in the Aerostructures segment. Activities at the Arsenal have been recognised for the good quality of the products they deliver. During the year several important contracts were signed, of which the following are mentioned below:

- NASAMS contract of NOK 3.7 billion for deliveries to Raytheon
- New orders totalling MNOK 450 from the F-35 program
- Coast artillery for a new squadron in Poland, worth NOK 1.3 billion
- Development contracts JSM for a total of NOK 1.4 billion with the Norwegian Armed Forces
- Contract with the US Navy for testing NSM from the Littoral Combat Ship

KDS enters 2015 with an order backlog of MNOK 9,471, compared to MNOK 5,489 at the beginning of 2014. The order backlog increased considerably during the year after declining in the past few years. The order backlog is solid, and provides in total a good basis for the years to come. The defence market is characterised by relatively few, but large contracts. Hence, fluctuations in orders are regarded to be normal.

KONGSBERG has over time, in cooperation with the Norwegian Armed Forces and the Norwegian Defence and Research Establishment, developed systems for Norway that have proved to be competitive internationally. It is of great importance to the Group that this national partnership continues. The cooperation provides the Norwegian Armed Forces with a possibility to develop and deploy technology that is particularly suitable for Norwegian conditions as well as maintaining a quality and cost that allows for it to succeed in the international competition. In the summer of 2014, the Royal Norwegian Navy participated in the international RIMPAC drill. During the drill, the Norwegian Navy demonstrated KONGSBERG's Naval Strike Missile. The demonstration was very successful and garnered increased interest from potential new international customers.

The customers of large defence systems are the defence authorities in the respective countries. These customers consider national security and domestic economic development as a significant factor, in addition to product price and performance, when purchasing defence equipment. The market is not subject to international free trade agreements and is often characterised by more national protectionism than is to be seen in most other industries. It is important for the Norwegian defence industry that the emphasis is on securing solid agreements in connection with the purchase of defence equipment from abroad – be it repurchase agreements, joint development agreements and agreements that ensure market access. When the Norwegian Armed Forces make significant investments through foreign suppliers, this ties up a significant part of the defence budget, and purchases from domestic suppliers may be negatively affected. To ensure military supplies that are well adapted to Norwegian conditions and a sustainable and competitive Norwegian defence industry, we emphasise the importance of Norwegian participation in such programs. Both the Government and the Parliament have stressed the importance of industrial participation for Norwegian industry, and that this is in line with international practice. Such participation for KONGSBERG also means increased activities in many of the business area's approximately 1,000 Norwegian subcontractors.

Predictability in the export regulations with respect to defence material and the application of the regulations also constitutes an important framework condition for KONGSBERG. KONGSBERG will continue to emphasise partnerships with major defence contractors and continue to support the local industry in the business area's markets further. KONGSBERG's position as an attractive defence supplier in the international market will continue to be based on close cooperation with the Norwegian Armed Forces.

This cooperation is the platform for developing leading products that are necessary for a modern military defence.

Back

Left: From Shangai

Right: From Johnstown

Kongsberg Protech Systems

Amounts in NOK million	*2014*	*2013*
Revenues	1 566	2 420
EBITDA	254	419
EBITDA margin	16.2%	17.3%

Kongsberg Protech Systems had a year characterised by low revenues but high market and development activity. The final weapons station under the CROWS II contract, which was signed in 2007, was delivered in the first half of 2014 and the business area's remaining contracts have a lower margin level compared with this. KPS continues to dominate the existing RWS markets in NATO countries. The CROWS II program, which KPS won in August 2012, provides a foundation for new RWS opportunities in the US. The majority of orders for this program have so far been related to 'reset and repair' of existing systems and new development activities.

After many years of strong growth, KPS entered into a phase with lower delivery volumes in 2011. Revenues were further reduced from 2012 to 2014, mainly caused by reduced demand and the fact that the largest customer no longer had major immediate requirements. Revenues totalled MNOK 1,566, down from MNOK 2,420 in 2013. EBITDA amounted to MNOK 254 (MNOK 419). The EBITDA margin in 2014 ended at 16.2 per cent (17.3 per cent). The high margin is impacted by approx. MNOK 200 related to reversal of provisions and clarification with customers regarding previous deliveries. In 2014, the EBITDA was negatively impacted by very high market activity related to Medium Calibre Remote Weapon Stations (MCRWS), as well as cost overruns in two development projects.

Total orders received in 2014 amounted to MNOK 2,240 (MNOK 2,005). The following are some of the contracts signed:

- Orders under CROWS III framework agreement, total value MNOK 1,300, of this, just under 30 per cent was related to new systems, the remaining was mostly related to 'reset and repair'.
- Contract with the Norwegian Defence Logistics Organisation (FLO) – upgrade of existing material and deliveries of the PROTECTOR "Nordic" weapons management system.
- The remaining orders consist of many smaller orders from a total of 15 countries.

KPS has during the last decade grown to become the world leader of remote-controlled weapons systems. Contractual deliveries amount to more than 18.000 systems, of which approx. 17,000 are delivered to customers in 17 countries. The US is, both directly with the US Army and via vehicle suppliers, the largest customer. In recent years there has been a clear shift concerning the origin of the revenues, both geographically and in relation to the portion of new sales /aftermarket. From 2009 to 2011, the US accounted for almost 90 per cent of the business area's revenues. In 2014, this was 65 per cent. The share of new systems compared to aftermarket activities is also changing. In 2010, over 4,000 new systems were delivered, compared to approximately 500 in 2013 distributed in deliveries to eight countries. The aftermarket activities have, however, been more stable in the period, but vary somewhat from one year to another as a consequence of the customers' patterns in purchasing spare parts. In 2014, deliveries of new weapons stations accounted for just under 40 per cent of revenues. The remaining are mainly distributed between 'reset and repair' of earlier stations, spare parts and development assignments.

KPS is starting 2015 with an order reserve of MNOK 3,523, an increase of more than MNOK 700 in one year. The business area has a product range considered to be well adjusted to future market requirements. In later years, the product portfolio has been developed with several variances around the core product, both lighter and heavier versions, but also solutions for markets outside the vehicle segment. The most important development program has been MCRWS. MCRWS is considered to have great market potential, also in new markets, and the interest for the product is significant. MCRWS is important to realise future possibilities. The product is now ready for sale and a tender for systems for a larger vehicle program was submitted in the second half of 2014.

Kongsberg Oil & Gas Technologies

Amounts in NOK million	*2014*	*2013*
Revenues	1 017	1 077
EBITDA	(99)	49
EBITDA margin	(9.7%)	4.5%

Kongsberg Oil & Gas Technologies had a challenging 2014 with weak results and few new orders. In 2014, the business area carried out multiple restructuring processes, including a 10 per cent reduction in staffing. Several units were also co-located. 2014 was characterised by the cancellation or postponement of several planned and already awarded projects.

Revenues in 2014 totalled MNOK 1,017 (MNOK 1,077) and EBITDA amounted to MNOK -99 (MNOK 49). The activity level was lower than planned both as a result of lower software licence sales and postponement of several subsea projects. This created challenges on the cost side throughout 2014. The restructuring costs that were implemented to adapt the organisation to a lower activity level constituted a total of MNOK 45 in 2014. The measures are related to both organisation and capacity adaptations, and means that KOGT enters 2015 better adapted to the changed market conditions. Goodwill was written down by MNOK 300 in 2014. The impairment was carried out due to the business area's weaker prospects and the changed market conditions.

Due to general reductions in the oil companies' exploration and development budgets, as well as a sharply declining oil price, several projects have been delayed or stopped. This affects both the business area's subsea activities, where projects have been postponed or cancelled, and the software activities, which received considerably less orders than anticipated. The tender activity in both areas is still acceptable, but increased uncertainty in the industry as a whole entails that many investment decisions are postponed or cancelled. Despite a weak market, several important contracts were signed during the year, for example expanded concept evaluation and pre-FEED (Front End Engineering and Design) for Statoil's Johan Castberg project in the Barents Sea and multiple studies aimed at use of new technology. Within Software, LedaFlow licences were sold to Chevron, among others. The development contract BP WellAdvisor was continued and has been called a very important project by the customer. KOGT's order backlog declined by about 45 per cent over the course of 2014. This includes in excess of MNOK 200 in cancellations. The majority of this is related to the Polarled contract with Statoil. Order inflow for the year is MNOK 802 (MNOK 1,385), where the distribution between software and subsea-related orders is about 60/40. The order backlog was MNOK 396 at the end of 2014.

The primary focus in the business area is now to create profitability going forward. Revenues in the business area will fluctuate as a result of progress in certain major projects and the licence sales of software systems.

Other activities

Other activities mainly consist of eliminations and external revenues from the real estate business.

Other factors and incidents

Charge in corruption case Romania

In February 2014, charges were taken out against Kongsberg Gruppen ASA, Kongsberg Defence & Aerospace AS and an employee of Kongsberg Defence & Aerospace AS with allegations of serious corruption related to deliveries of communication equipment to Romania from 2003 to 2008. KONGSBERG is cooperating with the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) to clarify the actual circumstances, but it must be expected that it will take some time yet before the investigation is complete and the case can be concluded.

KONGSBERG has zero-tolerance for corruption, and high ethical standards are an integrated part of our business. KONGSBERG has over several years established and further developed compliance guidelines and functions at group level and in the business areas. The current anti-corruption system is considered to be at a good international level, and has also been assessed by external parties to constitute a solid and robust system. Reference is also made to the section: "Risk factors and risk management" in the Board of Directors' Report.

At this point in time, it is not possible to estimate the result of Økokrim's investigation or other effects of the charge and the circumstances on which is has been based. Accordingly, it is not possible to estimate any possible financial effects for KONGSBERG.

Lawsuit from Rolls-Royce Marine AS against Kongsberg Evotec AS

In 2014, KONGSBERG was sued by Rolls-Royce Marine AS. The main hearing in the case between Kongsberg Evotec and Rolls-Royce Marine took place in the Ålesund District Court from 9 February to 3 March. Rolls-Royce has submitted a statement of claim to the effect that Kongsberg Evotec AS shall be prohibited from selling, producing and marketing complete equipment packages for aft deck operations on seismic vessels, as well as a number of individual products, for a period according to the Court's discretion. They have also submitted a claim for compensation according to the Court's discretion, indicated in the order of MNOK 279 to 395. KONGSBERG has submitted a statement of claim for full acquittal. The case has been submitted for judgement and we are awaiting the District Court's decision.

Prospects for 2015

Kongsberg Maritime delivered strong results and a high influx of orders in an increasingly challenging market in 2014. The offshore market is currently in a period with considerably lower contracting of new vessels, which will result in fewer orders from this segment. Good activity is still expected within gas and advanced merchant marine vessels. Prospects are good in KM's subsea market, particularly within subsea monitoring and subsea construction. A strong market position in all segments, record-high order reserve, and equipment installed on nearly 17,000 vessels, provides a good foundation for the business area's activity level throughout 2015.

Kongsberg Defence Systems won several important contracts in 2014, which resulted in a solid increase in the order backlog. The defence market in general has grown stronger in the past year, and KDS is positioned as a leading supplier in its niches. This provides good opportunities in a market with several important short-term and long-term contract possibilities for missiles, air defence, submarine systems and communications. These conditions provide a strong foundation for the business area's activity level in both 2015 and the future.

Kongsberg Protech Systems has undergone a period of decreasing demand in the market for remote-controlled weapons systems. In 2014, the inflow of orders increased again. The business area has a globally leading position with remote-controlled weapons systems and has also further expanded its product portfolio, with the Medium Calibre Remote Weapon Station, among other things. Hence, KPS is considered to be well-positioned to meet expected future needs. Activity is expected to increase in 2015 compared to previous years.

Kongsberg Oil & Gas Technologies' development in 2014 was unsatisfactory. The oil and gas market is in the midst of a period with reduced investments, which is challenging for the business area. Many measures were implemented in 2014 to meet the tougher market, and the implemented measures are expected to yield results in 2015. A future-oriented product portfolio is considered to provide good opportunities for the business area over time, but in the short term the business area is characterised by the weakened market prospects and a lower activity level is anticipated in 2015.

KONGSBERG has a solid order backlog and maintains strong market positions within the shipping, offshore and defence markets. This provides a solid foundation for a generally good activity level in 2014.

The KONGSBERG share and shareholders

The price of the KONGSBERG's share decreased from NOK 127.50 at the end of 2013 to NOK 123.00 at the end of 2014. This provides a market capitalisation at the end of 2014 of MNOK 14,760. Including the dividend of NOK 5.25 per share, the return was just above half a percentage point in 2014. During the same period the All-Share Index (OSEBX) on the Oslo Stock Exchange had a positive trend of 5.3 per cent. As of 31 December 2014, KONGSBERG had 8,014 shareholders, an increase of 268 from the previous year. The Group had 976 (975) foreign shareholders who collectively owned 13.14 per cent (10.85 per cent) of the shares. The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, is the largest shareholder with a stake of 50.001 per cent of the shares. The 10 largest shareholders had at the end of the year a total of 76.43 per cent (77.76) of the shares. The number of shares outstanding is 120 million, each with a nominal value of NOK 1.25.

KONGSBERG has paid dividends to its shareholders in every year since the company was listed in 1993, except from in 2000 and 2001. Dividend shall over time constitute between 40 and 50 per cent of the company's ordinary profit after tax. In determining the size of the dividend, the expected future capital requirements shall be considered. At the Annual General Meeting on 9 May 2013, it was decided to pay a dividend of NOK 4.25 per share for 2013, as well as

Follow the Sun support centre, Kongsberg

an extraordinary dividend in connection with KONGSBERG's 200th anniversary of NOK 1.00 per share, which amounted to a total dividend of NOK 5.25 per share.

For 2014, the Board proposes an ordinary dividend for the accounting year 2014 of NOK 4.25/share (4.25) and an extraordinary dividend of NOK 5.00/share (1.00) – a total of NOK 9.25/share (5.25). The ordinary dividend and total dividend constitute 42.7 per cent and 93.0 per cent, respectively, of the ordinary profit for the year before depreciation. The ordinary dividend and total dividend constitute 58.4 per cent and 127.1 per cent, respectively, of the ordinary profit for the year. In determining the size of the dividend, depreciation was not included in the assessment basis, in line with previous practice.

In 2014, a total of 12.9 million (14.0 million) KONGSBERG shares were traded in 36,354 (38,205) transactions. The company works actively to promote interest in the share through activities within the investor markets. KONGSBERG is regularly represented at road shows, meetings and conferences both in Norway and abroad. The goal for 2015 is to continue the high activity against the investor market. Investor presentations are held in connection with the quarterly reports, as well as an annual Capital Markets Day. At year-end, 12 securities firms had active coverage of the share. In 2014, KONGSBERG was ranked third in the category "Best Norwegian Company, Large Cap", in the annual IR Nordic Markets competition.

The Board of Directors believes that employee share ownership is positive. At 31 December 2014, more than 2,200 employees held approximately 3.6 million shares in total in KONGSBERG. This represents approximately three per cent of the shares. During the spring of 2014, the Group's annual share program for employees was carried out for the 18th time. A total of 497,389 (590,890) shares were sold at a price of NOK 113.20 (20 per cent discount on the market price). 2,112 (1,914) employees took advantage of the offer.

Risk factors and risk management

KONGSBERG is exposed to different types of risks, and the Board of Directors closely monitors trends in the various risk areas. The Board of Directors is of the opinion that there is a healthy balance between the overall risk and the Group's capacity to deal with risk. The administration prepares monthly operating reports and quarterly risk reports which are reviewed by the Board of Directors. In addition, the Board of Directors and the administration perform risk analyses when considering major investments, tenders, initiatives and acquisitions. The Board of Directors has an Audit Committee to help deal with accounting and relevant discretionary items, and to follow up internal control, compliance and risk management within the Group. The Audit Committee meets, as a minimum, in connection with the issue of annual and interim financial statements.

The Group's activities are international with delivery of high-tech systems and solutions, primarily to customers in the offshore market, merchant marine and defence. Market risk could therefore vary somewhat within these different segments.

The offshore market comprises exploration, development, production and transport of oil and gas. There are also support functions such as supply services, operational support, as well as maintenance and service on platforms and vessels. KONGSBERG is a supplier of products and services for all these segments. The demand for energy and oil price development will impact the willingness to invest in this market. The investment levels could also vary between the various geographical areas depending on e.g. oil reserves and the level of exploration and production activities. More challenging oil and gas fields create new niches in the market, which in turn create the need for new technological solutions.

The merchant marine market includes all types of vessels from simple dry cargo ships to advanced tankers. Passenger ships in cruise and ferry traffic are also an important part of the market. Contracting of new ships is closely linked

From Zhenjang

with the expected development in transport demand. The development in the global economy influences the demand for water transport of people, energy, raw materials and finished products. The type of ship and geographical areas also influence the market.

Products and systems are delivered to land-based, air-based and sea-based defence in the defence market. Due to strict security requirements and protection of various countries' own defence industry, it is often difficult for defence suppliers to win defence contracts outside their own borders. There is a significant degree of protectionism in both the US and Europe. However, there are still opportunities through long-term relationships and niche products. This is partially safeguarded through KONGSBERG's relationships with major foreign defence companies.

The Group's value creation primarily comprises delivery of systems of high technological complexity. Deliveries are generally organised as projects. An effective management of projects is a key success factor in reducing operating risk. KONGSBERG has established goals for project management based on internal and external "best practice", and project managers attend an internal training program concerning this matter. The projects' revenues are based on contracts, and the uncertainty is mainly related to estimating the remaining costs and determining the percentage of completion. The Group has established principles for categorising projects in terms of technological complexity and development content. This forms the basis for an assessment of "profit at risk" and recognition of revenue in the projects. "Profit at risk" is the result retained in the projects until any uncertainty is resolved. KONGSBERG has a range of projects in progress and a strong order backlog. Cancellations within the shipyard industry, increased competition, declining defence budgets in several countries and a general and lasting economic downturn have, however, increased the Group's risk and may over time influence the Group's level of activity. The Group operates in several markets which to a large extent are affected by independent drivers. Cyclical fluctuations will influence these markets, both to various degrees and points in time.

Financial risk at KONGSBERG is managed centrally by guidelines for financial risk management adopted by the Board of Directors and included in the Group's financial policy. KONGSBERG is exposed to various financial risks, and aims to balance the financial risk elements in order to promote predictability in the Group. The Group's financial risk management is described in detail in Note 5 "Management of capital and financial risk".

KONGSBERG has a diversified customer base mainly comprising public institutions and larger private companies in a number of countries. Historically, the Group has had minor losses on receivables. Measures to limit the risk exposure are implemented continuously where necessary. The Group's liquidity risk is managed centrally by requiring loans to be renewed well in advance of maturity as well as the use of liquidity prognoses. With a large portion of foreign customers and revenues in foreign currency, the Group's revenues are affected by fluctuations in exchange rates.

KONGSBERG's currency policy implies that the contractual currency cash flows are hedged mainly by using forward contracts (project hedges). In addition, the Group hedges a portion of the expected new orders according to the established policy (forecast hedges). The policy regulates how much of the expected orders shall be hedged, depending on the timing of the expected orders and currency levels. In this manner, the Group seeks to mitigate the effects of currency fluctuations of up to two years.

KONGSBERG has for several years established and developed compliance functions at group level and within the business areas. Regulations, as well as monitoring and reporting systems are established for managing risks related to areas such as anti-corruption, supply chains and whistle-blowing.

Key policy documents are reviewed and updated on a regular basis. Training within the area of ethics and compliance is carried out in the entire organisation, both in Norway and abroad. An extensive evaluation of KONGSBERG's anti-corruption program was carried out in 2014. The evaluation confirmed that the program satisfies both national and international regulations, as well as requirements for sound routines, training, etc.

The Board of Directors considers KONGSBERG's compliance program to hold good international level.

Technology, research and development

A significant portion of the value created by KONGSBERG consists of the development of high-tech solutions to the domestic and international market. High competence and knowledge sharing are essential to the competitiveness. KONGSBERG's extensive knowledge within dynamic positioning is due to the expertise developed in connection with control systems for submarines and missiles. The Group's systems and products are mainly focused around four core areas of competence: signal processing, system integration, regulatory systems (cybernetics) and software development. KONGSBERG continuously invests in product development, both internally financed and through customer-funded programs. Over time, the total costs of product development account for about 10 per cent of operating revenues.

Corporate social responsibility

KONGSBERG shall represent a sustainable development characterised by a sound balance between economic performance, creating value and social responsibility. The strategic and commercial choices made in the Group are based on a sustainable perspective.

The Group's policy for Sustainability and Corporate Social Responsibility is built around two main elements: commercial opportunities related to global megatrends and sustainable technology, and risk related to "license to operate" and global megatrends.

Back

Left: From Kongsberg

Right: From Shanghai

In 2015, KONGSBERG will continue to focus on anti-corruption, follow-up of regulations relating to human and employee rights and to continue the work related to corporate social responsibility in the supplier network. Reference is made to the corporate responsibility report for a more detailed description of the Group's corporate social responsibility efforts. The report has been evaluated and approved by the Board of Directors.

Health, safety and the environment

The Board of Directors is of the opinion that health, safety and environment is handled in a manner that promotes job satisfaction and a sound working environment. One basic principle is that the HSE work should be preventive. The Board of Directors is closely monitoring the work by quarterly reviewing HSE reports. During 2014, effort has been put into the HSE training and further improving HSE reporting routines. The reporting routines of the foreign subsidiaries are good, and figures on absence due to illness and accidents from the offices abroad are a natural part of the HSE report.

During 2014 there were 380 work accidents within the Group. Recorded injuries resulting in absence were 34, while 164 injuries did not lead to absence. 182 events required treatment. The total number of work-related injuries with and without absence, TRI, constituted 4.56 per cent in 2014, an increase from 3.69 per cent in 2013. There are no registered occupational diseases or work-related fatalities during 2014. Total absence due to illness increased somewhat from 2.5 per cent in 2013 to 2.6 per cent in 2014.

All employees in Norway have access to company health services. This varies in accordance with local practices and legislation in our foreign business activities. KONGSBERG has many employees outside Norway, 38 per cent at the end of 2014. This requires additional attention and insight with respect to HSE issues in the countries in which we operate.

Climate and environment

The climate and environmental statement provides an overview of KONGSBERG's consumption of energy, CO_2 emissions and waste production and our consumption of water.

The Groups' most significant positive contribution to the climate challenges is that an increasing number of our products and solutions are contributing in various ways to reduced emissions. This will be a key topic of the new climate and environment strategy that will be prepared in 2015.

KONGSBERG's activities contribute to only a small extent to the emission of greenhouse gas. In 2014, we reduced our energy consumption by 2.6 per cent compared to the previous year. However, the Group's growth in recent years with establishment of several new offices has resulted in increased activity, which caused our total impact on the external environment to increase slightly. According to the climate statement, our CO_2 emissions increased by 2.8 per cent from 2013 to 2014. The increase was largely caused by the number of flights related to the increased activity described above. A detailed overview of the climate and environmental statement for 2014 can be found in the Group's report on sustainability for 2014, pages 135–137.

We will continue our work to map and implement elements that are not currently part of our climate statement in 2015, for example transport of goods and services.

The Groups reports to the international framework "Carbon Disclosure Project" on issues relating to climate changes and the level of greenhouse gas emissions.

No serious incidents related to environmental pollution were reported in 2014.

Personnel and organisation

Number of employees	*31 Dec 2014*	*31 Dec 2013*
Kongsberg Maritime	4 652	4 260
Kongsberg Defence Systems	1 672	1 761
Kongsberg Protech Systems	650	644
Kongsberg Oil & Gas Technologies	630	709
Group centre	60	57
Kongsberg Teknologipark	62	62
Total Group	**7 726**	**7 493**
Share outside Norway	**38%**	**36%**

KONGSBERG is continuously working on adapting the organisation to the Group's markets. Efforts are made to develop the Group's international establishments. This is both cost effective and provides local presence and competitiveness. One of the Group's goals is that our international subsidiaries as far as possible should be staffed with local employees.

KONGSBERG has a unique and strong culture that has been developed over several years. Common values and management principles are implemented for the entire Group.

An important condition for long-term success is that KONGSBERG manages employees' competence in a good manner. A goal is to develop and increase the diversity within the Group, so that different experience, culture, education and ways of thinking are represented. This helps to increase the ability for renewal and provides for better decisions. The Group is aiming to increase the exchange of knowledge and staff between the business areas. Good work processes and development opportunities are important incentives in recruiting and retaining good employees. KONGSBERG emphasises education, and is continuously working to develop and coordinate training for our employees. 64 per cent of KONGSBERG's employees have college or university level education.

KONGSBERG invests in leadership programs. High competence and capacity among the leaders of the Group is one of the most important elements in achieving KONGSBERG's strategy. Leadership@KONGSBERG, the Group's 'performance management process', has been developed in order to clarify and provide quality assurance of processes for goal setting, goal achievement and evaluation, and for ensuring a controlled development of the Group's global management capacity. The Group educates skilled workers within several disciplines in cooperation with the education company Kongsberg Technology Training Centre AS, partly owned by KONGSBERG. During 2014, there were 19 apprentices in total. In addition, the company facilitates and stimulates for employees to acquire certificates of completed apprenticeship as private candidates, so called practice candidates. In 2014, four employees acquired certificates of completed apprenticeship by this program.

Cooperation with employee unions and organisations through established cooperation and representation arrangements are well functioning and constitutes valuable contributions in meeting the Group's challenges in a constructive manner.

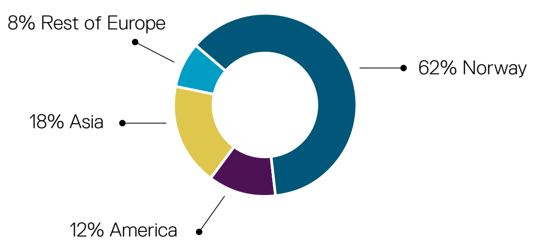
The Board of Directors has decided to pay a bonus of NOK 4,000 to all employees and wishes to thank all staff for their hard work during the year.

Equal rights

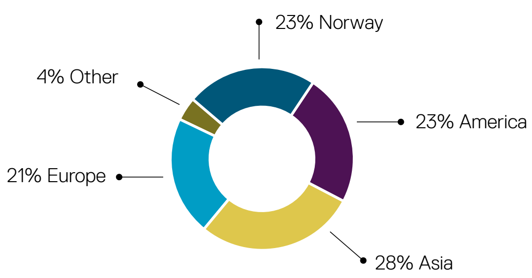
KONGSBERG has a personnel policy designed to ensure equal opportunities and rights, and to prevent discrimination on the grounds of ethnicity, national origin, skin colour, language, religion, philosophy of life, age or gender. A total of 1,612 (20.9 per cent) of the employees are women, and two of five shareholder-elected directors on the Board of Directors are women. As of 1 January 2015, one woman is represented in corporate executive management. The company considers it important to promote gender equality and prevent discrimination in conflict with the Gender Equality Act. In the opinion of the Board of Directors', the Group complies with current regulations.

As the extent possible, KONGSBERG tries to adapt working conditions so that individuals with diminished functional abilities can work for the Group.

Geographical distribution of employees



Geographical distribution of revenues



Some of KONGSBERG's operations include projects that require special security clearances for employees. In certain cases, this may place constraints on which individuals can be hired.

Corporate governance

KONGSBERGS's objective is to protect and enhance stakeholder value by engaging in a profitable, growth-oriented industrial development in a long-term, international perspective. Good corporate governance and leadership shall ensure the best possible value creation, and the Group's resources shall be used in an efficient, sustainable manner. Values created should benefit shareholders, employees, customers and society in general.

The Board of Directors considers it important to review and update the Group's corporate governance documents annually to comply with the "Norwegian Code of Practice for Corporate Governance". According to Section 3-3b of the Accounting Act, the company shall prepare a statement on corporate governance. The statement will, pursuant to Section 5-6 of the Public Limited Companies Act, be discussed at the Annual General Meeting. The description on pages 86–99 is based on the latest revised version of the Norwegian Code of Practice for Corporate Governance of 30 October 2014.

Salaries and other remuneration to senior executives

The Board of Directors has a separate Compensation Committee which deals with all significant matters related to wages and other remuneration to senior executives before the formal discussion and decision by the Board of Directors. In line with the Norwegian Companies Act, the Board of Directors has also prepared a statement on the remuneration of the Group CEO and Executive Management included in Note 28 to the consolidated financial statements.

Profit for the year and allocation of net profit

The parent company Kongsberg Gruppen ASA had a net profit of MNOK 1,330 in 2014. The Board of Directors proposes the following allocation of net profit in Kongsberg Gruppen ASA:

Dividends	MNOK	1 110
To other equity	MNOK	220
Total allocated	MNOK	1 330

The proposed dividend constitutes 93.0 per cent of the Group's ordinary profit for the year before depreciation. Depreciation is not included in the dividend assessment. The ordinary part of the dividend complies with the company's dividend policy.

The Group's liquidity and financial position are good, and the future prospects are stable.

Going concern

In compliance with Section 3-3a of the Norwegian Accounting Act, it is confirmed that the going concern assumptions continue to apply. This is based on forecasts for future profits and the Group's long-term strategic prognoses. The Group is in a healthy economic and financial position.

Kongsberg 20 March 2015

Finn Jebsen, *Chairman* | **Anne-Lise Aukner**, *Deputy chairman* | **Irene Waage Basili**, *Director* | **Roar Flåthen**, *Director* | **Morten Henriksen**, *Director*

Magnar Hovde, *Director* | **Helge Lintvedt**, *Director* | **Roar Marthiniussen**, *Director* | **Walter Qvam**, *President and CEO*

FINANCIAL STATEMENTS AND NOTES

Kongsberg Gruppen (Group)

Content *Page*

Content *Page*

Kongsberg Gruppen ASA

Content *Page*

Auditor's Report 2014 84

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER

Kongsberg Gruppen (Group)

MNOK	*Note*	*2014*	*2013*
Revenues		16 552	16 323
Profit on sale of property	7	61	-
Total revenues	6	**16 613**	**16 323**
Cost of goods sold	8	(5 572)	(5 415)
Personnel expenses	9	(6 118)	(5 742)
Other operating expenses	30	(2 925)	(3 024)
Share of net income from joint arrangements and assosiated companies	32	62	-
Operating profit before depreciation and amortisation (EBITDA)	6	**2 060**	**2 142**
Depreciation	6, 11	(342)	(345)
Operating profit before amortisation (EBITA)	6	**1 718**	**1 797**
Amortisation	6, 12	(140)	(138)
Impairment	6, 12, 13	(320)	-
Operating profit (EBIT)	6	**1 258**	**1 659**
Finance income	14	137	95
Finance expenses	14	(110)	(110)
Profit before tax		**1 285**	**1 644**
Income tax expense	15	(405)	(419)
Profit for the year		**880**	**1 225**
Attributable to			
Equity holders of the parent		873	1 228
Non-controlling interests		7	(3)
Earnings per share in NOK			
– profit for the year / diluted profit	16	7.28	10.24

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY–31 DECEMBER Kongsberg Gruppen (Group)

MNOK	*Note*	*2014*	*2013*
Profit for the year		**880**	**1 225**
Specification of other comprehensive income			
Items to be reclassified to profit or loss in subsequent periods			
Change in fair value:			
– Cash flow hedges, currency	21C	(1 098)	(465)
– Interest rate swaps		(13)	4
– Available-for-sale shares	17	(6)	(7)
Income tax effect in cash flow hedges and interest rate swaps		298	129
Translation differences, currency		309	123
Net total items to be reclassified to profit or loss in subsequent periods		**(510)**	**(216)**
Items not to be reclassified to profit and loss			
Actuarial gains/losses, pension	10	(168)	(239)
Income tax on items remaining in equity	15	45	67
Actuarial gains/losses joint arrangements and assosiated companies after tax	10, 32	(6)	-
Net total items not to be reclassified to profit and loss		**(129)**	**(172)**
Total other comprehensive income for the period		**(639)**	**(388)**
Total comprehensive income for the period[1]		**241**	**837**
Attributable to			
Equity holders of the parent		234	840
Non-controlling interests		7	(3)

1) Total comprehensive income for the period is the sum of the period's ordinary income (profit for the year) and other comprehensive income. The other comprehensive income is the sum of the changes to items recognised directly to equity in the period.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER

Kongsberg Gruppen (Group)

MNOK	*Note*	*2014*	*2013*
Assets			
Non-current assets			
Property, plant and equipment	11	2 477	2 655
Goodwill	12, 13	2 088	2 308
Other intangible assets	12	793	829
Shares in joint arrangements and assosiated companies	32	313	-
Available-for-sale shares	17	132	140
Other non-current assets	18	100	155
Total non-current assets		**5 903**	**6 087**
Current assets			
Inventories	8	3 264	2 944
Receivables	19	3 284	2 996
Construction contracts in progress, asset	20	3 183	1 963
Derivatives	21A	215	173
Cash and cash equivalents	22	4 424	3 272
Total current assets		**14 370**	**11 348**
Total assets		**20 273**	**17 435**
Equity, liabilities and provisions			
Equity			
Issues capital		982	982
Other reserves		(604)	(94)
Retained earnings		5 875	5 761
Equity attributable to owners of the parent		**6 253**	**6 649**
Non-controlling interests		29	8
Total equity	**23**	**6 282**	**6 657**
Non-current liabilities and provisions			
Long-term interest-bearing loans	21D	873	811
Pension liabilities	10	915	757
Derivatives	21A	1	8
Provisions	24	153	116
Deferred tax liability	15	934	1 001
Other non-current liabilities		19	56
Total non-current liabilities and provisions		**2 895**	**2 749**
Current liabilities and provisions			
Construction contracts in progress, liability	20	3 590	2 548
Derivatives	21A	2 732	312
Provisions	24	825	953
Short-term interest-bearing loans		-	526
Other current liabilities	25	3 949	3 690
Total current liabilities and provisions		**11 096**	**8 029**
Total liabilities and provisions		**13 991**	**10 778**
Total equity, liability and provisions		**20 273**	**17 435**

Kongsberg 20 March 2015

Finn Jebsen, *Chairman*
Anne-Lise Aukner, *Deputy chairman*
Irene Waage Basili, *Director*
Roar Flåthen, *Director*
Morten Henriksen, *Director*
Magnar Hovde, *Director*
Helge Lintvedt, *Director*
Roar Marthiniussen, *Director*
Walter Qvam, *President and CEO*

Back

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 1 JANUARY–31 DECEMBER

Kongsberg Gruppen (Group)

		Equity attributable to owners of the parent							Non-controlling interests	Total equity
		Issued capital		Other capital reserves			Retained earnings	Total		
MNOK	*Note*	*Share capital*	*Other issued capital*	*Hedge reserve*	*Available-for-sale reserve*	*Translation difference, foreign exchange*				
Equity at 1 January 2013		**150**	**832**	**191**	**16**	**(85)**	**5 159**	**6 263**	**11**	**6 274**
Profit for the year							**1 228**	**1 228**	**(3)**	**1 225**
Statement of comprehensive income				**(332)**	**(7)**	**123**	**(172)**	**(388)**		**(388)**
Trading in treasury shares	23	-	-				(3)	(3)	-	(3)
Dividends paid							(450)	(450)		(450)
Purchase/sale, non-controlling interests										
Dividends, non-controlling interests							(1)	(1)	(1)	(2)
Translation differences, non-controlling interests								-	1	1
Equity at 31 December 2013		**150**	**832**	**(141)**	**9**	**38**	**5 761**	**6 649**	**8**	**6 657**
Equity at 1 January 2014		**150**	**832**	**(141)**	**9**	**38**	**5 761**	**6 649**	**8**	**6 657**
Profit for the year							**873**	**873**	**7**	**880**
Statement of comprehensive income				**(813)**	**(6)**	**309**	**(129)**	**(639)**		**(639)**
Trading in treasury shares							10	10		10
Dividends paid	23						(630)	(630)		(630)
Purchase/sale, non-controlling interests							(10)	(10)	10	-
Dividends, non-controlling interests								-	(1)	(1)
Translation differences, non-controlling interests								-	5	5
Equity at 31 Decemner 2014		**150**	**832**	**(954)**	**3**	**347**	**5 875**	**6 253**	**29**	**6 282**

CONSOLIDATED STATEMENT OF CASH FLOWS 1 JANUARY–31 DECEMBER

Kongsberg Gruppen (Group)

MNOK	*Note*	*2014*	*2013*
Profit for the year		**880**	**1 225**
Depreciation on property, plant and equipment	11	342	345
Amortisation of intangible assets	12	140	138
Impairment losses	12, 13	320	-
Net finance expense	14	(27)	15
Income tax expense	15	405	419
Operating profit before depreciation and amortisation		**2 060**	**2 142**
Adjusted for			
Changes in construction contracts in progress, asset		(1 011)	259
Changes in construction contracts in progress, liability		1 042	225
Changes in other current liabilities		986	(743)
Changes in inventories		(321)	523
Changes in receivables		(202)	(233)
Changes in provisions and other accruals		(109)	91
Income tax paid		(130)	(281)
Net cash flows from operating activities		**2 315**	**1 983**
Cash flows from investing activities			
Proceeds from property, plant and equipment	11	14	10
Purchase of property, plant and equipment	11	(339)	(356)
Capitalised in-house developed intangible assets (R&D)	12	(102)	(80)
Purchase of intangible assets	12	(2)	(3)
Net payment from acquisition of subsidiaries		-	(343)
Net payment from sale of property shares	7	264	-
Net payment of loans and buying/selling shares	17	(46)	(3)
Net cash flows used in investing activities		**(211)**	**(775)**
Cash flows from financing activities			
Payment of loans	21D	(457)	-
Interest received		87	44
Interest paid		(44)	(55)
Transactions with treasury shares		(7)	(17)
Transactions with non-controlling interests		(1)	(2)
Dividends paid	23	(628)	(450)
Net cash flows used in financing activities		**(1 050)**	**(480)**
Total cash flows		1 054	728
Effect of changes in exchange rates on cash and cash equivalents		**98**	**35**
Net change in cash and cash equivalents		**1 152**	**763**
Cash and cash equivalents at 1 January		**3 272**	**2 509**
Cash and cash equivalents at 31 December	22	**4 424**	**3 272**

NOTES

Kongsberg Gruppen (Group)

1 General information

Kongsberg Gruppen ASA is a public limited liability company headquartered in Kongsberg, Norway. The company's shares are traded on the Oslo Stock Exchange. The Board of Directors approved Kongsberg Gruppen's consolidated financial statements for the accounting year 2014 at its meeting on 20 March 2015.

The consolidated financial statements for 2014 include the parent company and subsidiaries (collectively referred to as "KONGSBERG" or "the Group"), as well as the Group's investments in associates and jointly controlled entities.

2 Basis for the preparation of the consolidated financial statements

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

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and their interpretations, as well as the Norwegian disclosure requirements pursuant to the Accounting Act applicable at 31 December 2014.

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

- Financial derivatives (forward exchange contracts and interest swap agreements), measured at fair value
- Financial available-for-sale assets, measured at fair value

Significant accounting judgements, estimates and assumptions

During the preparation of the financial statements, the company's management has applied its best estimates and assumptions considered to be realistic based on experience and market conditions. The estimates are reviewed on an ongoing basis. Situations can arise which alter the estimates and assumptions, which will affect the company's assets, liabilities, revenues and expenses. Changes in estimates are recognised in the period in which they occur. In the preparation of the financial statements, management has made some significant judgements relating to the application of accounting policies.

For more detailed information about estimate uncertainty and areas for application of judgement that could have a significant impact on the amounts recognised in the following financial year, please see the following notes:

- Revenue recognition, estimates of progress and contract profit in connection with construction contracts, cf. Note 3 C "Summary of significant accounting policies – Revenue recognition" and Note 20 "Construction contracts in progress"
- Estimates of whether internally financed development will generate future financial benefits, cf. Note 3 F "Summary of significant accounting policies – Intangible assets" and Note 12 "Intangible assets"
- Estimates related to pension liabilities, cf. Note 10 "Pensions"
- Impairment tests of goodwill, including the calculation of recoverable amounts from cash-generating units, cf. Note 13 "Impairment test of goodwill"
- Estimates related to impairment on trade receivables, cf. Note 19 "Accounts receivable"
- Estimates related to impairment losses on the carrying amount of construction contracts, cf. Note 20 "Construction contracts in progress"
- Estimates related to future warranty commitments and other provisions, cf. Note 24 "Provisions"
- Financial instruments, including hedge accounting (fair value or cash flow hedges), cf. Note 3 J "Summary of significant accounting policies – Financial instruments" and Note 21 "Financial instruments"
- Sale and leaseback related to property, assessment of operating versus financial leases, cf. Note 3 H "Summary of significant accounting policies – Leases, Sale and leaseback" and Note 27 "Sale and leaseback".

3 Summary of significant accounting policies

A) Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

On initial recognition, subsidiaries are measured at their fair value on the date of acquisition. Fair value is allocated to the identified assets, liabilities and contingent liabilities. The unallocated purchase price is classified as goodwill. New subsidiaries' income statement, assets and liabilities are included in the consolidated financial statements from the date of acquisition. The date of acquisition is the date when KONGSBERG obtains control of the acquired company. Normally, control will be achieved when all the terms of the agreement are satisfied. Examples of contingencies can be the approval of the Board of Directors, the General Meeting or the competition authorities. For business combinations achieved in stages, the financial statements are based on the values at the time when the Group obtained control. Goodwill is calculated at the date control is obtained. On each individual acquisition, it is decided whether goodwill should be limited to KONGSBERG's proportionate share or to include non-controlling interests. Entities that constitute the Group are listed in Note 31 "List of Group Companies".

Contingent considerations to be disbursed at a later date when certain conditions of the acquisition are met, are recognised at fair value on the date of the acquisition. Subsequent changes in the fair value of contingent consideration classified as an asset or liability are recognised according to IAS 39 either in the income statement. Transaction costs incurred in connection with the business combination are recognised as expenses on an ongoing basis.

Joint ventures

Shares in companies where KONGSBERG, together with other parties, has a controlling interest (joint ventures), are valued according to the equity method. This applies to companies where the Group has entered into an agreement with another party to operate and develop a joint venture where none of the parties have independent control.

Associates

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

Elimination of transactions

All intra-group purchases, sales, balances and unrealised gains and losses between Group entities are eliminated in full. Unrealised losses are eliminated correspondingly, unless they are related to impairment requiring recognition in the consolidated financial statements.

Non-controlling interests

Non-controlling interests are included in the Group's equity as a separate line item. Its portion of the result is included in the profit for the year. Non-controlling interests include the portion of the fair value of the subsidiary, including its share of identified excess value on the date of acquisition. The portion of the total comprehensive income is attributed to the non-controlling interest even if that results in a negative balance.

B) Foreign currency

The Group's consolidated financial statements are presented in NOK (Norwegian kroner), which is also the parent company's functional currency. Each entity in the Group determines its own functional currency, and all transactions in the accounts of the individual entities are measured at that functional currency. Upon initial recognition, foreign currency transactions are measured in the functional currency on the date of the transaction. Construction contracts are hedged and recognised on the basis of the hedged exchange rate (project hedges). Trade receivables, other receivables, accounts payable and other liabilities in foreign currencies are translated at the exchange rate at the balance sheet date, and currency differences are recognised in the income statement. Differences that arise at the translation of cash flow hedges and meet the criteria for hedge accounting, are recognised as a change in fair value on cash flow hedges in the statement of comprehensive income (OCI). The effect is reflected in the income statement upon realisation of the cash flow hedges. (See also 3J "Financial instruments").

Gains and losses related to foreign exchange items in the normal operating cycle are included in operating profit before depreciation and amortisation. Other gains and losses related to balances in foreign currencies are classified as finance income or expenses.

Translation – foreign subsidiaries

Assets and liabilities in foreign operations applying functional currencies other than NOK are translated into NOK at the rate of exchange prevailing at the balance sheet date. Revenues and expenses in foreign currencies are translated into NOK at the average exchange rates on a monthly basis. The translation differences are recognised in the statement of other comprehensive income. When a foreign entity is disposed of with the result that KONGSBERG no longer has control, the accumulated translation differences are recognised in the income statement and reversed at the same time in other comprehensive income. Translation differences are not recognised in the income statement in connection with partial disposals of subsidiaries, provided that the Group has continued control.

C) Revenue recognition

In connection with revenue recognition, KONGSBERG distinguishes between construction contracts/system deliveries, goods/standard production/services and license sales with related services.

Back

Construction contracts/system deliveries
A significant part of KONGSBERG's operations is to develop and manufacture products and systems on the basis of orders received.

A construction contract is a contract negotiated with the view to manufacture an asset or a combination of assets that are closely related or interdependent. KONGSBERG has applied the following criteria to define a construction contract:

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

Contracts that do not meet the definition of a construction contract are recognised at the time of delivery.

Recognition of project revenues and expected contract profit is calculated according to the individual project's percentage of completion. The percentage of completion is normally determined on the basis of costs incurred compared to total expected costs or incurred hours measured against the total expected time consumption. In some cases, other progress measures can be used if this provides a better estimate of the actual progress and value added in the project.

The accumulated value of contracts in progress is included in revenues. In the statement of financial position, accumulated value not invoiced is reported as "Construction contracts in progress, assets". Accumulated value is based on the percentage of completion and determined as incurred production costs in addition to a proportion of earned contract profit. Production costs include direct wages, direct materials and a proportionate share of indirect costs, distributable to the contracts. General development costs, sales costs and common administrative costs are not included in production costs.

Recognised accrued contract profit shall not exceed a proportional share of the estimated total contract profit. If the profit on a contract cannot be estimated reliably, the project will be recognised without a profit until reliable estimates are available. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately. A construction contract is expected to result in a loss when expected costs exceed expected revenues in the contract.

The carrying value of construction contracts in the statement of financial position is based on an assessment of the financial status of each individual contract. The classification is determined on a contract-to-contract basis unless netting has been agreed. If this is the case, the contracts can be considered together. In the consolidated financial statement, all balances are netted for each construction contract and presented on one line in the statement of financial position. Each contract is presented as either "Construction contracts in progress, asset" or as "Construction contracts in progress, liability". Accounts receivable related to construction contracts are netted against balance sheet items to the extent that the construction contract has recorded prepayments (billing exceeds accumulated revenue), with the consequence that the balance items only contain actual advances received.

Additional contractual services and estimated additional costs are included in the original project costs estimate and recognised in line with the overall project. Construction contracts that involve one or several similar deliveries are recognised with joint contract profit and at the same stage of completion if a contract has been signed, or in several contracts concluded with the same buyer at the same time, and where the individual deliveries not could have been negotiated separately on the same terms. In special cases, work on projects will commence and expenses incurred before a contract has been signed with the customer. This requires a high probability that the contract will be signed.

Goods/standard production/services
The ordinary sale of goods and standard production not covered by a construction contract are usually recognised on an accrual basis, which is usually upon delivery. Delivery is considered complete when the control and risk for the delivered goods are transferred to the customer.

In addition to assuming the control and risk, it must be probable that the consideration can be collected, and that the revenue can be measured reliably.

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

Licence revenues
The Group also sells licenses for the use of software systems. License revenues are normally recognised on a systematic manner on an accrual basis, which is usually when the system is delivered to the customer. The date of delivery is defined as the date on which the control and risk are transferred to the customer.

If the sale of the license depends on customer acceptance, license revenues will not be recognised until the customer has accepted. In cases that involve adaptations or additional work, the total contract amount, including consideration for the licenses, is recognised as revenue at the same stage of completion as deliveries.

Maintenance and service/support are recognised as revenue incrementally as the service is performed or on a straight-line basis during the period in which the service is performed.

Combined deliveries of goods, services and licence sales
The recognition criteria are applied separately for each transaction. In case of combined deliveries with different recognition criteria, the various elements are identified and recognised as revenue separately. Regarding the sale of goods with accompanying maintenance services, the goods are recognised as revenue upon delivery, while the maintenance services are recognised as revenue over the period in which the services are performed.

When market prices can be obtained for the various elements to be delivered, the revenue is based on these prices, and the stipulated price of the license will be recognised upon delivery. For service and maintenance, the stipulated price of the service will be deferred and recognised on a straight-line basis over the period in which service and maintenance are performed.

Upon the sale of different elements where no market prices can be obtained, KONGSBERG has the following principles for recognition and measurement of revenue:

- Identification of the various elements for delivery, e.g., license, service, maintenance and consultancy services
- Expected costs are estimated for each element in the contract. A reasonable profit margin is also estimated on the various elements, and the assumptions for the estimation must be consistent from one period to the next
- The estimated cost plus the profit margin constitutes deferred revenue and is recognised on a straight-line basis throughout the period in which the services are performed

- The contract amount, less estimated revenue from the abovementioned elements, is estimated as license revenue and recognised upon delivery.

D) Taxes

Income tax expense in the financial statements includes tax payable and the change in deferred tax for the period. Assets and liabilities associated with deferred tax are calculated using the liability method. Deferred tax is calculated on net tax-increasing temporary differences between the values used for accounting purposes and those used for taxation purposes, adjusted for deductible temporary tax-reducing differences and tax losses carried forward if this satisfies the requirements in IAS 12.71.

Revenue from long-term construction contracts is not recognised for tax purposes until the control and risk have been transferred to the customer, and KONGSBERG is entiteled to complete payment. Due to KONGSBERG's volume of large, long-term contracts, there are considerable temporary differences.

Deferred tax assets are only recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are assessed for each period and will be reversed if it is no longer probable that the deferred tax asset will be utilised.

E) Finance income and finance expenses

Finance income comprises interest income, dividends, foreign currency gains, and gains on disposals of "available-for-sale shares" where the changes in value are recognised as other income and expenses in other comprehensive income. Interest income is recognised as it accrues using the effective interest method, while dividends are recognised on the date when the Annual General Meeting approves it.

Finance expenses comprise interest expense, foreign currency losses, impairments on "available-for-sale shares" and losses on sales of assets available for sale where changes in value are recognised directly in other comprehensive income (OCI). Interest expenses are recognised as they accrue using the effective interest method.

F) Intangible assets

Goodwill

Goodwill arises at the acquisition of a business (business combination) and is not depreciated. Goodwill is recognised in the statement of financial position at acquisition cost less any accumulated impairment losses. Goodwill does not generate cash flows independent of other assets or groups of assets, and is allocated to the cash-generating units that are expected to gain financial benefits from the synergies that arise from the business combination from which the goodwill is derived. Cash-generating units that are allocated goodwill are tested for impairment annually at the end of the year, or more frequently if there is any indication of impairment.

Goodwill is tested for impairment by estimating the recoverable amount for the individual cash-generating unit or group of cash-generating units that are allocated goodwill and followed up by management. The group of cash generating units is nevertheless not larger than an operating segment as defined by IFRS 8 Operating segments.

Impairment is calculated by comparing the recoverable amount with the individual cash-generating unit's carrying amount. The recoverable amount is the higher of value in use or net realisable value. The Group uses the value in use to determine the recoverable amount of the cash-generating units. In determining the value in use, the expected future cash flows are discounted to net present value using a discount rate before tax that reflects the market's target for a return on investments for the cash-generating unit in question. If the value in use of the cash-generating unit is less than the carrying amount, impairment reduces the carrying value of goodwill and then the carrying value of the unit's other assets on a pro rata basis, based on the carrying value of the individual assets. Impairment on goodwill is not reversed in a subsequent reporting period even if the recoverable amount of the cash-generating unit increases. Any impairment will be recognised through profit and loss in the financial statements. Impairment testing of goodwill is described in Note 13 "Impairment test of goodwill ", cf. also 3 I "Summary of significant accounting policies – Impairment of non-financial assets".

Development

Costs related to development activities, including projects in the development phase, are recognised in the statement of financial position if the development activities or project meet the defined criteria for capitalisation. Development comprises activities related to planning or designing the manufacturing of new or significantly improved materials, devices, products, processes, systems or services before being placed in commercial production or use. When assessing whether a project constitutes the development of a new system, functionality or module, the object being developed must be able to operate independently of existing systems/products that are sold. KONGSBERG has considered the criteria for significant improvements to be an increase of more than 20 per cent in value from before being developed or in relation to the replacement cost of the system. The capitalisation of development costs requires that those costs can be reliably measured, that the product or process is technically and commercially feasible, that future financial benefit is probable and that KONGSBERG intends to and has sufficient resources to complete the development, and to use or sell the asset. Other development costs are expensed as they are incurred.

When the criteria for balance sheet recognition are met, accrued costs are recognised in the balance sheet. Costs include raw materials, direct payroll expenses and a portion of indirect costs that are directly attributable to the development.

Capitalised development costs are recognised at cost less accumulated amortisation and impairment losses in the statement of financial position. Amortisation is based on the expected useful life. The main rule is straight-line amortisations, but total production units can also be used in special cases. The remaining expected useful life and expected residual value are reviewed annually.

The calculation of financial benefits is based on the same principles and methods as for the impairment testing. The calculation is based on long-term budgets approved by the Board. Note 13 "Impairment testing" has more details on the calculation.

Assessments of the fulfilment of the criteria for capitalising development costs are made on an ongoing basis throughout the completion of the development projects. Based on technical success and market assessments, a decision whether to complete development and start capitalisation is made during the development phase.

Maintenance

Maintenance is the work that must be performed on products or systems to secure their expected useful life. If a significant improvement is made on the product or system that could result in a prolonged life cycle, or if the customer is willing to pay more for the improvement, this is to be considered as development. Costs related to maintenance are expensed as incurred.

Technology and other intangible assets
Technology and other purchased intangible assets with determined useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

The amortisation is determined on the expected useful life based on total production units or number of years. The expected useful life and the determination of the amortisation rate are reviewed during each period.

G) Property, plant and equipment
Property, plant and equipment are recognised at acquisition cost, net of accumulated depreciation and/or any accumulated impairment losses. Such cost includes expenses that are directly attributable to the acquisition of the assets. Property, plant and equipment are depreciated on a straight-line basis over their expected useful life. When individual parts of a property, a plant or equipment have different useful lives, and the cost is significant in relation to total cost, these are depreciated separately. Any expected residual value is taken into account when stipulating the depreciation schedule.

The remaining expected useful life and expected residual value are reviewed annually. Gains or losses on the disposal of property, plant and equipment are the difference between the sales price and the carrying amount of the unit, and recognised net as other income in profit and loss. Expenses incurred after the asset is in use, e.g., day- to-day maintenance, are expensed as they are incurred. Other expenses expected to result in future economic benefits and that can be reliably measured, are capitalised.

H) Leases, sale and leaseback
Leases or sales with leaseback where KONGSBERG generally takes over all risk and all benefits related to ownership, are classified as financial leases. On initial recognition, the asset is measured at the lower of fair value and net present value of the agreed minimum rent. After initial recognition, the same accounting policies are used as for the corresponding asset.

Other leases are operating leasing agreements and not recognised in the Group's balance sheet. KONGSBERG's sale and leaseback agreements are considered to satisfy the criteria for operating leasing agreements. When a sale and leaseback agreement is defined as an onerous contract, the present value of the expected loss is recognised.

I) Impairment of non-financial assets
All non-financial assets are reviewed for each reporting period to determine whether there are any indications of impairment. If this is the case, recoverable amounts are calculated.

The recoverable amount of an asset or cash-generating unit is the higher of its value in use or fair value less net costs to sell. Value in use is calculated as the net present value of future cash flows.

The calculation of net present value is based on a discount rate before tax and reflects current market assessments of the time value of money and the risks specific to the asset. The pre-tax discount rate has been calculated using an iterative method.

Impairment is recognised if the carrying amount of an asset or cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group that generates a cash inflow that is largely independent of other assets or groups. Impairment related to cash-generating units primarily reduces the carrying amount of any goodwill allocated to the unit and then the carrying amount of the other assets in the unit on a pro rata basis. These assets normally constitute property, plant and equipment, and other intangible assets. In the event that an individual asset does not generate independent cash inflows, the asset is grouped with other assets that generate independent cash inflows.

Non-financial assets subject to impairment losses are reviewed during each period to determine whether there are indications that the impairment loss has been reduced or no longer exists. Reversals of previous impairment are limited to the carrying value the asset would have had after depreciation and amortisation, if no impairment loss had been recognised.

J) Financial instruments
Financial assets and liabilities
Financial assets and liabilities consist of derivatives, investments in shares, accounts receivable and other receivables, cash and cash equivalents, other financial liabilities, accounts payable and other liabilities. A financial instrument is recognised when the Group becomes party to the instrument's contractual provisions. Upon initial recognition, financial assets and liabilities are assessed at fair value plus directly attributable expenses. The exception is financial instruments, where changes in fair value are recognised through profit and loss, and directly attributable costs are expensed. An ordinary purchase or sale of financial assets is recognised and derecognised from the time an agreement is signed. Financial assets are derecognised when the Group's contractual rights to receive cash flows from the assets expire, or when the Group transfers the asset to another party and transfers all risks and rewards associated with the asset. Financial liabilities are derecognised when the Group's contractual obligation has been satisfied, discharged or cancelled.

Classification
The Group classifies assets and liabilities upon initial recognition based on the type of instrument and the intended purpose of the instrument. The Group classifies financial assets in the following categories:
i. fair value through profit and loss
ii. loans and receivables
iii. available-for-sale financial assets
iv. financial liabilities

Financial derivatives are included in the category "fair value through profit and loss", also if the derivative has a negative value.

Receivables and liabilities related to operations are measured at their amortised cost, which in practice implies their nominal value and provision for expected losses.

Except for investments in subsidiaries, joint ventures or associates in the statement of financial position at the date of the balance sheet, all shares are defined as financial instruments available for sale. Available-for-sale financial assets are measured at fair value at the balance sheet date. Changes in the value of available-for-sale financial assets are recognised in other comprehensive income (OCI), except for impairments, which are recognised through profit and loss. Note 4 "Fair value" has a more detailed description of how fair value is measured for financial assets and liabilities.

The company's financial liabilities are recognised at amortised cost, except for financial derivatives, which are recognised at fair value through profit and loss.

Impairments on financial assets
When there is objective evidence that a financial asset's value is lower than its cost, the asset shall be written down through profit and loss. Impairment in the value of assets measured at amortised cost is calculated as the difference between the carrying amount and the net present value of the estimated future cash flow discounted at the original effective interest rate. Available-for-sale assets are impaired when their present fair value is lower than

acquisition cost, and the impairment is considered to be significant and not temporary. Ordinarily, KONGSBERG would assume that an impairment of more than 20 per cent of the cost is significant and is not of a temporary nature. If the asset has been written down through profit and loss, it is the impaired value that shall be the basis for the assessment.

Accumulated losses recognised in other comprehensive income shall be transferred to profit and loss at the time of impairment. In cases of a significant increase in the value of the asset, which is not temporary, the impairment will be reversed. For financial assets measured at amortised cost, any reversal is recognised through profit and loss. If financial assets that are investments in equity instruments are reversed, the change in value is recognised in other comprehensive income (OCI).

Derivatives

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

Hedging

KONGSBERG has as policy to limit currency risks, while taking a pro-active attitude to the importance of a currency as a competitive parameter. KONGSBERG's policy is to hedge all contractual foreign currency cash flows (project hedges). Additionally, parts of future projected currency cash flows are hedged in accordance with an established strategy (prognosis hedges). KONGSBERG has hedged parts of its obligations (interest rate hedges).

Before the initial recognition of the hedge transaction, KONGSBERG determines whether a derivative (or another financial instrument) should be used to:

i. hedge the fair value of a firm commitment not recognised (fair value/project hedges)
ii. hedge a future cash flow of a recognised asset or liability, or an identified highly probable future transaction (cash flow hedges/ prognosis hedges)

(i) Fair value hedges (project hedges)

The change in fair value of fair value hedges are recognised against the hedged items. For currency hedges of future contractual transactions, this implies that the changes in value of the future transaction due to changes in the foreign exchange rate are recognised in the statement of financial position. For construction contracts, this implies that the part of the contract that is accrued in practice is recognised at the hedged exchange rate / project rate, while the part of the contract that is not accrued, is recognised as gain or loss at changes in the foreign exchange rate. Since the hedge instrument is also recognised at fair value, this entails symmetrical recognition of the hedged item and the hedge instrument. Overall this means that construction contracts are recognised at the hedged exchange rate.

Hedge accounting is ended in the event that:

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

In connection with fair value hedges of financial assets or liabilities recognised at amortised cost, the change in the value of the hedge instrument is amortised during the remaining period up to maturity of the hedged item.

(ii) Cash flow hedges (prognosis hedges)

By hedging highly probable future cash flows, the effective part of the change in fair value of the hedge instrument is recognised in other comprehensive income for the period.

When a hedged transaction occurs, the accumulated change in value of the hedging instrument is transferred from other comprehensive income and taken through profit and loss.

If hedging a highly probable forecast transaction subsequently leads to the recognition of an asset or liability, the associated gain or loss is reclassified from other comprehensive income to profit and loss during the same period(s) in which the asset or liability affects profit or loss, e.g., over the period of depreciation for an asset.

In connection with hedges where the future transaction becomes a construction contract, the hedges are allocated to contracts at the signing and, if required, rolled from cash flow (prognosis) hedging to fair value (project) hedging. Gains and losses are recognised in line with the contract`s percentage of completion, implying that construction contracts that are hedged before signing are recognised at the originally hedged exchange rate.

At cash flow hedging of financial obligations, the change in value is transferred from other comprehensive income (OCI) to profit and loss over the term of the liability.

If a hedging instrument expires without having been rolled forward or if the hedge relationship is discontinued, the accumulated gains and losses are recognised directly through profit and loss when the hedged transaction takes place. In the event that the hedged transaction is no longer expected to occur, the accumulated unrealised gains or losses on the hedge instrument previously recognised in other comprehensive income (OCI) are transferred to profit and loss.

iii) Interest hedging

KONGSBERG also hedges parts of its liabilities with interest swap agreements (loan hedging). Both interest swap agreements from fixed to floating interest (fair value hedging) and from floating to fixed interest (cash flow hedging) have been entered into.

Reference is made to Note 21 "Financial instruments" for further information.

Follow-up of hedging effectiveness

The forward exchange contracts are expected to be effective throughout the entire period. KONGSBERG rolls forward exchange contracts from prognosis to project hedging upon signing the contracts. In addition, forward exchange contracts (project hedges) are rolled forward in cases where receipts/ payments occur later than originally anticipated. At shorter time differences between the maturity of the forward contracts and the receipts/ payments, KONGSBERG uses bank accounts in foreign currency. As a result, the exchange of foreign currency from the foreign currency bank account takes place in the same period as the final maturity of the forward contract or the receipts/ payments. Hedging effectiveness will therefore be very high throughout the entire period.

K) Classification

Assets related to normal operating cycles for goods/services or are due within 12 months are classified as current assets. Other assets are classified as non-current. Correspondingly, liabilities related to normal operating cycles for goods/services or are due within 12 months are classified as current liabilities. Other liabilities are classified as non-current.

L) Inventories

Inventories are measured at the lower of acquisition cost and net realisable value. For raw materials and work in progress, net realisable value is calculated as the estimated selling price in ordinary operations of finished products less remaining production costs and the costs of the sale. For finished goods, net realisable value is the estimated selling price in ordinary operations less estimated costs of completion of the sale. For work in progress and finished products, the acquisition cost is calculated as direct and indirect costs. Inventories are valued based on the average acquisition cost.

M) Receivables

Trade receivables and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are measured at amortised cost using the effective interest method, but due to the brief term to maturity, accounts receivable and other receivables will in practice be recognised at their nominal values less impairment. Accounts receivable in foreign currencies are recognised at the exchange rates at the balance sheet date.

N) Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise, bank deposits and short-term liquid investments that can be immediately converted into a given sum of money, with a maturity of three months or less.

O) Equity

i. Treasury shares

When treasury shares are reacquired, the cost including direct attributable costs is recognised as changes in equity. Treasury shares are presented as a reduction in equity. Any gain or loss on treasury share transactions is not recognised in profit and loss.

ii. Costs related to equity transactions

Transaction costs directly related to an equity transaction and the tax effect on the equity transaction are recognised directly in equity net of tax.

iii. Hedge reserves

Hedge reserves include accumulated net changes in fair value for financial instruments used as cash flow hedges (prognosis hedges and interest hedging from floating to fixed interest), which are recognised in other comprehensive income on an ongoing basis.

iv. Available-for-sale reserve

Shares at fair value include the total accumulated net changes in the fair value of financial instruments classified as available for sale.

v. Foreign currency translation differences

Foreign currency translation differences are recognised in other comprehensive income. Upon the disposal of all or part of a foreign entity resulting in discontinued control, the accumulated translation differences are recognised in other comprehensive income, including the accompanying reversal (cf. also Note 3 B "Summary of significant accounting policies – Foreign currency").

P) Provisions

Provisions are recognised when the Group has an obligation as a result of a past event, and when it is probable that there will be a financial settlement as a result of this obligation and the amount can be reliably measured. If possible, the provision should be estimated on the basis of historical data and a weighting of results against their probability. When historical information is not available, other sources are used to estimate the provisions. If the time value is material, provisions are determined at the net present value of the liability.

Warranty provisions

Provisions for warranty costs are recognised at the delivery of the underlying products or services. The provisions are based on historical data on warranties when available, and on a weighting of possible outcomes against the probability that they will occur. Warranty costs are expensed concurrently with the percentage of completion of the projects, and reclassified as provisions for warranty upon delivery.

Restructuring

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

Onerous contracts

Provisions for onerous contracts are recognised when KONGSBERG's expected revenues from a contract are lower than the unavoidable expenses of meeting the obligations under the contract.

Q) Employee benefits

Defined contribution pension plans

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

Defined benefit pension plans

Pension benefits depend on the number of years of service and salary level when reaching retirement age. There are also early retirement plans for some executives. To ensure a uniform calculation of KONGSBERG's pension liabilities, all corporate entities have used the same actuary for the calculations. In the income statement, the year's net pension expenses, after a deduction for the expected return on pension plan assets, have been recognised as "personnel expenses". The statement of financial position shows net pension liabilities including social security contributions. The financial and actuarial assumptions are subject to annual review. The discount rate is stipulated on the basis of the covered bond interest rate, plus a supplement that reflects the duration of the pension liability. Risk coverage is described in Note 10 "Pension". Actuarial gains or losses related to changes in the basis data, estimates and changes in assumptions are recognised in other comprehensive income (OCI). The Group's legal liability is not affected by the treatment of pensions for accounting purposes.

Share transactions with employees

For a number of years, the Group has been conducting a share program for all employees, i.e. offering shares at a discounted price. Discounts on shares are recognised as payroll expenses.

Compensation to employees as selling shareholders in connection with acquisitions
When enterprises are acquired, the compensation to selling shareholders that are also employed in the acquired company shall be recognised as salary if one of the conditions for the payment is to maintain the employment. In such instances, the compensation shall be accrued as a salary expense over the required period.

R) Earnings per share
The Group presents ordinary earnings per share and diluted earnings per share. Ordinary earnings per share are calculated as the ratio of net profit/(loss) attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding.

The diluted earnings per share is the profit attributable to the ordinary shareholders, and the weighted number of shares outstanding, adjusted for all diluting effects related to share options.

S) Changed standards in IFRS and interpretations in IFRIC that have not yet been implemented
Standards and interpretations that are issued up to the date of the issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval, before the consolidated financial statements are issued.

IFRS 9 Financial instruments
IFRS 9, Financial instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities, as well as hedge accounting. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group has yet to assess IFRS 9's full impact and has also not made a decision on potential early application.

IFRS 15 Revenue from contracts with customers
IFRS 15 deals with revenue recognition. The standard requires that the customer contracts are divided into individual performance obligations. A performance obligation may be a good or a service. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 Fair value

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

Intangible assets
The fair value of intangible assets, e.g., technology, software and customer relations acquired through acquisitions, is calculated at the net present value of the estimated future cash flow from the asset, discounted by a risk-adjusted discount rate.

Brand names are calculated at the net present value of the estimated savings of royalty costs by using the brand name.

The fair value of customer relations is based on the discounted net excess earnings on the related asset.

Property, plant and equipment
At acquisitions, KONGSBERG measures property, plant and equipment at fair value. The fair value is equivalent to its market value. The market value of property is based on what the property could be sold for on the day of valuation agreed by a willing buyer and seller in an "arm's length transaction". The market value of plant and equipment is based on assessments obtained from independent appraisers.

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

Investments in equity instruments
The fair value of available-for-sale financial assets is measured at the quoted price on the balance sheet date. Listed shares consist either of those listed on the Oslo Stock Exchange or on the Norwegian Securities Dealers Association's OTC list. For unlisted investments, the most recent price of a share transaction or share issue will be used to estimate fair value. When there has been no trading in shares for a longer period of time, it will be considered whether the last quoted price provides a correct picture of the fair value. The alternative is to use the last traded share price and adjust it for significant events during the period from the last transaction and up to the balance sheet date.

Derivatives
The fair value of forward exchange contracts is measured on observable data. KONGSBERG uses Reuters' prices for the foreign exchange forwards. Reuters' prices are based on several market players. Where no listed price is available, fair value is calculated by discounting the difference between the agreed forward contract price and the current forward contract for the remainder of the contract using the risk-free interest rate based on government

bonds. The fair values of interest swap agreements and currency options are assessed on the basis of the observed market value.

Non-current liabilities

Fair value of interest-bearing loans, cf. Note 21F "Financial instruments – summary Financial assets and liabilities", is calculated by using estimates of the interest curve and KONGSBERG's interest margin as stipulated on the balance sheet date. The estimated cash flows are discounted by the market interest rate expected for comparable loans at the date of the balance sheet. The market interest rate, before the credit mark-up, is based on NIBOR, the money market interest rate.

5 Financial risk management objectives and policies

KONGSBERG has a centralised treasury department responsible for the Group's financing, currency risk, interest rate risk, credit risk and liquidity management as well as insurance schemes. The Group's subsidiaries have limited opportunities to establish independent funding or to assume financial risk. The Board has adopted guidelines for financial risk management which have been included in the Group's financial policy.

Funding and capital management

KONGSBERG's operations are characterised by long-term contracts that may extend for several years, while the Group in all business areas has a long-term marketing strategy. This requires reliable access to capital over time, and KONGSBERG aspires to be considered to have good credit rating by their lenders and investors. The Group has satisfactory access to capital in the NOK market, and has therefore concluded that there is no need to be subject to official rating from global credit rating companies. The Group is, however, regularly rated by its lenders and has on an average been classified BBB+ in the most recently updated analyses.

KONGSBERG is continuously considering the possibility of utilising the international credit market.

In the autumn of 2013, the Group changed its dividend policy to: "The dividend shall over time constitute between 40 and 50 per cent of the company's ordinary profit after tax. In deciding the size of the dividend, the expected future capital requirements will be considered."

KONGSBERG emphasises financial flexibility, and has capital structure requirements to ensure a balance between liquidity risk and refinancing risk. Excess liquidity is placed in term deposits and low-risk money market funds. See Note 22 "Cash and cash equivalents". Loans are to be renegotiated well in advance of their due date, and the average term to maturity for current loans is to be at least two years.

KONGSBERG aims to have a diversified selection of funding sources and a balanced maturity structure, cf. the table below. This implies the use of banks based on syndicated credit facilities and the issue of debt instruments on the Norwegian capital market.

MNOK	*Total at 31 Dec 2014*	*2015*	*2016*	*2017*	*2018*	*2019*	*2020*
Interest bearing liabilities (bond loans)	750	-	-	500	-	250	-

At 31 December 2014, KONGSBERG had a syndicated credit facility of MNOK 1,500 which is undrawn and is scheduled to mature in April 2019.

Due to covenants on existing loans, KONGSBERG shall have a moderate gearing ratio (net interest-bearing liabilities/EBITDA). Net interest-bearing liabilities should not exceed three times the EBITDA, but can be up to 3.5 times the EBITDA for a maximum of three consecutive quarters. KONGSBERG has no other financial terms apart from the gearing ratio in its loan covenants.

Liquidity risk

At KONGSBERG, liquidity risk is understood as financial preparedness achieved by ensuring that the Group has financial parameters and liquidity appropriate to its operating and investment plans at all times. The centralised treasury department bears the overall responsibility for managing the Group's liquidity risk. The Group's Financial Policy specifies requirements for liquidity reserves which guarantee that the Group will always be able to meet its contractual payment obligations.

Short-term liquidity needs are normally covered by bank deposits and the balance on the group cash pool system. Any further liquidity needs may be covered by short-term loans within the framework of the syndicated credit facility. KONGSBERG has a Group bank account scheme to which basically all subsidiaries are connected. This scheme optimises the availability and flexibility in terms of liquidity management. The Group's liquidity trend is routinely monitored through monthly carry-forwards of liquidity forecasts from the most material units, as well as budgets and reporting by segment for major investments.

Currency risk

A large share of KONGSBERG's revenues is related to export contracts, and there is a relatively small percentage of purchasing in the same currency. As a result, KONGSBERG has considerable foreign currency exposure. The business areas identify the exposure. The centralized financial function offers instruments that reduce currency risk.

KONGSBERG has a policy of hedging all contractual currency flows (project hedges).

According to policy, a part of anticipated new orders are also hedged (cash flow hedges). The Group ensures a higher share of expected orders further in the further at higher rates and a smaller share of expected orders with a shorter time perspective at lower rates according to a matrix in the Group's Financial Policy. This enables the Group to mitigate the effects of currency fluctuations up to two years. Forward contracts are the most commonly used hedging instruments. Options are used only to a limited extent. Currency accounts within the group account scheme are used to hedge small amounts with a short term to maturity.

In addition to financial instruments, actions such as ensuring that costs incurred are in the same currency as the sales contract, are used to reduce foreign currency exposure.

KONGSBERG uses a financial system that handles all foreign exchange transactions. In addition, a separate risk management function has been set up to monitor all financial transactions according to policy.

Note 21 B) "Financial instruments – Foreign currency risk and the hedging of foreign currency" has more information.

Interest rate risk
At 31 December 2014, KONGSBERG had two bond loans totalling MNOK 750 and an undrawn syndicated credit facility of MNOK 1,500.

KONGSBERG has a policy of emphasising predictability for interest expenses at times when changes in the interest level have a significant impact on consolidated profits. Each year, the funding plan is presented to the Board of Directors to consider the interest rate exposure. Note 21 D "Financial instruments – interest rate risk" has more information.

Credit/counterparty risk
Counterparty risk is the risk that KONGSBERG's contractual counterparty will not meet its obligations to KONGSBERG or settle its forward currency contracts, interest rate contracts and monetary investments. KONGSBERG's financial policy requires financial institutions to have a certain credit rating before KONGSBERG can engage in financial contracts with them.

The Group is exposed to credit risk from trade receivables, and the business areas are responsible for their own credit risk. These receivables carry varying degrees of risk, and depend on the customer, term to maturity and whether any payment guarantees or similar have been provided.

Historically, the Group has had a relatively low percentage of bad debts. Kongsberg Defense Systems and Kongsberg Protech Systems mainly have government customers, and are to a small extent exposed to credit risk. Kongsberg Maritime generally serves customers from the private sector, and is more exposed to credit risk. Unrest in the global economy in general and the volatility in the shipyard and shipping industry in particular increases the credit risk in the markets addressed by Kongsberg Maritime. Kongsberg Maritime has made provisions to take this into account. Kongsberg Maritime has its own credit manual and dedicated employees to monitor and reduce the credit risk. Credit insurance is used only to a limited extent, but is considered in certain cases.

The Group has a policy decision about maintaining a responsible balance between increasing sales at good margins and the risk of losses. In addition, large parts of the Group operate on the basis of specially adapted credit manuals including routines for debt collection. Concerning credit risk, KONGSBERG has strict requirements for creditworthiness and has placed restrictions on its aggregate level of credit exposure.

Note 18 "Accounts receivable" has more information.

Market risk arising from financial investments
KONGSBERG's investments in other companies are based on strategic considerations. The value of the Group's financial investments is exposed to fluctuations in the equity market. Investments are evaluated and followed up centrally. The Group regularly reports on trends in the value of financial investments.

Note 17 "Available for- sale shares" has more information.

6 Segment information

For management purposes, the Group is organised into business areas based on the industries in which the Group operates, and reporting requirements apply to the following four operating segments:

Kongsberg Maritime delivers products and systems for dynamic positioning, navigation and automation for commercial vessels and offshore installations, as well as products and systems for seabed surveys, surveillance, training simulators and fishing vessels and fisheries research. The business area is among the market leaders in these areas. Countries with significant offshore and shipbuilding industries are important markets. In Kongsberg Maritime, 61 per cent of the revenue is within Offshore, 14 per cent within Merchant Marine and 25 per cent within Subsea.

Kongsberg Defence Systems is Norway's premier supplier of defence and space-related systems. Norway's Armed Forces has been the single most important customer over time. Solutions developed in collaboration with the Norwegian Armed Forces have proven competitive on the international arena and have achieved a growing export share in recent years. All defence-related exports are contingent on the approval of the Norwegian authorities. One key element of the market strategy is to form alliances with major international defence enterprises. Kongsberg Defence Systems delivers systems for command and weapon control, weapon guidance and surveillance, communications solutions and missiles. In Kongsberg Defence Systems, 25 per cent of the revenue is related to Missile Systems, 30 per cent to Integrated Defence Systems, 16 per cent to Space and Surveillance, 11 per cent to Naval System, 9 per cent to Aerostructures and 9 per cent to Defence Communications.

Kongsberg Protech Systems main product is the weapon guidance system Protector RWS developed to protect military personnel in armoured vehicles. Kongsberg is by far the largest player in this market. The system has been sold to many countries. The RWS is a product in demand for a growing range of military vehicles. The US Army is the business area's largest customer.

Kongsberg Oil & Gas Technologies is a supplier of high-tech solutions to the international oil and gas industry. The business area offers engineer services, innovative underwater solutions and decision making systems. Kongsberg Oil & Gas Technologies delivers systems and solutions to all phases of the lifetime of a field, from exploration and early phase engineering to field development and production.

The remainder of the Group's activities is included in the column "Other". These activities include income, expenses, assets, liabilities and other elements that cannot be assigned to the segments in an appropriate manner. This generally involves shareholder costs, certain overheads and effects on profit/loss related to property occupied by parties other than the Group's own units.

The funding of the business areas does not necessarily give an accurate impression of the financial soundness of the individual business areas. Consequently, financial items, net interest-bearing debt and cash are not assigned to segments, but rather presented for the Group as a whole. The same applies to tax expense and balance sheet items associated with deferred tax liabilities and taxes payable, as these items are influenced by tax-related transfers between the business areas.

Management monitors the operating segments' EBITAs on a regular basis and uses this information to analyse the various operating segments' performance and to make decisions regarding allocation of resources. The operating segments' performance is assessed based on EBITA and return on capital employed.

Information on the Group's operating segments that are required to report is presented below.

Operating segment data

MNOK	*Kongsberg Maritime*	*Kongsberg Defence Systems*	*Kongsberg Protech Systems*	*Kongsberg Oil & Gas Tech-nologies*	*Other*	*Elimina-tions*	*Con-solidated*
2014							
Revenue from external customers	9 689	4 175	1 550	943	256	-	16 613
Revenue from group companies	14	101	16	74	347	(552)	-
Total revenues	**9 703**	**4 276**	**1 566**	**1 017**	**603**	**(552)**	**16 613**
Operating profit before depreciation and amortisation (EBITDA)	**1 441**	**530**	**254**	**(99)**	**(66)**	**-**	**2 060**
Depreciation	(175)	(95)	(53)	(23)	4	-	(342)
Operating profit before amortisation (EBITA)	**1 266**	**435**	**201**	**(122)**	**(62)**	**-**	**1 718**
Amortisation	(45)	(21)	(31)	(43)	-	-	(140)
Impairment				(320)			(320)
Operating profit (EBIT)	**1 221**	**414**	**170**	**(485)**	**(62)**	**-**	**1 258**
Segment assets	8 485	3 194	1 663	980	(846)	(87)	13 389
Segment investments	253	112	27	51	2	-	445
Current segment liabilities and provisions	3 962	3 555	847	282	(694)	(89)	7 863
2013							
Revenue from external customers	8 240	4 399	2 418	1 042	224	-	16 323
Revenue from group companies	24	155	2	35	319	(535)	-
Total revenues	**8 264**	**4 554**	**2 420**	**1 077**	**543**	**(535)**	**16 323**
Operating profit before depreciation and amortisation (EBITDA)	**1 179**	**520**	**419**	**49**	**(25)**	**-**	**2 142**
Depreciation	(161)	(113)	(57)	(15)	1	-	(345)
Operating profit before amortisation (EBITA)	**1 018**	**407**	**362**	**34**	**(24)**	**-**	**1 797**
Amortisation	(42)	(29)	(15)	(52)	-	-	(138)
Operating profit (EBIT)	**976**	**378**	**347**	**(18)**	**(24)**	**-**	**1 659**
Segment assets	7 308	3 128	1 719	1 316	233	(102)	13 602
Segment investments	188	126	31	95	8	-	448
Current segment liabilities and provisions	3 134	2 159	1 302	292	240	(102)	7 025

1. There are no differences between the measurement methods used at the segment level and those applied to the consolidated financial statements.
2. Intra-group transactions between the different segments are eliminated upon consolidation. Transactions between the segments are based on market prices.
3. The different operating segments' EBITAs include income and expenses from transactions with other operating segments within the Group.
4. Segment assets do not include available-for-sale shares, other non-current assets, derivatives and cash and cash equivalents as these assets are controlled on a group basis.
5. Segment liabilities do not include deferred tax liabilities, taxes payable, interest-bearing liabilities, other non-current liabilities or provisions and derivatives, as these liabilities are controlled on a group basis.
6. Investments comprise acquired property, plant and equipment, intangible assets and goodwill.

Reconciliation of assets

MNOK	*2014*	*2013*
Segment assets	**13 389**	**13 602**
Shares available for sale [1]	132	140
Shares in joint ventures and associated companies [2]	313	-
Other non-current assets	100	155
Derivatives	215	173
Fair value adjustments related to financial instruments	1 700	93
Cash and cash equivalents	4 424	3 272
Total assets	**20 273**	**17 435**

1) Comparison figures are discussed in Note 17 "Available-for-sale shares"
2) See Note 32 "Investments in associated companies and joint ventures"

Reconciliation of current liabilities and provisions

MNOK	*2014*	*2013*
Current segment liabilities and provisions	**7 863**	**7 025**
Short-term interest-bearing debt	-	526
Derivatives	2 732	312
Fair value adjustments related to financial instruments	472	150
Calculated income tax payable	29	16
Total current liabilities and provisions	**11 096**	**8 029**

Geographical information

In presenting information by geographical segments, earnings are distributed based on the customers' geographical location, while the data on fixed assets are based on the location of the physical investment or relationship to the relevant acqusition. The Group's activities are generally divided into Norway, rest of Europe, America and Asia. Fixed assets include property, plant and equipment, intangible assets and goodwill (financial instruments, deferred tax assets, pension fund assets and rights ensuing from insurance agreements are not included).

MNOK	*Norway*	*Europe*	*North America*	*South America*	*Asia*	*Other*	*Total*
2014							
Operating income from external customers	3 830	3 559	3 403	421	4 696	704	16 613
Operating income in % of the total	23%	21%	21%	3%	28%	4%	
Fixed assets [1]	4 156	130	736	29	305	2	5 358
2013							
Operating income from external customers	3 949	4 123	3 542	409	4 020	280	16 323
Operating income in % of the total	24%	25%	22%	2%	25%	2%	
Fixed assets [1]	4 807	122	584	22	253	3	5 791

1) Fixed assets above comprise property, plant and equipment, goodwill and other intangible assets.

7 Sale of property

On 17 December 2014, KONGSBERG sold three properties, of which two are under construction. Agreements relating to lease-back of 15 years were entered into for all three properties. Agreements relating to further subletting to intra-group parties and external lessees were entered into.

The properties were sold at a property value of MNOK 463. The properties were sold as part of the limited companies Kongsberg Næringsbygg 7 AS, Kongsberg Næringsbygg 8 AS and Kongsberg Næringsbygg 9 AS. The total purchase amount for the shares was MNOK 137, and entailed profits of MNOK 61. The transaction is not subject to tax in accordance with the exemption model. The transaction entailed a net cash settlement of MNOK 264, of which MNOK 131 is settlement for the shares less transaction costs and MNOK 133 is settlement for Group debts.

KONGSBERG is guaranteeing the costs of construction and the completion date for the buildings, as well as maintenance of the buildings during the leaseback period. Recognised liabilities related to these guarantees total MNOK 57, of which MNOK 48 is classified under other non-current liabilities. See also Note 24 "Provisions" and Note 27 "Sale and leaseback."

8 Inventories

The Group's total inventories include the following:

MNOK	*31 Dec 14*	*31 Dec 13*
Raw materials	1 813	1 824
Work in progress	743	472
Finished products	708	648
Total	**3 264**	**2 944**

MNOK	*2014*	*2013*
Cost of goods for the period	5 572	5 415
Of which		
Impairment on inventories during the accounting year	104	31
Reversal of previous years' impairment	(16)	-

9 Payroll expenses

Salaries and other personell expenses represent expenses associated with the remuneration of personell employed by the Group.

MNOK	*Note*	*2014*	*2013*
Salaries		4 467	4 242
Performance-based salary	28	70	62
Social security tax		854	830
Pension expenses, defined benefit plans	10	157	141
Pension expenses, defined contribution pension plans	10	306	280
Other benefits		264	187
Total payroll expenses		**6 118**	**5 742**
Average no. of FTE (full-time employees)		7 494	7 272

10 Pensions

KONGSBERG has a service pension plan that complies with legislation, and consists of a defined contribution plan and a closed defined benefit plan. The service pension plan covers all Group employees in Norway. At 31 December 2014, there are about 4,850 employees in Norway covered by the pension plans. KONGSBERG endeavours to ensure that as many of its employees as possible outside Norway are also covered by service pension plans.

The defined contribution plan

The Group introduced a defined contribution pension plan for all employees under the age of 52 on 1 January 2008. The contribution rates are 0 per cent of the basic wage up to 1G, 5 per cent of the basic wage between 1G and 6G, and 8 per cent of the basic wage from 6G up to 12G. The employees can influence the way the funds are managed by choosing to invest either 30, 50 or 80 per cent, respectively, of their portfolios in shares. The Group also has a collective, unfunded contribution plan for salaries between 12G and 15G. The entity's deposits in this plan are 18 per cent of the share of the basic wage in excess of 12G, up to a ceiling of 15G. Special terms and conditions apply for executives. This is described in Note 28 "Statement on the remuneration of the Group CEO and Executive Management". (The employees have the same investment choices in the supplementary plan as in the main plan). KONGSBERG's companies abroad generally have defined contribution plans. At 31 December 2014, about 4,360 employees in Norway and most of the employees abroad were covered by these plans. The contribution is expensed when incurred.

The defined benefit plan

In connection with the transition to the defined contribution plan on 1 January 2008, employees aged 52 or more remained in the defined benefit plan. The pension plan is insured through DNB Life Insurance. The pension benefits are defined by the number of contribution years and the salary level of the individual employee. Pension costs are distributed over the employee's accrual period. Based on the current National Insurance system before 1 January 2011 and full accrual, the plan gives entitlement to about 65 per cent of the salary at retirement, including benefits from the National Insurance plan until the age of 77, then the service pension component will be reduced by 50 per cent for the remaining lifetime. The Group also has a collective, unfunded contribution plan for salaries between 12G and 15G. The collective, unfunded benefits plan corresponds to about 60 per cent of the share of the basic wage that exceeds 12G until the age of 77, and then the benefit is reduced by 50 per cent for the remaining lifetime. Special terms and conditions apply for executives. This is described in Note 28 "Statement on the remuneration of the Group CEO and Executive Management". These supplementary plans were discontinued in connection with the transition to defined contribution pension plans.

Risk coverage

Disability pension from the company shall give an addition to the expected disability pension from the National Insurance Plan, so that total payment constitutes approximately 65 per cent of pensionable income based on full accrual. An additional 10 per cent disability pension is paid for each child under the age of 21, up to maximum 6 children. The payment depends on the extent of disability and the possibility for full coverage. From 1 January 2013 the risk pensions are unfunded for the share of the basic wage that exceeds 12G. In practice this implies that KONGSBERG is self insurer for the risk pension for future periods.

Early retirement

In 2009, the Group introduced new rules for early retirement for newly hired members of executive management and others in certain key positions. The rules entail early retirement at the age of 65 at the latest, but with reciprocal rights for the company and members of the pension schemes to request early retirement from the age of 63. Benefits are equal to 65 per cent of the annual wage, based on a minimum of 15 contribution years. If the employee resigns between 63 and 65, this will reduce pension earnings for other plans.

The company has decided not to continue the scheme with early retirement agreements for executives (and employees in certain key positions who previously were offered agreements on early retirement) employed after 1 July 2013. These individuals will receive an additional contribution of 12 per cent of the basic salary in excess of 12G to the unfunded pension scheme, as long as they are employed, but only until the age of 65 at the latest.

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

	31 Dec 14	*31 Dec 13*
Economic assumptions		
Discount rate	2.30%	3.75%
Expected asset return	2.30%	3.75%
Wage adjustment	2.00%	3.00%
Pension base-level (G) adjustment	2.50%	3.50%
Pension adjustment	1.75%	2.25%
Demographic assumptions		
Mortality	K 2013	K 2013
Disability	IR 73	IR 73
Voluntary turnover	4.5% for all ages	4.5% for all ages

The pension calculations are based on a new mortality table K2013. The reason is an increased life expectancy which will lead to higher pension obligations. IR 73 concerns tables for expected disability. The mortality and disability risks are based on public tables and observations of disabilities at KONGSBERG. The probability that an employee in a given age group will become disabled or die within one year, and the life expectancy is as follows:

	Disability %		Mortality %		Estimate life	
Age	*Men*	*Women*	*Men*	*Women*	*Men*	*Women*
20	0.1	0.2			89	94
40	0.3	0.4	0.1	0.0	88	92
60	1.4	1.8	0.4	0.3	87	90
80			4.4	3.0	90	92

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

The pension costs of the year were calculated as follows:

MNOK	*2014*	*2013*
Present value of the accrued contribution of the year	125	122
Interest cost on accrued pension liabilities	80	75
Estimated return on pension plan assets	(61)	(59)
Accrued social security expenses	20	19
Total	**164**	**157**
Settlement of old early retirement plan incl. social security tax	12	-
Total net pension costs for the year including finance items	**176**	**157**
Adjusted for net interest classified as finance expense	(19)	(16)
Total net pension costs for the year	**157**	**141**
Defined contribution pension plan costs in Norway	281	260
Defined contribution pension plan costs abroad	25	20

Net interests costs are classified as finance expenses.

Back

Change in net pension liabilities recognised on the balance sheet

	2014			2013		
MNOK	*Funded*	*Unfunded*	*Total*	*Funded*	*Unfunded*	*Total*
Changes in gross pension liabilities						
Gross pension liabilities at 1 January	2 154	234	2 388	1 897	187	2 084
Net change in social security expenses	15	6	21	21	8	29
Acquisition		-	-	35	-	35
Present value of current year's contribution	110	15	125	112	10	122
Interest expenses on pension liabilities	74	6	80	70	5	75
Actuarial losses/gains	144	16	160	166	(4)	162
Settlement of old early retirement plan		10	10			-
Transition to the equity method	(34)	-	(34)	-	-	-
Plan change	-	-	-	(67)	58	(9)
Payments of pensions/paid-up policies	(92)	(22)	(114)	(80)	(30)	(110)
Gross pension liabilities at 31 December	**2 371**	**265**	**2 636**	**2 154**	**234**	**2 388**
Changes in gross pension fund assets						
Fair value, pension plan assets 1 January	1 631	-	1 631	1 552	-	1 552
Expected return on pension funds	61	-	61	59	-	59
Actuarial losses/gains	13	-	13	(47)	-	(47)
Premium payments	135	-	135	127	-	127
Acquisition	-	-	-	29	-	29
Transition to the equity method	(27)	-	(27)	-	-	-
Plan change	-	-	-	(9)	-	(9)
Payments of pensions/paid-up policies	(92)	-	(92)	(80)	-	(80)
Fair value, pension plan assets 31 December	**1 721**	**-**	**1 721**	**1 631**	**-**	**1 631**
Net capitalised pension liabilities at 31 December	**(650)**	**(265)**	**(915)**	**(523)**	**234**	**(757)**

The distribution of pension plan assets by investment categories at 31 December 2014 and in previous periods:

MNOK	*2014*	*2013*	*2012*	*2011*	*2010*
Long-term bonds	598	576	559	512	452
Money market	12	403	357	336	151
Short-term bonds	638	264	248	219	205
Shares	160	139	93	117	287
Property	258	227	264	263	246
Other	55	22	31	15	27
Total	**1 721**	**1 631**	**1 552**	**1 462**	**1 369**
Recognised return on pension plan assets	**5.4%**	**4.4%**	**5.6%**	**3.2%**	**6.2%**

The secured pension scheme is insured in DNB Liv, and the Group's pension funds are thereby regulated by an insurance policy. The insurance policy cannot be traded, and the value is determined in accordance with the legislation on insurance businesses. The insurance has an interest guarantee, implying that DNB Liv carries the risk for the return on the pension funds.

MNOK	2014	2013	2012	2011	2010
Net liabilities at 1 January	(757)	(532)	(460)	(316)	(340)
Net change in social security expenses	(21)	(29)	(9)	(18)	3
Recognised pension cost	(144)	(138)	(96)	(82)	(78)
Settlement, pension plan	(10)	-	(13)	5	34
Premium payments	135	127	141	147	86
Disbursements	22	30	27	30	26
Purchase/sale	-	(6)	-	(11)	-
Transition to the equity method	7	-	-	-	-
Actuarial losses/gains	(147)	(209)	(122)	(215)	(47)
Net pension liabilities in balance sheet at 31 December	**(915)**	**(757)**	**(532)**	**(460)**	**(316)**

Actuarial loss/gain is recognised in the statement of comprehensive income by MNOK 168 incl. social security expense. For associates, actuarial loss is recognised in the statement of comprehensive income in the amount of MNOK 6 after tax.

Historical information

MNOK	2014	2013	2012	2011	2010
Gross pension liabilities at 31 December	2 636	2 388	2 084	1 922	1 685
Fair value, pension plan assets 31 December	1 721	1 631	1 552	1 462	1 369
Net pension liabilities 31 December	**(915)**	**(757)**	**(532)**	**(460)**	**(316)**
Actuarial gains/losses pension liabilities 31 December	160	162	76	136	12
Actuarial gains/losses pension assets 31 December	13	(47)	(46)	(79)	(35)
Accumulated actuarial gains/losses recognised in the statement of comprehensive income after tax	**(1 521)**	**(1 399)**	**(1 227)**	**(1 145)**	**(968)**
Of which constitute experience deviations	(1 002)	(1 056)	(1 076)	(1 053)	(968)

Contractual early retirement plan

The Group's general contractual early retirement plan gives a life-long supplement to the ordinary pension. Employees can choose to draw on the new plan from the age of 62, even if they continue to work. The new plan is a defined benefit multi-employer pension plan, and it is funded through premiums established as a percentage of wages. For the moment, there is no reliable measurement or allocation of liabilities and funding as regards the plan. For accounting purposes, the plan is therefore considered to be a deposit-based pension plan in which premium payments are expensed against income on an ongoing basis, and no provisions are made in the financial statements. A premium is paid to the new plan of the total payments made between 1G and 7.1G to the company's employees. For 2014, the premium was 2.2 percent, and it was set to 2.4 per cent for 2015 (estimated to MNOK 75). There is no accumulation of capital in the plan and further increases in the premium level are expected over the coming years.

Others

The pension expenses for the year are calculated on the basis of the financial and actuarial assumptions at the beginning of the year. Gross pension liabilities are calculated on the basis of the financial and actuarial assumptions at the end of the year. The gross value of pension fund assets is calculated on the assumption that there will be an annual return of 3.0 per cent, being the expectation on 31 December 2014. The value adjusted return on investments was 5.4 per cent, but will not be included in the capitalised assets until 2015.

The total pension premium payments for the defined benefit plan for 2015 are expected to be about MNOK 130.

The pension benefits are based on the individual employee's number of years of service and salary level upon reaching retirement age.

Net pension liabilities are determined on the basis of actuarial estimates made on assumptions related to the discount rate, future wage growth, pension adjustments, projected return on pension fund assets, and employee turnover. These assumptions are updated annually. The discount rate is stipulated on the basis of the covered bond interest rate, which reflects the time frame for paying out on the pension liabilities for the benefit plan. In KONGSBERG's opinion, the market for covered bonds is sufficiently deep and shows reliable pricing. The pension liability would have been approximately 9 per cent higher using a government bond rate of 1.5 per cent, all other factors held constant. Pension adjustments are now calculated after adjustment for inflation compared to minimum adjustments in previous years. The pension liability would have been approximately 12 per cent lower using minimum adjustment, all other factors held constant.

The balance sheet shows net pension liabilities including social security.

Expected pension payments:

MNOK	
2015	95
2016	103
2017	112
2018	118
2019	120
Next 5 years	725

Sensitivity analysis of pension calculations

The following estimates are based on facts and circumstances that applied at 31 December 2014, provided that all other parameters are constant. Actual results may deviate significantly from these estimates.

	Discount rate		Annual salary growth/ basic amount		Annual adjustment of pensions		Retirement rate		Mortality	
Changes in % are percentage points	*1%*	*-1%*	*1%*	*-1%*	*1%*	*-1%*	*1%*	*-1%*	*1 year lower expected lifetime at age 67*	*1 year increased lifetime at age 67*
Change in pension										
Defined benefit obligation (PBO)	11–12%	11–12%	5–6%	5–6%	7–8%	7–8%	2–3%	2–3%	2–3%	2–3%
Net pension cost for the period	12–13%	12–13%	5–6%	5–6%	7–8%	7–8%	2–3%	2–3%	1–2%	1–2%

When calculating the sensitivity for mortality, we adjust K2013 such that the life expectation for a 67 year old is increased by one year and reduced by one year, respectively. This is relevant for life expectation for a 67 year old in 2014 according to the mortality table K2013.

11 Property, plant and equipment

MNOK	*Machinery and plants*	*Equipment and vehicles*	*Buildings and other real property*	*Land*	*Total*
Cost of acquisition					
1 January 2013	1 112	1 752	1 761	215	4 840
Additions	85	219	48	4	356
Additions through business combinations	-	11	-	-	11
Disposals	(8)	(14)	(5)	-	(27)
Translation differences	21	26	31	2	80
Total acquisition cost 31 Dec 2013	**1 210**	**1 994**	**1 835**	**221**	**5 260**
Adjustment of incoming balance 1 Jan 2014[1)]	11	(295)	(47)	(11)	(342)
Additions	78	150	102	9	339
Disposals	(25)	(41)	(16)	-	(82)
Disposal through sale of subsidiary	-	-	(99)	-	(99)
Translation differences	40	66	85	10	201
Total acquisition cost 31 Dec 2014	**1 314**	**1 874**	**1 860**	**229**	**5 277**
Accumulated impairment and depreciation					
1 January 2013	462	1 198	578	-	2 238
Depreciation for the year	79	194	72	-	345
Accumulated depreciation through disposal	(2)	(12)	(2)	-	(16)
Translation differences	13	17	8	-	38
Total accumulated depreciation 31 Dec 2013	**552**	**1 397**	**656**	**-**	**2 605**
Adjustment of incoming balance 1 January 2014[1)]	-	(156)	(12)	-	(168)
Depreciation for the year	87	174	81	-	342
Accumulated depreciation through disposal	(19)	(36)	(17)	-	(72)
Translation differences	23	46	24	-	93
Total accumulated depreciation 31 Dec 2014	**643**	**1 425**	**732**	**-**	**2 800**
Carrying amount 31 Dec 2013	**658**	**597**	**1 179**	**221**	**2 655**
Carrying amount 31 Dec 2014	**671**	**449**	**1 128**	**229**	**2 477**
Useful life	**3–10 years**	**3–10 years**	**10–33 years**	**N/A**	
Annual rent paid for off-balance sheet property, plant and equipment	**-**	**9**	**260**	**-**	**269**

1) Adjustment of incoming balance 1 Jan. 2014 is mainly related to withdrawal of accumulated values associated with the 50% owned company Kongsberg Satellite Services AS which, from 1 Jan. 2014, is recognised according to the equity method.

Estimation uncertainty

For property, plant and equipment, there is estimation uncertainty with regards to the determination of estimated remaining useful life and expected residual value. These factors are considered annually.

12 Intangible assets

MNOK	*Goodwill*	*Technology*	*Activated development*	*Other intangible assets*	*Total*
Acquisition cost					
1 January 2013	2 430	664	565	60	3 719
Additions	-	-	80	1	81
Addition through business combination	273	92	4	38	407
Disposals	-	-	(2)	-	(2)
Translation differences	26	21	1	2	50
Total acquisition cost 31 Dec 2013	**2 729**	**777**	**648**	**101**	**4 255**
Additions	2	2	102	-	106
Disposals	-	-	(83)	-	(83)
Translation differences	79	59	-	5	143
Total acquisition cost 31 Dec 2014	**2 810**	**838**	**667**	**106**	**4 421**
Accumulated amortisation and impairment					
1 January 2013	420	379	164	6	969
Amortisation	-	71	48	19	138
Disposals	-	-	(2)	-	(2)
Translation differences	1	11	-	1	13
Total accumulated amortisation 31 Dec 2013	**421**	**461**	**210**	**26**	**1 118**
Amortisation	-	75	55	10	140
Impairment[1)]	300	3	17	-	320
Disposals	-	-	(83)	-	(83)
Translation differences	1	39	-	5	45
Total accumulated amortisation and impairment 31 Dec 2014	**722**	**578**	**199**	**41**	**1 540**
Carrying amount 31 Dec 2013	**2 308**	**316**	**438**	**75**	**3 137**
Carrying amount 31 Dec 2014	**2 088**	**260**	**468**	**65**	**2 881**
Useful life		**8–10 years**	**5 years**	**8–10 years**	
Remaining useful life		**1–9 years**	**3–5 years**	**4–9 years**	

1) Impairment of goodwill mainly applies to the business area Kongsberg Oil & Gas Technologies. Information about the background for the impairment is provided in Note 13 "Impairment testing of goodwill".

With the exception of goodwill, which cannot be amortised, the amortisation of intangible assets is either straight-line over the useful life or based on the number of units produced. The amortisation starts when the intangible asset is available for use.

Product maintenance, research and development recognised in profit and loss

	2014			2013		
MNOK	*Product maintenance*	*Research and development costs*	*Total*	*Product maintenance*	*Research and development costs*	*Total*
Kongsberg Maritime	100	590	690	115	543	658
Kongsberg Defence Systems	12	86	98	8	84	92
Kongsberg Protech Systems	22	57	79	29	55	84
Kongsberg Oil & Gas Technologies	10	60	70	10	46	56
Total	**144**	**793**	**937**	**162**	**728**	**890**

The Group also has development through customer-based projects.

Capitalisation of development projects

Development projects financed by customers are not capitalised, but KONGSBERG seeks to obtain ownership rights to the product developed. During the development phase in an internally financed project, the decision is taken whether to complete development and begin capitalisation.

At Kongsberg Defence Systems, current capitalisations are related to the development of map and communications systems and to KONGBERG's share of the development of Joint Strike Missile.

At Kongsberg Protech Systems, this year's capitalised development costs were minimal, as the development of the new product concept Medium Caliber RWS was finalised during 2013. The amortisation of Medium Caliber RWS has started, from 4th quarter 2013.

Internally financed development projects at Kongsberg Maritime generally consist of many projects, each of which has a limited overall scope. These development projects are not considered to be eligible for capitalisation. Many of the projects also entail considerable uncertainty about whether they are technologically feasible and how the final solution will turn out. As long as there is uncertainty about the final technological solution, it is difficult to estimate market value. Accordingly, the criteria for capitalisation will not be satisfied until fairly late in the development project. Remaining expenses will often then be insignificant.

Kongsberg Oil & Gas Technologies capitalises parts of its development related to software solutions and development projects within subsea.

Estimation uncertainty

Capitalised development costs are amortised according to the estimated production volume or lifetime. Both estimated production volume or lifetime can change over time. These factors are considered annually, and the amortisation is adjusted when considered necessary. When testing the value of capitalised development costs, the Group applies the same principles and methods as used for impairment testing. Regarding estimate uncertainty associated with this matter, see Note 13 "Impairment testing of goodwill".

13 Impairment testing of goodwill

Goodwill

Goodwill obtained through acquisitions is allocated to the Group's operating segments and followed up and tested collectively for the group of cash-generating units that constitute the operating segment. Goodwill is followed up for groups of cash-generating units that are similar to what is defined as the operating segment pursuant to Note 6 "Segment information".

Goodwill is allocated to the operating segments as follows:

MNOK	*31 Dec 14*	*31 Dec 13*
Kongsberg Maritime	1 580	1 502
Kongsberg Defence Systems	172	170
Kongsberg Oil & Gas Technologies	336	636
Total goodwill in balance sheet	**2 088**	**2 308**

The Group tests goodwill for impairment annually, or more frequently if there are indications of impairment.

The Group has used value in use to determine recoverable amounts for the cash flow-generating entities. Value in use is determined by using the discounted cash flow method. The expected cash flow is based on the business areas' budgets and long term plans, which are approved by KONGSBERG's Board of Directors and executive management. Budgets and long-term plans cover a five-year period (explicit prognosis period). Approved budgets and long-term plans are adjusted for cash flows related to investments, restructuring, future product improvements and new development, if the elements are considered significant for the impairment test. After the five years of explicit plans, the units' cash flows are stipulated by extrapolation. At the beginning of the extrapolation period, the entity is assumed to be in a stable phase. To calculate value in use, the Group has used anticipated cash flows after tax and, correspondingly, discount rates after tax. The recoverable amount would not have been significantly different if cash flows before tax and the discount rate before tax had been used. The discount rate before tax has been stipulated using an iterative method and is shown in a separate table.

The assumptions are based on historical results an observable market data.

Key assumptions

Discount rate

The discount rates are based on a weighted average cost of capital (WACC) method, whereby the cost of equity and the cost of liabilities are weighted according to an estimated capital structure. The discount rates reflect the market's required return on investment at the time of the test and in the industry to which the cash generating unit belongs. The estimated capital structure is based on the average capital structure in the industry in which the cash generating unit operates and an assessment of what is a reasonable and prudent long-term capital structure. The CAPM model is used to estimate the cost of equity. In accordance with the CAPM model, the cost of equity consists of risk-free interest as well as an individual risk premium. The risk premium is the entity's systematic risk (beta), multiplied by the market's risk premium. The risk-free interest is estimated on a 10-year Norwegian government bond interest rate and is based on all cash flows being translated to NOK. The cost of liabilities represents an expected long-term after-tax interest rate for comparable liabilities and consists of risk-free interest and an interest spread.

Profit margin (EBITDA)

The future profit margin presumes an assessment of the different cash-generating units. The historical level has been used for Kongsberg Maritime and Kongsberg Defence Systems, adjusted for future expectations. As regards Kongsberg Oil & Gas Technologies, we have assumed a low profit margin for the first two years, followed by gradual improvement to a level considered to be normal for comparable enterprises.

Back

Growth rate
Growth rates in the explicit prognosis period are based on management's expectations of market trends in the markets in which the undertaking operates. The Group uses stable growth rates to extrapolate cash flows in excess of five years. The long-term growth rate beyond five years is not higher than the expected long-term growth rate in the industry in which the undertaking operates.

Market shares
For entities operating in markets where it is relevant to measure market shares, it is expected that established positions in general will be maintained, but there could be increases and setbacks in certain areas.

Key assumptions per cash flow-generating unit

Per cent	*Kongsberg Maritime*	*Kongsberg Defence Systems*	*Kongsberg Oil & Gas Technologies*
Discount rate before tax	11.7	8.8	10.4
Discount rate after tax	9.1	7.2	9.1
Long-term nominal growth rate	2	2	2
Inflation	2	2	2

Impairment
Goodwill in the business area Kongsberg Oil & Gas Technologies was impaired by MNOK 300 in 2014. This was done as a result of KOGT's high exposure vis-à-vis the oil and gas market and the changed marked assumptions that were realised in the last half of 2014.

Sensitivity analysis
In connection with impairment tests of goodwill, sensitivity analyses are carried out for each individual cash generating unit. Kongsberg Maritime and Kongsberg Defence Systems will not be in an impairment situation before there are relatively large changes in the key assumptions, and these changes are considered to be outside the probable outcome. For Kongsberg Oil & Gas Technology, as mentioned above, goodwill has been impaired by MNOK 300. However, the business area is still in a start-up phase and therefore more sensitive to substantial changes. These factors will still be included in an assessment of the future development in the business area.

Estimation uncertainty
There will always be uncertainty related to the estimate of value in use. Assessments are based on best judgement and with the parameters used for comparable industries in the various cash-generating units. These calculations are based on discounted cash flows in the future. Significant changes in the cash flows will affect the value of goodwill.

14 Finance income and finance expense

MNOK	*2014*	*2013*
Interest income from assets at amortised cost	76	36
Derivatives at fair value through profit and loss	13	8
Foreign exchange gain	40	26
Other finance income	8	25
Finance income	**137**	**95**
Interest expense from liabilities at amortised cost	30	43
Derivatives at fair value through profit and loss	12	9
Foreign exchange loss	20	23
Discounts of non-current provisions	3	3
Other finance expenses	45	32
Finance expenses	**110**	**110**
Net finance item recognised in income statement	**27**	**(15)**

15 Income tax

Income tax expense

MNOK	*2014*	*2013*
Tax payable Norway	-	12
Tax payable abroad	135	86
Change in deferred tax	270	321
Income tax expense	**405**	**419**

Reconciliation from nominal to effective tax rate

MNOK	*2014*	*2013*
Profit before tax	**1 285**	**1 644**
Result from joint arrangements and associated companies	(68)	-
Profit before tax excluding joint arrangements and associated companies	**1 217**	**1 644**
Tax calculated at tax rate 27% (28%) of profit before tax	329	460
Effect of reducing the tax rate to 27%	-	(33)
Effect of tax differences and unrecognised tax benefits abroad	6	(12)
Impaired goodwill	81	-
Sale of property shares	(17)	-
Tax effect of contingent compensation for purchases, disposals and impairment of shares	-	1
Other permanent differences	6	3
Tax expense	**405**	**419**
Effective tax rate	33.2%	25.5%

Income from long-term construction contracts is not recognised for tax purposes until the risk and responsibility has been transferred to the customer. This has no effect on the tax expense in the income statement , but as a consequence, tax payable will fluctuate over time.

Deferred tax asset and deferred tax liability

MNOK	*31 Dec 14*	*31 Dec 13*
Deferred tax asset		
Pensions	247	204
Provisions	372	457
Net derivatives	680	39
Accumulated tax loss to carry forward	626	270
Deferred tax assets - gross	**1 925**	**970**
Deferred tax liability		
Fixed assets	313	338
Construction contracts in progress	2 546	1 633
Deferred tax liabilities - gross	**2 859**	**1 971**
Net recognised deferred tax liabilities	**(934)**	**(1 001)**
Tax rate in Norway	27%	27%

Change in deferred tax recognised in other comprehensive income:

MNOK	*31 Dec 14*	*31 Dec 13*
Pensions	(45)	(67)
Cash flow hedges	(300)	(129)
Total	**(345)**	**(196)**
Addition of deferred tax at business combinations / transition equity method	8	29

Payments of dividends to the parent company's shareholders have no impact on the Group's payable or deferred tax.

16 Earnings per share

MNOK	*2014*	*2013*
Profit for the year attributable to the shareholders		
Profit after tax	880	1 225
Non-controlling interests' share of the result	7	(3)
Profit for the year/diluted profit attributable to the ordinary shareholders	**873**	**1 228**

Number of shares	*Note*	*2014*	*2013*
Average weighted number of shares outstanding at 1 January	23	120	120
Average weighted number of shares at 31 December		**120**	**120**

NOK	*2014*	*2013*
Earnings per share for the year	7.28	10.24
Earnings per share for the year, diluted	7.28	10.24

17 Available-for-sale shares

Available-for-sale shares

MNOK	*31 Dec 14*	*31 Dec 13*
Quoted shares	101	61
Other shareholdings [1]	31	79
Available-for-sale shares	**132**	**140**

1) At 31 Dec. 2013, the item Other shareholdings includes shares in joint ventures with the amount of MNOK 49, which is shown on a separate line in the 2014 accounts. Balance sheet figures for 2013 have not been restated See also Note 32 "Investments in joint ventures."

Available-for-sale shares are recognised at fair value. Quoted shares at 31 December 2014 consisted of shares in Kitron ASA (19 per cent ownership), listed on the Oslo Stock Exchange, and shares in KBC Advanced Technologies PLC (5 per cent ownership), listed on the London Stock Exchange. The shares in KBC Advanced Technologies PLC were acquired in 2014. KONGSBERG does not have significant influence in the companies.

Changes in the fair value of shares, with the exception of impairment losses, are recognised in other comprehensive income. Significant and permanent impairment losses are recognised in the income statement. In 2014, MNOK 6 was recognised as an impairment in other comprehensive income (a decrease in 2013 of MNOK 7). The decrease in value concerns Kitron ASA and KBC Advanced Technology PLC. No impairment has been recognised in the income statement in 2014. In percentage of total market value, quoted shares constitute 77 per cent of available-for-sale shares.

Fair value of shares

The shares are measured at market value on the balance sheet date. The market value is calculated as follows:

1. The last traded price on the stock exchange or the last traded price on the OTC list (The Norwegian Securities Dealers Association's Over-The-Counter List)
2. The price of the last share transactions for the sale/purchase or issue of unquoted shares
3. Valuation based on the discounted cash flow
4. Acquisition cost as an estimate of market value. This refers to investments that are not of significant value

Sensitivity analysis on investments in shares

A change in market prices of the quoted shares of 10 per cent would result in an increase/decrease in the added value of MNOK 10 which would be recognised directly in the statement of comprehensive income (MNOK 6 based on balance sheet values at 31 December 2013).

18 Other non-current assets

MNOK	*31 Dec 14*	*31 Dec 13*
Loans to employees	27	42
Other non-current assets	73	113
Total other non-current assets	**100**	**155**

19 Receivables

MNOK	*31 Dec 14*	*31 Dec 13*
Gross receivables	2 712	2 361
Provision for bad debts	(142)	(123)
Net accounts receivable	**2 570**	**2 238**
Other receivables	532	581
Prepayments to suppliers	182	177
Net receivables	**3 284**	**2 996**

Credit risk

Exposure to credit risk

KONGSBERG's credit risk and how it is managed is accounted for in Note 5 "Financial risk management objectives and policies". The carrying amount of financial assets represents the Group's maximum credit exposure.

MNOK	*Note*	*31 Dec 14*	*31 Dec 13*
Gross accounts receivable		2 712	2 361
Gross other current receivables		714	758
Other non-current assets	18	100	155
Cash and cash equivalents	22	4 424	3 272
Currency forward contracts and interest rate swaps used as hedges	21A	215	173
Total exposure to credit risk		**8 165**	**6 719**

Gross receivables by region

MNOK	*31 Dec 14*	*31 Dec 13*
Norway	297	392
EU	612	667
Other Europe	34	12
North America	769	513
South America	57	51
Asia	738	562
Other countries	205	164
Total	**2 712**	**2 361**

Gross receivables by customer type

MNOK	*31 Dec 14*	*31 Dec 13*
Government institutions	975	796
Private companies	1 737	1 565
Total	**2 712**	**2 361**

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

	31 December 2014		31 December 2013	
MNOK	*Gross*	*Provision for bad debts*	*Gross*	*Provision for bad debts*
Not due	1 373	(1)	1 226	-
Due, 1-30 days	562	(2)	428	(2)
Due, 31-90 days	311	(1)	309	(1)
Due, 91-180 days	187	(38)	97	(4)
Due, more than 180 days	279	(100)	301	(116)
Total	**2 712**	**(142)**	**2 361**	**(123)**

Change in the provision for bad debts

MNOK	*2014*	*2013*
Provision at 1 January	(123)	(155)
Actual losses	20	11
Provision	(44)	(8)
Reversed	5	29
Provision at 31 December	**(142)**	**(123)**

Estimation uncertainty
The provision for bad debts is based on the best estimate and judgement with respect to the probability of any loss on a receivable or a group of receivables.

20 Construction contracts in progress

The Group's main business activity is to develop and manufacture products and systems based on orders. Note 3C "Revenue recognition – Construction contracts/system deliveries" accounts for income recognition and classification of construction contracts.

Projects in progress in the table below constitute the net amount of accumulated earned operating income less accumulated billing for all current construction contracts, where accumulated operating income exceeds accumulated billing. Prepayments from customers are the net amount of accumulated earned operating income less accumulated billing for all current construction contracts where accumulated billing exceeds accumulated operating income. Project accruals are the net amount of costs incurred based on the project's percent of completion less accumulated costs charged to the construction contract.

Net construction contracts in progress

MNOK	*31 Dec 14*	*31 Dec 13*
Projects in progress	4 350	2 200
Prepayments from customers	(4 914)	(3 304)
Project accruals, assets	1 684	1 412
Project accruals, liabilities	(1 527)	(893)
Net construction contracts in progress	**(407)**	**(585)**

MNOK	*31 Dec 14*	*31 Dec 13*
Construction contracts in progress, assets	3 183	1 963
Construction contracts in progress, liabilities	(3 590)	(2 548)
Net construction contracts in progress	**(407)**	**(585)**

The Group has long-term construction contracts in three of its business areas. Most of the projects executed by Kongsberg Maritime and Kongsberg Oil & Gas Technologies have a duration of less than two years, and revenues from the individual projects account for a limited share of total income. The projects performed by Kongsberg Defence Systems are of longer duration and the revenues from each individual project make a significant contribution to the Group's total income.

A summary of significant contract data is provided below.

MNOK	*2014*	*2013*
Total orders	47 075	36 492
Operating income for the year	9 733	8 728
Accumulated operating income	32 912	26 992
Accumulated variable expenses	24 303	20 182
Remaining operating income	14 162	9 500
Prepayments received	4 914	3 304
Remaining variable costs in onerous contracts	110	115

Estimation uncertainty

Income related to construction contracts is recognised in line with the estimated rate of completion. Completion is normally calculated as accrued costs in relation to expected total costs or on the basis of accrued hours measures against the expected total hours. See also Note 3C "Revenue recognition – Construction contracts/ system deliveries". The contracts' revenues have been agreed. Total anticipated costs are estimated based on a combination of empirical data, systematic estimation procedures, monitoring of efficiency targets and best judgement. In general, the number of remaining manhours necessary to develop or complete a project will constitute a large part of total costs. The uncertainty of the estimates is influenced by a project's duration and technical complexity. Principles have been established for categorising projects in terms of technological complexity and the degree of development. This constitutes the basis for risk assessments and recognition of project profits. The projects are reviewed on a quarterly basis at a minimum.

21 Financial instruments

For definitions of financial instruments, reference is made to Note 3J "Financial instruments."

A) Derivatives

MNOK	*Note*	*31 Dec 14*	*31 Dec 13*
Current assets			
Excess value forward exchange contracts, cash flow hedges		71	65
Excess/less (-) value interest rate swaps, cash flow hedges	21D	(12)	3
Excess value forward exchange contracts, fair value hedges		140	100
Excess value interest rate swaps, fair value hedges	21D	19	-
Excess/less (-) value, loan hedges	21B	(3)	5
Total derivatives, current assets		**215**	**173**
Non-current liabilities			
Less value interest rate swaps related to sale and leaseback		1	8
Total derivatives, non-current liabilities		**1**	**8**
Current liabilities			
Less value forward exchange contracts, cash flow hedges		1 103	102
Less value forward exchange contracts, fair value hedges		1 632	205
Excess/less value (-), loan hedges		(3)	5
Total derivatives, current liabilities		**2 732**	**312**

B) Currency risk and hedging of currency

KONGSBERG's currency risk and management is accounted for in Note 5 "Financial risk management objectives and policies". KONGSBERG`s exposure to currency risk related to accounts receivable and payable in USD and EUR in the balance sheet, based on nominal amounts:

	31 Dec 14		31 Dec 13	
Amounts in mill.	*USD*	*EUR*	*USD*	*EUR*
Accounts receivable	256	75	137	58
Accounts payable	(37)	(11)	(21)	(9)
Net balance sheet exposure	**219**	**64**	**116**	**49**
Forward exchange contracts fair value hedges 1)	1 399	192	940	275

1) According to KONGSBERG's currency strategy, all contracts in functional currency are hedged.

The specified forward currency exchange contracts mentioned above are intended to hedge all contractual currency flows. This implies that in addition to hedging accounts receivable in foreign currency, the currency forwards will be used to hedge the invoicing remaining on signed contracts. KONGSBERG is also exposed to other currencies, but this is insignificant compared to the exposure in USD and EUR.

Significant foreign exchange rates applied in the consolidated financial statement during the year:

	Average exchange rates		Spot rates at 31 Dec	
	2014	*2013*	*2014*	*2013*
USD	6.30	5.88	7.42	6.07
EUR	8.36	7.81	9.02	8.36

Currency hedging

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

2014 *Amounts in mill.*	*Gross value in NOK at 31 Dec 14 based on hedged rates*	*Net excess(+)/ less(-) value in NOK 31 Dec 14*	*Total hedged amount in USD at 31 Dec 14*	*Average hedged exchange rate in USD 31 Dec 14*	*Total hedged amount in EUR at 31 Dec 14*	*Average hedged exchange rate in EUR 31 Dec 14*
Hedge category						
Forward contracts, cash flow hedges [1)2)]	9 240	(1 031)	1 125	6.61	142	8.56
Total cash flow hedges	**9 240**	**(1 031)**	**1 125**	**-**	**142**	**-**
Forward contracts, fair value hedges [2)3)]	10 532	(1 492)	1 399	6.37	192	8.71
Loan hedges (fair value hedges) [2)]	1 133	(3)	122	7.40	3	9.10
Total	**20 905**	**(2 526)**	**2 646**	**-**	**337**	**-**

2013 *Amounts in mill.*	*Gross value in NOK at 31 Dec 13 based on hedged rates*	*Net excess(+)/ less(-) value in NOK 31 Dec 13*	*Total hedged amount in USD at 31 Dec 13*	*Average hedged exchange rate in USD 31 Dec 13*	*Total hedged amount in EUR at 31 Dec 13*	*Average hedged exchange rate in EUR 31 Dec 13*
Hedge category						
Forward contracts, cash flow hedges [1)]	10 373	(37)	1 476	6.12	165	8.15
Total cash flow hedges	**10 373**	**(37)**	**1 476**		**165**	
Forward contracts, fair value hedges [2)3)]	8 496	(105)	940	6.06	275	8.28
Loan hedges (fair value hedges) [2)]	728	5	106	6.12	1	8.38
Total	**19 597**	**(137)**	**2 522**	**-**	**441**	**-**

1) Changes in fair values associated with effective cash flow hedges are recognised in other comprehensive income. The part not considered to be an effective hedge is recognised through profit and loss.
2) The figures in the table linked to values based on agreed exchange rates and net fair values also include currencies other than USD and EUR. Loan hedges are currency hedges related to foreign currency loans.
3) The total change in value on hedged projects during 2014 is MNOK 1,387 (reduction of MNOK 663 in 2013). Derivatives used as project hedges have had corresponding negative values throughout the year, and the hedging has therefore been 100 per cent effective. Change in value is recognised in accounts receivable and construction contracts in progress (assets and liabilities).

In addition to the exchange rate on 31 December, the fair value of forward contracts is affected by interest rate differences in the currencies in question. The interest yield curves applied in the valuation are received from Reuters which retrieves data from a variety of market participants. More information is provided in Note 4 “Fair value” and Note 21G “Financial instruments - Assessment of fair value”.

Sensitivity analysis

A strengthening of NOK against the USD and EUR at 31 December 2014 of 10 per cent (10 per cent in 2013) would have increased the statement of comprehensive income with the amounts included below. The analysis assumes that the other variables remain constant.

Estimated effect on other comprehensive income (after tax):

MNOK	*31 Dec 14*	*31 Dec 13*
USD	609	645
EUR	94	99
Total	**703**	**744**

Provided other variables remain constant, a corresponding weakening of NOK against USD and EUR would have the same monetary effect, but with the sign reversed.

Cash flow hedges are considered to be 100 per cent effective, and all effects from a currency fluctuation will therefore be recognised in other comprehensive income. For fair value hedges, neither other comprehensive income, nor the profit and loss will be affected as long as the hedges are 100 per cent effective.

As KONGSBERG has a hedging strategy that generally hedges all contractual currency flows and receivables in foreign currency, foreign exchange fluctuations will not fully affect the profitability of contracts signed.

C) Cash flow hedges

The periods in which cash flows related to derivatives that are cash flow hedges are expected to arise:

	31 Dec 2014					31 Dec 2013				
MNOK	*Carrying amount*	*Expected cash flow*	*2015*	*2016*	*2017*	*Carrying amount*	*Expected cash flow*	*2014*	*2015*	*2016*
Forward exchange contracts										
Assets	71	72	69	3	-	65	65	54	11	-
Liabilities	(1 103)	(1 121)	(839)	(282)	-	(102)	(105)	(71)	(34)	-
Interest swap agreements										
Assets	-	-	-	-	-	3	3	1	1	1
Liabilities	(12)	(12)	(5)	(4)	(3)	-	-	-	-	-
Total	**(1 044)**	**(1 061)**	**(775)**	**(283)**	**(3)**	**(34)**	**(37)**	**(16)**	**(22)**	**1**

The periods in which cash flows related to derivatives that are cash flow hedges are expected to have an impact on the income statement:

	31 Dec 2014				31 Dec 2013			
MNOK	*Carrying amount*	*Expected cash flow*	*2015*	*2016 and later*	*Carrying amount*	*Expected cash flow*	*2014*	*2015 and later*
Forward exchange contracts								
Assets	71	72	36	36	65	65	37	29
Liabilities	(1 103)	(1 121)	(563)	(558)	(102)	(105)	(59)	(46)
Interest swap agreements								
Assets	-	-	-	-	3	3	1	2
Liabilities	(12)	(12)	(4)	(8)	-	-	-	-
Total	**(1 044)**	**(1 061)**	**(531)**	**(530)**	**(34)**	**(37)**	**(21)**	**(15)**

Cash flow hedges - hedging reserve

MNOK	*2014*	*2013*
Opening balance	(141)	191
Changes in excess/less value (-) during the period		
Forward exhange contracts and deferred gain/loss [1]	(904)	(428)
Interest rate swaps	(13)	4
Tax on items recognised directly in other comprehensive income	298	129
Recognised gain/loss during the period		
Forward exchange contracts and deferred gain/loss [1]	(194)	(37)
Closing balance hedge reserve[2]	**(954)**	**(141)**

If an expected contract becomes contractual and a fair value hedging is established, the recognised hedging reserve is transferred from the statement of comprehensive income to the carrying value of the hedged project. If an expected cash flow arises and does not result in a project hedging, the hedging reserve is recognised in the income statement together with the hedged transactions.

1) Deferred losses on cash flow hedges represent MNOK 263 at 31 December 2014 (losses amounting to MNOK 161 at 31 December 2013) allocated to projects. The gains/losses arise when the forward contracts relating to the cash flow hedges are realised and new forward contracts are established for the projects. Any incurred gain/ loss is deferred and realised in line with the progress of the project.
2) The net effect of cash flow hedging before tax, recognised in other comprehensive income, represents MNOK -1,111 in 2014 (MNOK -461 in 2013).

Back

D) Interest rate risk on loans

	2014					2013				
Amounts in MNOK	*Due date*	*Nominal interest rate*	*Years to maturity*	*Nominal amount*	*Carrying amount*	*Due date*	*Nominal interest rate*	*Years to maturity*	*Nominal amount*	*Carrying amount*
Bond issue KOG 07	11.9.19	4.80%	4.7	250	250	10.9.19	4.80%	5.7	250	250
Bond issue KOG 06	11.9.17	3.28%	2.7	500	500	10.9.17	3.46%	3.7	500	500
Other long-term loans				104	104				61	61
Total long-term loans [1]				**854**	**854**				**811**	**811**
Bond issue KOG 05						14.4.14	5.44%	0.28	500	500
Other short-term loans				-	-				26	26
Total loans				**854**	**854**				**1 337**	**1 337**
Credit facility (not utilised)	7.4.19			1 500		1.7.15			1 000	

1) The deviation between the carrying value in the consolidated statement of financial position and amounts in this note is due to the excess value of the interest rate swap related to bond issue KOG 07 of MNOK 19. See table below (interest rate swaps).

In 2014, Kongsberg Gruppen ASA established a new syndicated credit facility with Danske Bank, DNB, JP Morgan Chase, Nordea and SEB. The facility is for general business purposes. The new facility has a term of five years with an option to extend by one year, twice. The interest rate is NIBOR + a margin that depends on the ratio between net interest-bearing loans/EBITDA and can vary from 0.5 per cent to 1 per cent. The credit facility requires that net interest-bearing debt shall not exceed three times the EBITDA, but can be up to 3.5 times the figure for a maximum of three quarters. The covenants in the loan agreements are met. The facility was undrawn in 2014.

Kongsberg Gruppen ASA had three bond loans at the beginning of 2014, of which one loan of MNOK 500 was due in April 2014. The bond loans were issued in NOK and are listed on the Oslo Stock Exchange. The interest is 3 month NIBOR + 1.8 per cent for loans of MNOK 500 with maturity in 2017 and a fixed interest of 4.80 per cent for bond loans of MNOK 250 with maturity 2019. The loans are capitalised at their amortised cost using the effective interest method. Other loans comprise minor debts incurred directly by individual subsidiaries in local banks.

Interest rate swaps *Amounts in MNOK*	*Due date*	*Interest rate*	*Amount 2014*	*Excess(+)/ less value(-) 31 Dec 14*	*Amount 2013*	*Excess(+)/ less value(-) 31 Dec 13*
Interest rate swaps, floating to fixed rate[1)]	2.1.15	3.43%	150	(1)	150	(3)
Interest rate swaps, floating to fixed rate[1)]	2.1.15	3.21%	120	-	120	(2)
Interest rate swaps, floating to fixed rate[2)]	2.1.18	2.47%	247	(11)	247	(3)
Total interest rate swaps, floating to fixed rate			**517**	**(12)**	**517**	**(8)**
Interest rate swaps, fixed to floating rate[3)]	11.9.19	4.80%	250	19	250	3
Total interest rate swaps			**767**	**7**	**767**	**(5)**

1) KONGSBERG has entered into swap agreements from floating to fixed interest for a nominal amount of MNOK 270. The agreements were made in connection with tenancy agreements signed in connection with the sale and leaseback agreements as mentioned in Note 27 "Sale and leaseback". The change in value on interest rate swaps is recognised in other comprehensive income.
2) KONGSBERG has entered into swap agreements from floating to fixed interest for a nominal amount of MNOK 247. The agreement was made in connection with financing the real estate business to reduce interest exposure. The change in value on the swap agreement is recognised in other comprehensive income.
3) KONGSBERG has entered into two interest swap agreements from fixed to floating interest for a nominal amount of MNOK 125 each. The agreements were made in connection with the bond issue KOG 07, which is a fixed rate loan. The change in value on the interest rate swaps is adjusted against the carrying value of the loan.

Sensitivity analysis interest rate risk

A change in the interest rate of 50 basis points (bp) on the date of the balance sheet would have increased (decreased) the profit for the year and equity by the amounts shown in the table. The analysis assumes that other variables remain constant. The analysis was performed on the same basis in 2013.

Effect of interest rate increase of 50 bp:

MNOK	*31 Dec 14*	*31 Dec 13*
Investments with floating interest rates	11	8
Loans with variable interest rates	(3)	(5)
Interest rate swap agreements, floating to fixed rate	4	7
Cash flow sensitivity (net)	**12**	**10**

Such an increase in interest rate would also have increased (decreased) other comprehensive income and equity by MNOK 5 (MNOK 6 in 2013) related to interest rate swap agreements from fixed to floating rate.

E) Liquidity risk

The table shows due dates under the terms of contract for financial liabilities, including interest payments. Liabilities such as public taxes/ duties and income taxes are not financial liabilities and therefore not included. The same applies to pre-payments from customers and the accrual of projects.

31 Dec 2014

MNOK	*Carrying amount*	*Contractual cash flows*	*2015*	*2016*	*2017*	*2018*	*2019 and later*
Financial liabilities that are not derivatives							
Unhedged bond loans	750	(860)	(29)	(29)	(523)	(12)	(267)
Other loans and non-current liabilities	104	(104)	(21)	(21)	(21)	(21)	(20)
Accounts payable	1 057	(1 057)	(1 057)	-	-	-	-
Financial obligations that are derivatives							
Currency derivatives	2 735	(2 890)	(1 822)	(1 053)	(13)	(1)	(1)
Interest rate swaps	12	(12)	(5)	(4)	(3)	-	-
Total	**4 658**	**(4 923)**	**(2 934)**	**(1 107)**	**(560)**	**(34)**	**(288)**

31 Dec 2013

MNOK	*Carrying amount*	*Contractual cash flows*	*2014*	*2015*	*2016*	*2017*	*2018 and later*
Financial liabilities that are not derivatives							
Unhedged bond loans	1 250	(1 398)	(537)	(29)	(29)	(524)	(279)
Other loans and non-current liabilities	87	(87)	(74)	(1)	(1)	(10)	(1)
Accounts payable	834	(834)	(834)	-	-	-	-
Financial obligations that are derivatives							
Currency derivatives	307	(315)	(213)	(94)	(6)	(2)	-
Interest rate swaps	8	(8)	(6)	(1)	(1)	-	-
Loan hedges	5	(5)	(5)	-	-	-	-
Total	**2 491**	**(2 647)**	**(1 669)**	**(125)**	**(37)**	**(536)**	**(280)**

F) Summary of financial assets and liabilities

Financial assets and liabilities broken down into different categories for accounting purposes at 31 December 2014:

2014 MNOK	*Note*	*Derivatives used for hedging*	*Derivatives that do not qualify for hedging*	*Loans and receivables*	*Available-for-sale shares*	*Other financial liabilities*	*Total*	*Fair value*
Assets – fixed assets								
Investment in available-for-sale shares	17	-	-	-	132	-	132	132
Other non-current assets	18	-	-	100	-	-	100	100
Assets – current assets								
Derivatives	21A	215	-	-	-	-	215	215
Receivables	19	-	-	3 284	-	-	3 284	3 284
Cash and cash equivalents	22	-	-	4 424	-	-	4 424	4 424
Financial liabilities – non-current								
Interest-bearing loans	21D	-	-	-	-	854	854	866
Derivatives	21A	-	1	-	-	-	1	1
Other non-current liabilities		-	-	-	-	19	19	19
Financial liabilities – current								
Interest-bearing loans		-	-	-	-	-	-	-
Derivatives	21A	2 732	-	-	-	-	2 732	2 732
Accounts payable	25	-	-	-	-	1 057	1 057	1 057

2013 MNOK	*Note*	*Derivatives used for hedging*	*Derivatives that do not qualify for hedging*	*Loans and receivables*	*Available-for-sale shares*	*Other financial liabilities*	*Total*	*Fair value*
Assets – fixed assets								
Investment in available-for-sale shares	17	-	-	-	140	-	140	140
Other non-current assets	18	-	-	155	-	-	155	155
Assets – current assets								
Derivatives	21A	173	-	-	-	-	173	173
Receivables	19	-	-	2 996	-	-	2 996	2 996
Cash and cash equivalents	22	-	-	3 272	-	-	3 272	3 272
Financial liabilities – non-current								
Interest-bearing loans	21D	-	-	-	-	811	811	846
Derivatives	21A	-	8	-	-	-	8	8
Other non-current liabilities		-	-	-	-	56	56	56
Financial liabilities – current								
Interest-bearing loans		-	-	-	-	526	526	527
Derivatives	21A	312	-	-	-	-	312	312
Accounts payable	25	-	-	-	-	834	834	834

G) Assessment of fair value

The following table illustrates the Group's assets and liabilities measured at fair value:

		2014			2013		
MNOK	*Note*	*Level 1*	*Level 2*	*Level 3*	*Level 1*	*Level 2*	*Level 3*
Assets							
Investments in available-for-sale shares	17	101	-	31	62	-	78
Derivative financial assets	21A		215		-	173	-
Total assets at fair value		**101**	**215**	**31**	**62**	**173**	**78**
Liabilities							
Derivative financial liabilities	21A	-	2 733	-	-	320	-
Interest-bearing debt (calculated for note purposes)		-	866	-	-	1 373	-
Total liabilities at fair value		**-**	**3 599**	**-**	**-**	**1 693**	**-**

The different levels are defined as follows:

Level 1: Fair value is measured by using quoted prices in active markets for identical financial instruments. No adjustments are made related to these prices.

Level 2: Fair value is measured based on other data than traded prices as described for level 1, but that are from observable market data either directly or indirectly. These reserves entail some valuation uncertainty.

Level 3: Fair value is measured using models that are mostly not based on observable date. This entails considerable uncertainty regarding determination of fair value.

See also Note 4 "Fair value" and Note 17 "Available-for-sale shares" for information on the measuring of fair value.

H) Estimation uncertainty

KONGSBERG has a number of financial instruments recognised at fair value. When market prices cannot be observed directly through quoted prices, fair value is estimated by using various models based on internal estimates or input from banks or other market participants. Assumptions for such valuations include spot prices, forward rates and yield curves. The assessments are always based on KONGSBERG`s own critical judgement, but it is nevertheless likely that observable market inputs and assumptions will change over time. Such changes may affect the calculated values of financial instruments significantly, and result in gains and losses with impact on the income statement in future periods. How these changes will affect the income statement depends on the type of instrument, and whether it is part of a hedging relation.

22 Cash and cash equivalents

Nominal amounts in MNOK	*31 Dec 14*	*31 Dec 13*
Short-term investments in the money market	2 116	880
Bank deposits, operating accounts	2 308	2 392
Total	**4 424**	**3 272**

Bank guarantees amounting to MNOK 280 (MNOK 281 in 2013) have been furnished for funds related to withholding tax for employees.

The Group's liquidity management is handled by the Group's corporate treasury unit.

23 Share capital

Share capital

At 31 December 2014, the Group's share capital consisted of 120,000,000 shares with a nominal value of NOK 1.25.

Development in share capital

	Date	*Number of shares*	*Nominal value NOK*	*Amounts in MNOK*	*Adjustment factor*	*Share capital in MNOK*
Type of change						
Stock Exchange listing	13 Dec 93	5 850 000	20	117		117
Private placement with employees	1996	6 000 000	20	3		120
Share split	1997	24 000 000	5		01:04	120
Share issue	1999	30 000 000	5	30		150
Share split	2009	120 000 000	1.25		01:04	150

The largest shareholders at 31 December 2014

Shareholders	*Number of shares*	*Stake*
The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries	60 001 600	50.001%
Arendals Fossekompani ASA	9 552 796	7.961%
The National Insurance Fund	7 338 325	6.115%
MP Pensjon	4 742 800	3.952%
The Northern Trust Co	2 471 860	2.060%
J.P. Morgan Chase Bank N.A. London	1 878 330	1.565%
Danske Invest Norske Instit. II	1 809 696	1.508%
Odin Norden	1 592 821	1.327%
Reassure Limited	1 178 300	0.982%
Odin Norge	1 152 181	0.960%
Total	**91 718 709**	**76.432%**
Other (stake < 0.75%)	28 281 291	23.568%
Total number of shares	**120 000 000**	**100.000%**

Shareholders, by size of holding

Number of owners	*Antall eiere*	*Number of shares*	*Holding %*
1–1 000	5 912	1 710 537	1.43%
1 001–10 000	1 842	4 685 267	3.90%
10 001–100 000	189	5 020 148	4.18%
100 001–1 000 000	59	14 794 991	12.33%
1 000 001–10 000 000	11	33 787 457	28.16%
Over 10 000 000	1	60 001 600	50.00%
Total	**8 014**	**120 000 000**	**100.00%**

At 31 December 2014, 976 of the 8,014 shareholders were foreigners, and they owned a total of 13.14 per cent of the shares.

Treasury shares

KONGSBERG held 26,674 treasury shares at year-end 2014. The shares were purchased in accordance with the authorisation granted by the Annual General Meeting, authorising the repurchase of up to five per cent of the shares outstanding.

	Number
Number of treasury shares at 31 December 2013	66 699
Purchase of treasury shares	473 479
Treasury shares conveyed to employees	513 504
Number of treasury shares at 31 December 2014	**26 674**

Dividend

	2014	*2013*
Dividend paid in MNOK[1)]	630	450
Divident paid in NOK per share	5.25	3.75

1) Of this MNOK 2 is paid to treasury shares.

The Board has proposed dividends amounting to MNOK 1,110 for 2014. This is equivalent to NOK 9.25 per share, of which NOK 4.25 is ordinary and NOK 5.00 is extraordinary.

24 Provisions

Non-current provisions

MNOK	Sale and leaseback
1 January 2014	**116**
Provision	68
Effect of discounting	(3)
Reversed	(8)
Utilised provision	(20)
31 December 2014	**153**

Current provisions

MNOK	Warranty	Other	Total
1 January 2014	**665**	**288**	**953**
Provision	342	88	430
Reversed	(332)	(45)	(377)
Utilised provision	(136)	(45)	(181)
31 December 2014	**539**	**286**	**825**

Non-current provisions
KONGSBERG has, in the period from 1999 to 2014, sold properties in the Kongsberg Technology Park. The properties have been leased back on long-term leases, of which one expired in 2014 and the rest expire in the period 2017 to 2031. In connection with sale and lease-back, it was agreed that KONGSBERG will guarantee for construction costs and maintenance of the buildings during the leaseback period. The current value of future guarantee liability has been provided for in the financial statements. In addition, provision has been made related to lease expiration. The remaining provision is subject to annual reviews. The effect on discounting has been recognised as financial expenses.

Provisions for warranties
Provisions for warranties are provisions for warranty costs on completed deliveries. Unused warranty provisions are reversed when the warranty period expires. Warranty provisions are estimated based on a combination of empirical data, specific calculations and judgement. Warranty periods vary from one to two years within Kongsberg Maritime and Kongsberg Oil & Gas Technologies. For Kongsberg Defence Systems and Kongsberg Protech Systems, the warranty periods normally last from one to five years, but for Kongsberg Defence Systems they can be as long as 30 years under certain circumstances.

Other provisions
Provisions are recognised when the Group has an obligation as a result of a past event, it is probable that there will be a financial settlement as a result of this commitment, and the size of that obligation can be measured reliably.

Provisions apply to circumstanses where there is a disagreement between contracting parties, uncertainty in relation to the warranty, or products that are early in their life cycles.

Estimation uncertainty
The assessments are based on a combination of actual figures, technical considerations and judgement. The estimates are updated on a quarterly basis. There is considerable uncertainty related to these provisions as to amount and time.

25 Other current liabilities

Other current liabilities

MNOK	31 Dec 14	31 Dec 13
Accounts payable	1 057	834
Public duties payable	303	387
Income tax payable	29	16
Accrued holiday pay	423	412
Prepayments from customers on delivery projects	455	250
Liabilities related to performance-based salary	128	136
Other	1 554	1 655
Total	**3 949**	**3 690**

26 Assets pledged as collateral and guarantees

Assets pledged as collateral

The Group's loan contracts, i.e. the bond loan agreements and the agreement on syndicated credit facilities, are based on negative pledges.

Prepayment and completion guarantees

The group companies have provided guarantees for prepayments and completion in connection with projects. The guarantees are issued by Norwegian and foreign banks and insurance companies and by Kongsberg Gruppen ASA (parental guarantees). Kongsberg Gruppen ASA is responsible for all guarantees.

MNOK	*31 Dec 14*	*31 Dec 13*
Guarantees issued by banks and insurance companies	3 109	2 261
Guarantees issued by Kongsberg Gruppen ASA (parent company)	5 560	1 671
Prepayments from and completion guarantees to customers	**8 669**	**3 932**

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

27 Sale and leaseback

During the period from 1999 to 2014, KONGSBERG sold properties in Kongsberg Technology Park. The properties have been leased back on long-term leases, of which one contract expired in 2014 and the other expire from 2017 to 2031. The leasebacks are classified as operating leasing agreements.

In addition to lease payments, KONGSBERG is responsible for certain expenses related to taxes and maintenance of the properties. With the exception of the properties sold in 2007 and 2014, the properties are mainly leased to external tenants. The leases have durations ranging from three months to 15 years. Provisions related to the sale and leaseback agreements are discussed in Note 24 "Provisions".

MNOK	*Year of disposal*	*Annual lease payments 2015*	*Lease payments 2016 –2020*	*Lease payments later than 2020*	*Remaining term of lease*	*Lease payments sublease 2015*	*Weighted average subleasing period*
Contract 1 – A total of 28 000 m² industrial/office[1)]	1999						
Contract 2 – A total of 38 000 m² industrial/office	2001	36	112	-	4 years	39	3 years
Contract 3 – A total of 6 000 m² industrial/office	2002	6	10	-	3 years	7	2.5 years
Contract 4 – A total of 10 000 m² industrial/office	2006	18	94	13	7 years	19	7 years
Contract 5 – A total of 39 000 m² industrial/office	2007	58	309	270	10 years	58	10 years
Contract 6 – A total of 34 000 m² parking/office[2)]	2014	12	150	280	17 years	13	9 years
Total		**130**	**675**	**563**		**136**	

1) Agreement expired in 2014
2) The leases run from completion of the buildings. See also Note 7 "Sale of property."

For Contracts 3, 4 and 5, the Group has pre-emptive rights based on market conditions. The Group has the right to extend all leases for at least five years at a time. The lease payments are fixed by a 2.5 per cent annual adjustment for Contracts 2 and 3. Contracts 4, 5 and 6 are adjusted with 100 per cent of the change in the consumer price indect, which is assumed to be 2 per cent annually. The lease payment is adjusted annually based on the consumer price index.

Contract 6 was signed in connection with the completed property sale in 2014. The lease consists of three buildings, of which two are parking buildings, and the lease payments are adjusted annually based on the consumer price index. The Group has the right to extend the term of the lease for five years at a time on existing terms. Subleasing agreements were signed for the leasing period for both external and in-house lessees. See also Note 7 "Sale of property" and Note 24 "Provisions.

28 Statement on the remuneration of the Group CEO and Executive Management

Statement on the remuneration of the Group CEO and Executive Management

The Board proposes that the following guidelines be applied for 2015 and until the Annual General Meeting in 2016.

Main principles of the company's remuneration policy for the Group CEO and Executive Management

The principles and systems for remuneration of executive management are adopted by the Board. Each year, the Board of Directors assesses the CEO's remuneration and conditions, as well as the Group's performance-based salary plan for executives. The Board's Compensation Committee prepares the cases on the agenda for the Board of Directors. The CEO determines the compensation for the other members of corporate management in consultation with the Chairman of the Board. Management remuneration at Kongsberg Gruppen ASA and Group companies ("KONGSBERG") are based on the following main principles:

- Management remuneration shall be competitive, but not leading, and thus support a general moderation with regards to the development of the management remuneration – the company aspires to attract and retain skilled leaders.
- Management remuneration shall motivate, i.e., be structured to motivate managers to strive to achieve constant improvements in operations and the company's results.
- The remuneration system shall be understandable and acceptable both inside and outside of KONGSBERG.
- The remuneration system shall be flexible and open to adjustments when requirements change.
- The remuneration system shall encourage cooperation.

Compensation to corporate management shall reflect their responsibility for the management, performance and sustainable development of KONGSBERG, and take into account the size and complexity of the business. The arrangements shall otherwise be transparent and in line with the principles for good corporate governance.

Other companies in the Group shall comply with the main principles of the senior executive remuneration policy. One of the goals is to coordinate remuneration policy in the Group and the schemes used for variable benefits.

Effective from 13 February 2015, the Ministry of Trade, Industry and Fisheries stipulated new guidelines for wages and other remuneration for executive employees in enterprises and companies with a government-owned interest. These deviate in important points from corresponding previous guidelines, e.g. for long-term incentive (LTI), but particularly for pensions, where the State does not want earning of pension benefits beyond a wage basis of 12G (pt approx. NOK 1.1 million). However, the new guidelines will not be effective retroactively, i.e., agreements entered into before 13 February 2015 can be continued. Through 2015, the Board will assess how to implement the new guidelines for executive employees starting positions after 13 February 2015.

Elements of management remuneration – fixed salary and variable benefits

The basis for wage setting is the aggregate level of a manager's regular salary and variable benefits. The fixed salary comprises a basic salary plus regular benefits in kind and post-employment benefit plans. As of 2012, the Board decided to introduce LTI as part of the fixed remuneration. Variable benefits consist of performance-based salary as well as the share program. Regular surveys are made of relevant markets to ensure that overall compensation packages are competitive, but not leading.

Basic salary

The basic salary should normally be the main element of the managers' remuneration. It is generally considered once a year.

Regular benefits in kind

Key management personnel will normally be offered the benefits in kind that are common for comparable positions, e.g., free telephone service, free broadband service, newspapers, company car/car arrangement and parking. No particular limitations have been placed on the type of benefits in kind that can be agreed.

Pension plans

Key management personnel shall normally have pension plans that guarantee pensions proportional to their salary level. Generally, this is satisfied by membership in KONGSBERG's collective main pension plan for salaries of up to 12G.

The Group's collective main pension plan is a defined contribution plan. The contributions are 0 per cent of salaries between 0G and 1G, 5 per cent of salaries from 1G to 6G and 8 per cent of salaries from 6G to 12G. The assets can be invested in one of three savings portfolio options, consisting of 30, 50 or 80 per cent shares, respectively. The plan was introduced on 1 January 2008. Employees aged 52 or older at the time of transition remained in a closed defined benefit pension plan.

Managers with a basic salary in excess of 12G also earn pensions on the component of their salaries that exceeds 12G through an unfunded contribution plan. The contribution is 18 per cent of the basic salary exceeding 12G, and the investment options are the same as for the main pension plan. This plan will be adapted for new executive management to the new guidelines from the Ministry in 2015.

There is an upper limit on maximum pensionable income of NOK 3,056,049. The figure is adjusted for inflation in line with the consumer price index on 1 January of every year. No member of group management is covered by the old plans, and everybody is now part of the company's contribution plan. The CEO has a separate agreement for retirement at the age of 67, which, including the National Insurance Scheme (based on full accrual), and KONGSBERG's mandatory service pension will provide a benefit of NOK 1,496,881 per year from the age of 67 to 77, and then NOK 1,247,401 each year for the rest of his/her life. The amounts are adjusted annually in line with benefits paid from the National Insurance Plan, i.e., to date with general salary increases less 0.75 per cent.

KONGSBERG's scheme with early retirement agreements for executives has not been continued for executives hired after 1 July 2013. These individuals will instead receive an additional contribution of 12 per cent of the basic salary in excess of 12G to the unfunded pension scheme, as long as they are employed, but only until the age of 65 at the latest. This scheme for executive employees will also be adapted to the mentioned guidelines from the Ministry in 2015.

The company has previously made agreements on early retirement for some of its leaders, in line with the State's Ownership Report. The agreements vary, depending when they were made.

The newest allows for a retirement from the age of 65, but with a mutual right for KONGSBERG and the member of group management to demand early retirement from the age of 63. The benefit equals 65 per cent of the annual salary, based on a minimum of 15 years of accrual. If the employee resigns between ages 63 and 65, the pension earnings will be reduced compared with the defined contribution pension that applies from the age of 67. These agreements concern six members of group management. One member of corporate executive management has an older agreement releasing him from the obligation to work from the age of 60. Providing a vested period of at least 10 years, the benefit is 90 per cent of the salary from the age of 60, reduced by 10 per cent per year to 60 per cent of the salary from ages 63 to 67. Similarly, three other executive vice presidents have agreements that allow retirement from the age of 62. With a vested period of at least 15 years, the benefit will be 65 per cent of the salary up to the age of 67. These older plans were terminated in 2006 and 2008, respectively. The CEO has a contract for early retirement with NOK 1,746,361 per year from the age of 65 to 67. The CEO and KONGSBERG can reciprocally call for retirement with severance pay from the age of 63 or 64, based on a compensation of NOK 1,621,621 or NOK 1,683,991 per year, respectively, up to the age of 65. The amounts are adjusted for annually in line with benefits paid from the National Insurance Plan. All figures are applicable at 31.12.14.

Long-term incentive (LTI)

From 2012, the Board implemented, as a part of the fixed remuneration, a long-term incentive in the form of a compensation of 25 per cent and 15–20 per cent of annual basic salary, for the CEO and other members of the corporate management, respectively. The first payment was made in 2013. The reason for this scheme is to ensure competitiveness with comparable companies. A condition for such payments is that KONGSBERG had a positive operating profit (EBIT) in the previous year. Participants in the plan will be obliged to invest the net amount after tax in Kongsberg shares, purchased in the market and held in a period of three years. If participants leave the company on their own initiative, they have to repay an amount equal to equity value after tax on termination date for all shares that do not meet the three-year requirement. The plan will not provide a basis for pension benefits. For those covered by the plan, the annual maximum accrual of salary is reduced from 75 per cent to 60 per cent of the basic salary.

The LTI plan will be subject to an evaluation and will be adapted to the new guidelines from the Ministry of Trade, Industry and Fisheries in 2015.

Performance-based salary

KONGSBERG's top executives and most important decision-makers shall in a direct manner have financial incentives linked to KONGSBERG's development and improvement. For this purpose, the Board adopted in 2006 a performance-based plan that covers approx. 90 managers. The plan is carried forward in 2014. The plan is designed for the purpose that managers who perform well over time will earn an average performance-based salary of 20–30 per cent of their basic salary.

The performance-based salary plan is based on three independent components – change in EBITA, operating EBITA margin achieved (if more than 10 per cent) and personal, non-financial targets. The performance-based plan distinguishes between performance to be credited or charged to a performance salary bank account for the individual participant and paid performance-based salary to be paid from the bank. Earned performance-based salary constitutes 1/3 of the balance in the performance-based bank account, however maximum 50 per cent of basic salary, and will be paid next year when the annual accounts for the year in question have received final approval from the Board.

Changes in the year's EBITA, adjusted for 10 per cent calculated interest rate on change in capital, is the most significant parameter of the performance-based salary. The measurement is weighted for a manager's own area of responsibility and higher levels. Performance-based salary is positive if the adjusted EBITA shows progress, whereas a decrease in adjusted EBITA can be negative and reduce the balance in the performance-based salary account.

Annual contribution to the account cannot exceed a maximum of 75 per cent of the basic salary. For those covered by the LTI scheme, the maximum is 60 per cent of the basic salary. The balance of the account will not be paid out in the event of a resignation from the Group prior to retirement. The account has an equalising effect over time, encourages a long-term perspective and ensures that the participants have not only an upside, but also a downside.

The performance-based salary provides no basis for pension and is annually assessed by the Compensation Committee and the Board of Directors to make sure that it works as intended and the required adjustments are made. The plan will be continued in 2015, and will be assessed vis-a-vis the new guidelines from the Ministry of Trade, Industry and Fisheries.

Compensation linked to shares or to the development of the share price

Key management personnel have the opportunity to participate fully in KONGSBERG's discounted employee share program on the same terms as all Group employees. KONGSBERG has no arrangement for the allocation of share options or other instruments associated with the company's shares. There are no plans to introduce such arrangements.

Severance package arrangements

In order to satisfy KONGSBERG's continuous need to ensure that the composition of management is in accordance with the requirements of the business segments, agreements regarding severance package arrangements have and can be made. The severance arrangements have been designed in a manner that should be perceived to be acceptable both internally and outside the company. Agreements made from 2011 do not give the right to severance pay that in value exceed salary and benefits for more than 6 months. This scheme will be carried forward in 2015. Before 2011, severance package arrangements gave up to 12 months' severance pay. Such agreements have been signed for the corporate EVPs under the framework of the Working Environment Act. The CEO has an agreement that accommodates KONGSBERG's need to ask the CEO to leave immediately if that is considered to be in KONGSBERG's best interests. Beyond the reciprocal six-month period of notice, the CEO can receive full payment until accepting a new position, if relevant, limited up to 12 months and provided that it is KONGSBERG that asks for the CEO's resignation.

Statement for fiscal year 2014

The executive compensation policy for the fiscal year 2014 has been implemented in accordance with the above-mentioned information and the guidelines discussed at KONGSBERG's Annual General Meeting in 2014.

Following the ordinary wage settlement on 1 July 2014, the CEO's basic salary was adjusted up by 3 per cent to NOK 3,966,000 a year (3.5 per cent in 2013). For the rest of corporate management, the basic salary was adjusted up by an average of 3 per cent in 2014

(4.9 per cent in 2013). In addition, there is the performance-based salary as described above.

In the consolidated financial statements for 2014, the earned performance-based salary for executive management constitutes MNOK 24, exclusive of social security tax, equivalent to 18 per cent of total salary for the participants of the arrangement (MNOK 21 in 2013, equivalent to 15 per cent). During 2014, MNOK 21 was paid, excluding social security tax, equivalent to 15 per cent of total salary for the participants of the arrangement (MNOK 24 for 2013, equivalent to 19 per cent). KONGSBERG has not made or amended any agreements for compensation with material impact on KONGSBERG or the shareholders in the previous financial year.

29 Compensation for Executive Management and the Board of Directors

Compensation, specified for the members of the Executive Management for 2014 and 2013[1)]

Amounts in NOK thousand	*Year*	*Paid salary including holiday pay*	*Other benefits reporting during the accounting year[2)]*	*Earned long-term incentive plan (LTI)[3)]*	*Earned performance-based salary during the accounting year[4)]*	*Pension earning for the year*	*Balances on car loans*	*Long-term incentive plan (LTI)[5)]*	*Shares related to the long-term incentive plan (LTI)[6)]*	*Total number of shares including LTI 31 Dec*
Walter Qvam, Group CEO	2014	3 942	223	631	694	2 401	-	992	3 707	13 626
	2013	3 823	314	310	703	2 108	-	962	4 110	9 654
Hans-Jørgen Wibstad, CFO	2014	2 362	209	227	240	601	-	356	1 330	3 813
	2013	2 300	215	112	357	642	-	346	1 482	2 218
Johnny Løcka, EVP, Corporate functions	2014	1 708	304	164	319	267	362	257	961	3 602
	2013	1 657	305	81	338	293	429	250	1 072	2 376
Hilde Øygarden, EVP, Strategy and analysis	2014	1 380	222	132	271	172	303	208	777	6 281
	2013	1 334	218	65	278	171	363	202	861	5 239
Lene Svenne, Corporate compliance officer	2014	1 486	213	72	136	330	-	224	837	2 406
	2013	1 418	191	-	201	336	-	217	-	1 304
Even Aas, EVP, Public Affairs	2014	1 511	289	144	319	194	-	228	850	13 382
	2013	1 457	297	71	347	189	-	221	939	12 267
Egil Haugsdal, EVP, Business Development	2014	2 332	359	260	518	708	579	351	1 313	13 454
	2013	2 255	365	146	587	739	649	341	1 940	11 876
Hege Skryseth, EVP, from 1 January 2014	2014	1 822	165	-	336	593	602	294	-	265
Geir Håøy, CEO, Kongsberg Maritime	2014	2 361	227	292	720	577	-	471	1 760	4 859
	2013	2 279	428	140	409	573	-	457	1 856	2 834
Harald Ånnestad, CEO, Kongsberg Defence Systems	2014	2 291	315	291	810	790	293	460	1 720	7 794
	2013	2 217	297	142	589	787	355	446	1 889	5 809
Espen Henriksen, CEO, Kongsberg Protech Systems	2014	2 053	273	134	-	449	-	414	1 548	2 949
	2013	1 921	230	-	299	410	-	402	-	1 136
Pål Helsing, CEO, Kongsberg Oil & Gas Technologies	2014	2 336	149	224	-	549	522	351	1 312	2 773
	2013	2 265	473	110	249	590	581	341	1 461	1 461

1) Compensation and other benefits to members of Executive Management are based on their time served as part of corporate management.
2) Benefits other than cash refers to expensed discounts on shares in connection with the share program for all employees, telephone/broadband, car arrangements and compensation for the taxable share of pensions and insurance, as well as other taxable benefits.
3) 2013 was the first year that the LTI was disbursed. Accrued LTI including tax compensation is accrued in the accounts according to IAS19 on a linear basis over three years since the shares can be managed freely only after three years. A statement on the LTI scheme is provided in Note 28.
4) Earned performance-based part of salary in the accounting year accounted for 1/3 of the balance in the performance-based salary account, incl. holiday pay and is disbursed when the financial statements for the relevant year have been approved by the Board. A statement on performance-based pay is provided in Note 28.
5) LTI with tax compensation for disbursement the following year where the net amount will be invested in KONGSBERG shares. A statement on the LTI scheme is provided in Note 28.
6) Shares acquired in the accounting year associated with the LTI scheme.

Shares owned by, and compensation to the members of the Board of Directors

The Board *Amounts in NOK thousand*	*Year*	*Number of shares*		*Fixed board compensa-tion*	*Compensa-tion for committee meetings*	*Total compensa-tion*	*Number of board meetings[2)]*
Finn Jebsen, Chairman of the Board	2014	20 000	(through the company Fateburet AS)	414 000	19 000	433 000	10
	2013	20 000	(through the company Fateburet AS)	399 333	36 200	435 533	9
Anne-Lise Aukner, Member of the Board, Deputy Chair	2014	-		227 333	53 000	280 333	9
	2013	-		219 333	51 000	270 333	8
Roar Marthiniussen, Member of the Board	2014	5 269		207 000	16 600	223 600	10
	2013	5 004		199 667	31 400	231 067	9
Helge Lintvedt, Member of the Board	2014	-		207 000	46 500	253 500	10
	2013	-		199 667	27 000	226 667	9
Irene Waage Basili, Member of the Board	2014	-		207 000	-	207 000	10
	2013	-		199 667	-	199 667	9
Roar Flåthen, permanent Deputy Member of the Board from 1 May 2012, Member of the Board from 3 May 2013	2014	-		207 000	16 600	223 600	10
	2013[3)]	-		103 714	24 000	127 714	7
Magnar Hovde, Member of the Board from 3 May 2013	2014	80		207 000	-	207 000	10
	2013	80		134 667	-	134 667	6
Morten Henriksen, Member of the Board from 3 May 2013	2014	-		207 000	46 500	253 500	10
	2013	-		134 667	27 000	161 667	6
Erik Must[1)], Member of the Board until 3 May 2013	2013	524 600	(owned personally through the company Must Invest AS)	65 000	7 400	72 400	3
John Giverholt, Member of the Board until 3 May 2013	2013	3 200		65 000	29 700	94 700	3
Kai Johansen, Member of the Board until 3 May 2013	2013	-		65 000	26 100	91 100	3
Total compensation to the Board	2014			1 883 333	198 200	2 081 533	
Total compensation to the Board	2013			1 785 715	259 800	2 045 515	

1) Erik Must is the chairman of the Board of Arendals Fossekompani ASA, which owns 9,552,796 shares in Kongsberg Gruppen ASA.
2) 10 board meetings were held in 2014 (9 board meetings in 2013)
3) In the period 1 May 2012 to 2 May 2013, Roar Flåthen was a permanent deputy member of the Board. By own request, he has declined compensation for meetings beyond those he has participated in. This has been settled by NOK 95,953 against board compensation for 2013.

30 Auditors' fees

	2014				**2013**			
NOK thousand	*Parent company*	*Sub-sidiaries in Norway*	*Sub-sidiaries abroad*	*Total 2014*	*Parent company*	*Sub-sidiaries in Norway*	*Sub-sidiaries abroad*	*Total 2013*
Group auditor EY								
Statutory audit	860	6 351	2 383	9 594	828	6 292	1 895	9 015
Other assurance services	84	213	-	297	166	160	-	326
Tax consultancy	1 777	81	1 692	3 550	1 112	287	1 452	2 851
Other services outside the audit	3 799	-	-	3 799	813	740	587	2 140
Total fees, EY	**6 520**	**6 645**	**4 075**	**17 240**	**2 919**	**7 479**	**3 934**	**14 332**
Other auditors								
Estimated audit fees		36	1 919	1 955	-	200	1 450	1 650

31 List of Group companies

The following companies have been consolidated:

Name of company	*Country of origin*	*Stake at 31 Dec 14*	*Stake at 31 Dec 13*
Kongsberg Gruppen ASA	Norway	Parent	Parent
Kongsberg Defence & Aerospace AS	Norway	100	100
Kongsberg Spacetec AS	Norway	100	100
Kongsberg Satellite Services AS	Norway	Equity method	50
Kongsberg Norspace AS	Norway	100	100
Kongsberg Oil & Gas Technologies AS	Norway	100	100
Kongsberg Teknologipark AS	Norway	100	100
Kongsberg Næringseiendom AS	Norway	100	100
Kongsberg Næringsparkutvikling AS	Norway	100	100
Kongsberg Næringsbygg 2 AS	Norway	100	100
Kongsberg Næringsbygg 3 AS	Norway	100	100
Kongsberg Næringsbygg 5 AS	Norway	100	100
Kongsberg Næringsbygg 6 AS	Norway	100	100
Kongsberg Næringsbygg 7 AS	Norway	Sold	100
Kongsberg Næringsbygg 8 AS	Norway	Sold	100
Kongsberg Næringsbygg 9 AS	Norway	Sold	100
Kongsberg Næringsbygg 10 AS	Norway	100	
Kongsberg Næringsbygg 11 AS	Norway	100	
Kongsberg Next AS	Norway	100	
Kongsberg Renewable Technology AS	Norway	100	
Kongsberg Seatex AS	Norway	100	100
Vehicle Tracking and Information Systems AS	Norway	100	100
Nerion AS	Norway	100	100
Kongsberg Maritime AS	Norway	100	100
Kongsberg Norcontrol IT AS	Norway	100	100
Kongsberg Maritime Engineering AS	Norway	100	100
Portside AS	Norway	100	100
Kongsberg Evotec AS	Norway	100	100
Kongsberg Asia Pacific Ltd.	Norway	100	100
Kongsberg Nemo AS	Norway	Merged	100
Kongsberg NemoTech AS	Norway	100	100
Kongsberg Nemo AB	Sweden	100	100
Kongsberg Maritime S.R.L	Italy	100	100
Simrad S.R.L	Italy	100	100
Kongsberg Maritime Holland BV	The Netherlands	100	100
Kongsberg Maritime Poland Sp.z o.o.	Poland	100	100
Kongsberg Defence Sp.z o.o.	Poland	100	100
Simrad Spain S.L.	Spain	100	100
Kongsberg Maritime Sweden AB	Sweden	100	100
Kongsberg Defence Oy	Finland	100	100
Kongsberg Maritime GmbH	Germany	100	100
Kongsberg Maritime Embient GmbH	Germany	100	100
Kongsberg Reinsurance Ltd.	Ireland	100	100
Kongsberg Norcontrol IT Ltd.	The UK	100	100
Kongsberg Maritime Holding Ltd.	The UK	100	100
Kongsberg Maritime Ltd.	The UK	100	100
Simrad Leasing Ltd.	The UK	100	100
Kongsberg Oil & Gas Technologies Ltd.	The UK	100	100
Kongsberg GeoAcoustics Ltd.	The UK	100	100
Kongsberg Hungaria Kft.	Hungary	100	100
Kongsberg Maritime Hellas SA	Greece	100	100
Kongsberg Maritime Tech LLC	Russia	100	100
Kongsberg Gallium Ltd.	Canada	100	100
Kongsberg Maritime Simulation Ltd.	Canada	100	100
Kongsberg Maritime Ltd.	Canada	100	100
Kongsberg Mesotech Ltd.	Canada	100	100
Kongsberg Protech Systems Canada Corporation	Canada	100	100
Kongsberg Maritime Simulation Inc.	USA	100	100
Simrad North America Inc.	USA	100	100
Kongsberg Maritime Inc.	USA	100	100
Kongsberg Underwater Technology Inc.	USA	100	100
Kongsberg Protech Systems USA Corporation	USA	100	100
Kongsberg Oil & Gas Technologies Inc.	USA	100	100
Kongsberg Defense Systems Inc.	USA	100	100
Seaflex Riser Technology Inc.	USA	100	100
GlobalSim Inc.	USA	100	100
Hydroid Inc.	USA	100	100
Kongsberg Gallium Corperation	USA	100	100
Kongsberg Integrated Tactical Systems Inc.	USA	100	100
Kongsberg Maritime do Brasil S.A.	Brazil	80	80
Kongsberg Maritime Traning do Brasil S.A.	Brazil	100	100
Kongsberg Oil & Gas Technologies do Brazil S.A.	Brazil	100	100
Kongsberg Maritime Mexico S.A. DE C.V.	Mexico	100	100
Kongsberg Defence Chile SpA	Chile	100	100
Kongsberg Maritime Hoi Tung Holding Ltd.	China	90	90
Kongsberg Maritime China Shanghai Ltd.	China	100	100
Kongsberg Maritime China Zhenjiang Ltd.	China	Merged	56,2
Kongsberg Maritime China Jiangsu Ltd.	China	97	100
Kongsberg Maritime Korea Ltd.	South Korea	96,9	96,9

Name of company	*Country of origin*	*Stake at 31 Dec 14*	*Stake at 31 Dec 13*
Kongsberg Norcontrol IT Pte. Ltd.	Singapore	100	100
Kongsberg Maritime Pte. Ltd.	Singapore	100	100
GeoAcoustics Asia Pacific Pte Ltd.	Singapore	100	100
Kongsberg Maritime India Pvt. Ltd.	India	91	91
Kongsberg Oil & Gas Technologies PVT Ltd.	India	100	100
Kongsberg Software & Services Pvt Ltd (Digimaker PVT)	India	100	100
Kongsberg Norcontrol surveillance Pvt. Ltd.	India	100	100
Kongsberg Defence Ltd. Co.	Saudi Arabia	100	100
Kongsberg Maritime Middle East DMCCO	UAE	70	70
Kongsberg Protech Systems Australia Pty Ltd.	Australia	100	100
Kongsberg Oil & Gas Technologies Pty. Ltd.	Australia	100	100
Kongsberg Maritime Australia Pty Ltd.	Australia	100	100
Kongsberg Maritime Malaysia Sdn. Bhd.	Malaysia	100	100

32 Investments in joint arrangements and associated companies

IFRS 11 Joint Arrangements has been implemented from 1 January 2014. For KONGSBERG, this entails that the company Kongsberg Satellite Services AS, of which KONGSBERG owns 50 per cent and has previously been proportionately consolidated, is now included according to the equity method. The profit/loss element after tax has been included together with corresponding items from other investments on the line "Share of net income from joint arrangements and associated companies". "Net assets" are shown on the line "Shares in joint arrangements and associated companies". The mentioned accounting lines for 2014 also show a group of other companies that, from 2014, will be presented according to the equity method. In the table below these are called "other companies" and were reported as other shares on the line "available-for-sale shares" in 2013. As the change is not considered to have a significant impact on assessment of the Group's income statement and balance sheet, the comparison figures have not been changed. Operating revenue from Kongsberg Satellite Services AS was in 2013 contributed into the Group accounts with MNOK 241, and assets consolidated added up to MNOK 299.

Specification of movement in the balance sheet 1 January–31 December:

MNOK	*Net assets 1 Jan 14*	*Contributions*	*Profit/loss during the period*	*Other comprehensive profit/ loss during the period*	*Net assets 31 Dec 14*
Kongsberg Satellite Services AS	207	-	68	(6)	269
Other	49	1	(6)		44
Total	**256**	**1**	**62**	**(6)**	**313**

33 Transactions with related parties

The Norwegian State as the largest owner
The Norwgian State as represented by the Minstry of Trade, Industry and Fisheries is KONGSBERG's largest owner (50.001 per cent of the shares in Kongsberg Gruppen ASA). The State represented by the Ministry of Defence is an important customer for the Group. Sales to the Armed Forces are regulated by the EEA agreement and the Procurement Regulations for the Armed Forces, which guarantee equal treatment for all vendors. At 31 December 2014 KONGBERG had an outstanding balance from State-owned customers of MNOK 79, while other liability items in respect of state suppliers amounted to MNOK 8.

In 2014, KONGSBERG issued invoices to state customers for a total of MNOK 1,782. Goods and services purchased from state suppliers in 2014 amounted to MNOK 22.

Please refer also to the Board's report on corporate governance Chapter 4 "Equal treatment of shareholders and related party transactions", where the State as a customer and shareholder is described in more detail.

Other
The CEO, Water Qvam, is a board member of Petroleum Geo-services ASA. In 2014, KONGSBERG's sales to the PGS Group totalled MNOK 165. Accounts receivable towards the PGS Group amounted to MNOK 26 at 31 December 2014.

34 Contingent liabilities

Charge in corruption case Romania
In February 2014, charges were taken out against Kongsberg Gruppen ASA, Kongsberg Defence & Aerospace AS and an employee of Kongsberg Defence & Aerospace AS with allegations of serious corruption related to deliveries of communication equipment to Romania from 2003 to 2008. KONGSBERG is cooperating with the Norwegian National Authority for Investigation and Prosecution of Economic and Environmental Crime (Økokrim) to clarify the actual circumstances, but it must be expected that it will take some time yet before the investigation is complete and the case can be concluded.

KONGSBERG has zero-tolerance for corruption, and high ethical standards are an integrated part of our business. KONGSBERG has over several years established and further developed compliance guidelines and functions at group level and in the business areas. The current anti-corruption system is considered to be at a good international level, and has also been assessed by external parties to constitute a solid and robust system. Reference is also made to the section: "Risk factors and risk management" in the Board of Directors' Report.

At this point in time, it is not possible to estimate the result of Økokrim's investigation or other effects of the charge and the circumstances on which is has been based. Accordingly, it is not possible to estimate any possible financial effects for KONGSBERG.

Lawsuit from Rolls-Royce Marine AS against Kongsberg Evotec AS
In 2014, KONGSBERG was sued by Rolls-Royce Marine AS. The main hearing in the case between Kongsberg Evotec and Rolls-Royce Marine took place in the Ålesund District Court from 9 February to 3 March.

Rolls-Royce has submitted a statement of claim to the effect that Kongsberg Evotec AS shall be prohibited from selling, producing and marketing complete equipment packages for aft deck operations on seismic vessels, as well as a number of individual products, for a period according to the Court's discretion. They have also submitted a claim for compensation according to the Court's discretion, indicated in the order of MNOK 279 to 395. KONGSBERG has submitted a statement of claim for full acquittal. The case has been submitted for judgement and we are awaiting the District Court's decision.

INCOME STATEMENT AND BALANCE SHEET

Kongsberg Gruppen ASA

INCOME STATEMENT 1 JANUARY–31 DECEMBER

MNOK	Note	*2014*	*2013*
Revenues	9	203	204
Profit on sale of property	12	58	-
Total revenues		**261**	**204**
Payroll expenses	4,5	(137)	(125)
Depreciation		(3)	(3)
Other operating expenses	4	(238)	(151)
Total operating expenses		**(378)**	**(279)**
Operating profit		**(117)**	**(75)**
Interest from group companies		79	76
Impairment of shares		(1)	-
Gain on currency exchange		7	5
Interest to group companies		(89)	(50)
Other interest expenses		(86)	(28)
Other finance income		101	31
Other finance expenses		(6)	(4)
Received group contribution		1 400	800
Net finance items		**1 405**	**830**
Ordinary profit before tax (EBIT)		**1 288**	**755**
Income tax expense	6	42	9
Profit for the year		**1 330**	**764**
Allocations and equity transfers			
Proposed dividend		(1 110)	(630)

BALANCE SHEET AT 31 DECEMBER

MNOK	Note	*2014*	*2013*
Assets			
Non-current assets			
Deferred tax asset	6	119	70
Fixed assets		6	9
Shares in subsidiaries	3	2 215	2 215
Other shares		99	53
Long-term receivables from subsidiaries	9	2 587	2 233
Other long-term receivables		49	48
Total non-current assets		**5 075**	**4 628**
Current assets			
Receivables from subsidiaries	9	1 469	867
Other short-term receivables		44	34
Cash and cash equivalents	11	2 272	1 543
Total current assets		**3 785**	**2 444**
Total assets		**8 860**	**7 072**
Equity and liabilities			
Equity			
Share capital		150	150
Total paid-in capital		**150**	**150**
Other equity		1 215	1 005
Total retained earnings		**1 215**	**1 005**
Total equity	2	**1 365**	**1 155**
Non-current liabilities			
Pension liabilities	5	246	210
Debt to credit institutions	7	750	750
Other non-current liabilities	12	111	39
Total non-current liabilities		**1 107**	**999**
Current liabilities			
Dividend		1 110	630
Debt to credit institutions		-	500
Current liabilities to subsidiaries	9	5 136	3 677
Other current liabilities		142	111
Total current liabilities		**6 388**	**4 918**
Total equity and liabilities		**8 860**	**7 072**

STATEMENT OF CASH FLOWS

Kongsberg Gruppen ASA

MNOK	*Note*	*2014*	*2013*
Profit before tax		1 288	755
Profit from sale of shares		(58)	-
Depreciation		3	3
Impairment of financial assets		2	-
Taxes paid		-	(104)
Changes in accruals, etc.		111	49
Net cash flows from operating activities		**1 346**	**703**
Cash flow from investing activities			
Purchase of fixed assets		-	(3)
Purchase of shares		(47)	-
Net payments from sale of shares	12	264	-
Net cash flows used in investing activities		**217**	**(3)**
Cash flow from financing activities			
Payment of loans		(500)	-
Paid dividend		(628)	(450)
Net receipts/disbursements for purchase/disposal of treasury shares		(7)	(17)
Changes in intercompany balances		301	606
Changes in group bank overdraft facilities		-	(437)
Net cash flows used in financing activities		**(834)**	**(298)**
Net increase (decrease) in cash and cash equivalents		**729**	**402**
Cash and cash equivalents at the beginning of the period		**1 543**	**1 141**
Cash and cash equivalents at the end of the period		**2 272**	**1 543**

NOTES

Kongsberg Gruppen ASA

1 Accounting policies

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

Subsidiaries and associated companies

Subsidiaries and associates are measured at cost in the statutory accounts. The investments are measured at acquisition cost for the shares, unless impairment has been necessary. Such assets are written down to fair value when a decrease in value cannot be considered to be temporary and is required pursuant to generally accepted accounting principles. Impairments are reversed when the basis for the impairment no longer applies.

Classification and valuation of balance sheet items

Current assets and current liabilities include items due for payment within one year after the date of acquisition, as well as items associated with the goods circulation. Other items are classified as fixed assets/non-current liabilities. Current assets are measured at the lower of cost and fair value. Current liabilities are recorded at their nominal values on the date of acquisition. Fixed assets are measured at acquisition cost less depreciation, but are written down when a decrease in value is not expected to be of temporary nature. Non-current liabilities are measured at nominal value at the date they are incurred.

Recognition of income

Revenues are recognised in the period when the services are rendered.

Hedging

Kongsberg Gruppen ASA enters into hedging contracts on behalf of subsidiaries and enters into "back to back-" agreements with external banks. See also Note 10 "Currency hedging," and Note 3J "Financial instruments" to the consolidated financial statement.

Receivables

Accounts receivables and other receivables are recognised in the balance sheet at nominal values less provisions for expected loss. Provisions for losses are made on the basis of individual assessments of each receivable.

Foreign currency

Monetary items in a foreign currency are assessed using the exchange rate applicable at year-end. Gains and losses related to items in a foriegn currency and that are part of the goods circulation, are included in the operating profit/loss. Other gains and losses related to items in foreign currency are classified as financial income or costs.

Short-term investments

Short-term investments (shares and other items considered to be current assets) are measured at the lower of acquisition cost and fair value at the date of the balance sheet. Dividend and other distributions from the companies are recognised as other finance income.

Pensions

The defined contribution plan

The Group introduced a defined contribution pension plan for all employees under the age of 52 as of 1 January 2008. Employees aged 52 or more at the time of the transition remained with the defined benefit plan. The deposit is expensed as incurred.

The defined benefit plan

Pension expenses and pension liabilities are calculated using linear accruals based on estimated salary levels at retirement and on a number of assumptions including discount rates, future salary adjustments, pensions and benefits from the National Insurance Scheme, and future interest income on pension fund assets, as well as actuarial assumptions on mortality and voluntary retirement. Pension fund assets are measured at their fair value, less net pension liabilities at date of the balance sheet.

Income tax

The tax expense comprises tax payable and changes in deferred tax in the period. Deferred tax/tax assets are calculated at 27 per cent on all temporary differences between the book value and tax value of assets and liabilities, and loss carried forward at the end of the reporting period. Taxable and deductible temporary differences that reverse or may reverse in the same period are offset. Deferred tax assets are recognised when it is probable that the company will have adequate profit for tax purposes in subsequent periods to utilise the tax asset.

Cash flow statement

The cash flow statement was prepared using the indirect method. Cash and short-term deposits comprise cash reserves, bank deposits and other short-term liquid investments.

2 Equity reconciliation

MNOK	*Share capital*	*Retained earnings*	*Total equity*
Equity at 31 December 2012	**150**	**883**	**1 033**
Profit for the year	-	764	764
Trading in treasury shares	-	(3)	(3)
Dividend for 2013	-	(630)	(630)
Actuarial gain/loss on pension expense	-	(9)	(9)
Equity at 31 December 2013	**150**	**1 005**	**1 155**
Profit for the year	-	1 330	1 330
Trading in treasury shares	-	10	10
Dividend for 2014	-	(1 110)	(1 110)
Actuarial gain/loss on pension expense	-	(20)	(20)
Equity at 31 December 2014	**150**	**1 215**	**1 365**

Other information about the company's share capital is provided in Note 23 "Share capital " to the consolidated financial statements. The total number of treasury shares at 31 December 2014 is 26,674.

3 Shares in subsidiaries

MNOK	*Date of acquisition*	*Registered office*	*Stake percentage*	*Carrying amount 31 Dec*
Kongsberg Defence & Aerospace AS	1997	Kongsberg	100	506
Kongsberg Teknologipark AS	1987	Kongsberg	100	5
Kongsberg Holding AS	1987	Kongsberg	100	-
Kongsberg Basetec AS	1992	Kongsberg	100	106
Kongsberg Maritime AS[1)]	1992	Kongsberg	89	1 101
Kongsberg Forsvar AS	1995	Kongsberg	100	-
Norsk Forsvarsteknologi AS	1987	Kongsberg	100	-
Kongsberg Næringseiendom AS	1997	Kongsberg	100	198
Kongsberg Næringsparkutvikling AS	2005	Kongsberg	100	48
Kongsberg Næringsbygg 2 AS	2006	Kongsberg	100	25
Kongsberg Næringsbygg 3 AS	2006	Kongsberg	100	24
Kongsberg Næringsbygg 5 AS	2007	Kongsberg	100	68
Kongsberg Næringsbygg 6 AS	2007	Kongsberg	100	130
Kongsberg Næringsbygg 10 AS	2014	Kongsberg	100	-
Kongsberg Næringsbygg 11 AS	2014	Kongsberg	100	-
Kongsberg Next AS	2014	Kongsberg	100	-
Nerion AS	2002	Trondheim	100	-
Kongsberg Hungaria Kft[2)]	2003	Budapest	10	-
Kongsberg Reinsurance Ltd.	2001	Dublin	100	4
Total				**2 215**

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

2) The remaining shares in Kongsberg Hungaria Kft are owned by Kongsberg Defence & Aerospace AS with 90 per cent

4 Payroll expenses and auditor's fee

For salary and remuneration for executive management and board members, reference is made to Note 29 "Compensation for corporate management and the Board of Directors" in the consolidated financial statements

Auditors' fees

TNOK	*2014*	*2013*
Corporate auditor Ernst & Young:		
Statutory audit	860	883
Other assurance services	84	166
Tax consultancy	1 777	1 112
Other services outside the audit	3 799	758
Total fees, Ernst & Young	**6 520**	**2 919**

Payroll expenses

MNOK	*2014*	*2013*
Salaries	80	77
Social security tax	13	14
Pension	20	19
Other benefits	24	15
Total payroll expenses	**137**	**125**
Total man-labour years	57	56

5 Pension

KONGSBERG has a service pension plan that consists of a defined contribution plan and a defined benefit plan and complies with laws and regulations. The service pension plans include all employees in Norway.

The defined contribution plan

The Group introduced a defined contribution pension plan for all employees under the age of 52 as of 1 January 2008. The contribution rates are 0 per cent of the basic wage up to 1G, 5 per cent of the basic wage between 1G and 6G, and 8 per cent of the basic wage from 6G up to 12G. The employees can influence the way the funds are managed by choosing to invest either 30, 50 or 80 per cent, respectively, of their portfolios in shares. The Group also has a collective, unfunded contribution plan for salaries between 12G and 15G. The entity's deposits in this plan constitute 18 per cent of the share of the basic wage in excess of 12G, up to a ceiling of 15G. Special terms and conditions apply for executives. This is described in Note 28 "Statement on the Group CEO Executive Management remuneration" to the consolidated financial statements. The employees have the same investment choices in the supplementary plan as in the main plan. The contributions are expensed as they are incurred.

The defined benefit plan

In connection with the transition to the defined contribution plan on 1 January 2008, employees aged 52 or more remained in the defined benefit plan. The pension plan is insured through DNB Life Insurance. The pension benefits are defined by the number of contribution years and the salary level of the individual employee. Pension costs are distributed over the employee's accrual period. Based on the current National Insurance system before 1 January 2011 and full accrual, the plan gives entitlement to about 65 per cent of the salary at retirement, including benefits from the National Insurance plan until the age of 77, then the service pension component will be reduced by 50 per cent for the remaining life time. The Group also has a collective, unfunded contribution plan for salaries between 12G and 15G. The collective, unfunded benefits plan corresponds to about 60 per cent of the share of the basic wage that exceeds 12G until the age of 77, and then the benefit is reduced by 50 per cent for the remaining lifetime. Special terms and conditions apply for executives. This is described in Note 28 "Statement on the Group CEO and Executive Management remuneration" to the consolidated financial statements. These supplementary plans were discontinued in connection with the transition to defined contribution pension plans.

Risk coverage

Disability pension from the company shall give an addition to the expected disability pension from the National Insurance Plan so that total payment constitutes approximately 65 per cent of pensionable income at full accrual. An additional 10 per cent disability pension is paid for each child under the age of 21, up to maximum 6 children. The payment depends on the extent of disability and the possibility for full coverage. Starting on 1 January 2013, the risk pensions are unfunded for the share of the basic wage that exceeds 12G. In practice this implies that KONGSBERG is self insurer for the risk pension for future periods.

Early retirement

In 2009, the Group introduced new rules for early retirement for newly hired members of executive management and others in certain key positions. The rules entail early retirement from the age of 65 at the latest, but with reciprocal rights for the company and the employee in corporate management to request retirement from the age of 63. Benefits are equal to 65 per cent of the annual wage, based on a minimum of 15 contribution years. If the employee resigns between 63 and 65, this will reduce pension earnings for other plans. It has been decided not to continue the scheme with early retirement agreements for executives (and employees in certain key positions who previously were offered agreements on early retirement) employed after 1 July 2013. These individuals will receive an additional contribution of 12 per cent of the basic salary in excess of 12G to the unfunded pension scheme, as long as they are employed, but only until the age of 65 at the latest.

Pension expenses for the year are calculated on the basis of the financial and actuarial assupmtions that apply at the beginning of the year. Gross pension liabilities are based on the financial and actuarial assuptions made at year end.

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

	31 Dec 14	*31 Dec 13*
Discount rate	2.30%	3.75%
Asset return	2.30%	3.75%
Wage adjustment	2.00%	3.00%
Pension base level (G) adjustment	2.50%	3.50%
Pension adjustment	1.75%	2.25%
Mortality	K 2013	K 2013
Disability	IR 73	IR 73
Voluntary turnover	4.50%	4.50%

The year's pension costs were calculated as follows:

MNOK	*2014*	*2013*
Present value of earned pensions	7	7
Interest cost on accrued pension liabilities	4	4
Estimated return on pension plan assets	(1)	(1)
Accrued social security expenses	1	1
Total net pension cost for the year	**11**	**11**
Cost of defined contribution pension plans	**9**	**8**

MNOK	*2014*	*2013*
Total gross pension liabilities	(253)	(217)
Gross value of gross pension assets	37	33
Net pension liabilities	**(216)**	**(184)**
Social security expenses	(30)	(26)
Net pension liabilities in balance sheet 31 Dec.	**(246)**	**(210)**

6 Income tax

Income tax expense

MNOK	*2014*	*2013*
Taxes payable	-	-
Change in deferred tax	(42)	(9)
Tax income / expense	**(42)**	**(9)**

MNOK	*2014*	*2013*
Profit before tax	**1 288**	**755**
Tax calculated at statutory rate 27 per cent of profit before tax	348	211
Effect of reduced tax rate by 1 per cent	-	3
Group contribution without tax effect	(378)	(224)
Impairment of share investments	-	-
Other permanent differences	(12)	1
Tax income/expense	**(42)**	**(9)**

Deferred tax and deferred tax asset

MNOK	*2014*	*2013*
Pensions	66	57
Unused tax losses	65	11
Other	(12)	2
Recognised deferred tax asset	**119**	**70**
Tax rate in Norway	27%	27%

Change in deferred tax recognised directly in equity as follows:

MNOK	*31 Dec 14*	*31 Dec 13*
Pensions	(7)	(4)
Total	**(7)**	**(4)**

7 Long-term interest-bearing loans and credit facilities

At 31 December 2014, the Group had the following loans and credit facilities:

	Due date	*Nominal interest rate*	*Years to maturity*	*Nominal amount*	*Carrying amount*
Bond issue KOG 07	10.9.19	4.80%	4.7	250	250
Bond issue KOG 06	10.9.17	3.28%	2.7	500	500
Total loans				**750**	**750**
Credit facility (undrawn borrowing limit)	7.4.19			1 500	-

At 31 December 2014, Kongsberg Gruppen ASA established a new syndicated loan facility facility with four Nordic banks and one international bank: Danske Bank, DNB, JP Morgan Chase, Nordea and SEB. The facility is for general business purposes. The new facility has a maturity of five years with an option to extend one year, twice. The interest rate is NIBOR + a margin that depends on the ratio between net interest-bearing loans/EBITDA and can vary from 0.5 per cent to 1 per cent. The credit facilities require that net interest-bearing debt shall not exceed three times the EBITDA, but can be up to 3.5 times the figure for three consecutive quarters at the most. The covenants in the loan agreements have been met. The loan facility was undrawn in 2014.

Kongsberg Gruppen ASA had three bond loans at the beginning of 2014, of which one loan of MNOK 500 was due in April 2014. The bond loans were issued in NOK and listed on the Oslo Stock Exchange. The interest is 3-month NIBOR + 1.8 per cent for loans with a nominal value of MNOK 500 and maturity in 2017, and fixed interest rate of 4.80 per cent for the bond loan with a nominal value of MNOK 250 and maturity in 2019. The loans are capitalised at their amortised cost using the effective interest method.

All loans in the Group are centralised to Kongsberg Gruppen ASA and handled by the Group's treasury unit.

8 Guarantees

Kongsberg Gruppen ASA has in the period from 1999 to 2014 sold properties in the Kongsberg Technology Park. The properties have been leased back on long-term leases, of which one expired in 2014 and the rest expire from 2017 to 2031. The leasebacks are classified as operating leasing agreements.

In addition to lease payments, Kongsberg Gruppen ASA is responsible for certain expenses related to taxes and maintenance of the properties. With the exception of the properties sold in 2007 and 2014, the properties are mainly leased to external tenants.The leases have durations ranging from three months to 15 years. Further information on provisions related to these leases are given in Note 24 "Provisions" to the consolidated financial statements.

The parent company has guaranteed lease amount related to sale and lease-back agreements at a total of MNOK 1,368.

Prepayment and completion guarantees

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

MNOK	*2014*	*2013*
Guarantees issued by banks and insurance companies	3 109	2 261
Guarantees issued by Kongsberg Gruppen ASA	5 560	1 671
Prepayments from and completion guarantees to customers	**8 669**	**3 932**

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

9 Related parties

Operating income

MNOK	*2014*	*2013*
Kongsberg Maritime AS	97	90
Kongsberg Oil & Gas Technologies AS	15	6
Kongsberg Defence & Aerospace AS	78	85
Others	13	23
Total operating income related parties	**203**	**204**

Operating income from related parties is mainly billing of group management fees and insurance.

Long-term receivables from related parties

MNOK	2014	2013
Kongsberg Næringseiendom AS	100	100
Kongsberg Teknologipark AS	-	-
Kongsberg Næringsbygg 2 AS	79	79
Kongsberg Næringsbygg 3 AS	103	103
Kongsberg Norcontrol IT AS	109	9
Kongsberg Næringsbygg 5 AS	48	58
Kongsberg Næringsbygg 6 AS	12	22
Kongsberg Maritime Engineering AS	35	20
Kongsberg Oil & Gas Technologies AS	777	739
Kongsberg Næringsbygg 7 AS	-	93
Kongsberg Evotec AS	116	152
Kongsberg Gallium Ltd	34	46
Kongsberg Protech Systems USA Corporation Inc.	57	64
Hydroid Inc	568	392
Kongsberg Maritime Holding Ltd	50	43
Kongsberg Oil & Gas Techonologies Inc	1	9
Kongsberg Protech Systems Canada Corperation Inc	122	20
Kongsberg Maritime Hoi Tung Holding Ltd	85	50
KM Training do Brasil LTDA	14	12
Kongsberg Maritime Middle East DMCCO		7
Kongsberg Integrated Tactical systems Inc (KITS)	150	64
Konsberg Maritime Hellas AS	3	4
Kongsberg Nemo AS 1)	-	70
Kongsberg Nemotech AS	22	23
KM Mexico S.A.de CV	6	5
Kongsberg Maritime do Brasil SA	14	14
KM Malaysia	15	12
Kongsberg Oil & Gas Technologies Ltd	11	9
Kongsberg Oil & Gas Technologies Pty Ltd	13	5
Kongsberg Norspace AS	9	-
Kongsberg Maritime Embient GmbH	25	-
Kongsberg Maritime Australia Pty Ltd	3	-
Other companies	6	9
Total	**2 587**	**2 233**

1) The company merged with Kongsberg Oil & Gas Technologies AS from 1 Jan. 2014

Short-term liabilities to related parties

MNOK	2014	2013
Kongsberg Maritime AS	832	311
Norcontrol IT	-	-
Kongsberg Seatex AS	249	54
Kongsberg Defence & Aerospace AS	3 935	3 215
Kongsberg Spacetec AS	27	11
Kongsberg Maritime Inc	11	9
Portside	7	
Global Sim Inc	26	18
Kongsberg Underwater Technology Inc	15	12
Kongsberg Reinsurance Ltd	33	30
Kongsberg Norspace AS	-	14
Other companies	1	3
Total	**5 136**	**3 677**

Short-term receivables from related parties

MNOK	2014	2013
Kongsberg Maritime AS	705	360
Kongsberg Oil & Gas Technologies AS	8	3
Kongsberg Defence & Aerospace AS	706	459
Kongsberg Maritime Holding Ltd	5	0
Kongsberg Basetec AS	40	40
Other	5	5
Total	**1 469**	**867**

10 Currency hedging

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

2014 *Amounts in mill.*	*Gross value in NOK at 31 Dec 14 based on hedged rates*	*Net excess(+)/ less value(-) in NOK at 31 Dec 14*	*Total hedged amount in USD 2014*	*Average hedged exchange rate in USD at 31 Dec 14*	*Total hedged amount in EUR at 31 Dec 14*	*Average hedged exchange rate in EUR at 31 Dec 14*
Hedge category						
Forward contracts, cash flow hedges	9 240	(1 031)	1 125	6.61	142	8.56
Total cash flow hedges	**9 240**	**(1 031)**	**1 125**		**142**	
Fair value hedges	10 532	(1 492)	1 399	6.37	192	8.71
Loan hedges (fair value hedges)	1 133	(3)	122	7.40	3	9.10
Currency hedges	**20 905**	**(2 526)**	**2 646**		**337**	

2013 *Amounts in mill.*	*Gross value in NOK at 31 Dec 13 based on hedged rates*	*Net excess(+)/ less value(-) in NOK at 31 Dec 13*	*Total hedged amount in USD 2013*	*Average hedged exchange rate in USD at 31 Dec 13*	*Total hedged amount in EUR at 31 Dec 13*	*Average hedged exchange rate in EUR at 31 Dec 13*
Hedge category						
Forward contracts, cash flow hedges	10 373	(37)	1 476	6.12	165	8.15
Total cash flow hedges	**10 373**	**(37)**	**1 476**		**165**	
Fair value hedges	8 521	(105)	944	6.06	275	8.28
Loan hedges (fair value hedges)	728	5	106		1	
Currency hedges	**19 622**	**(137)**	**2 526**		**441**	

Back

Currency hedges related parties

2014 *Amounts in mill.*	*Gross value in NOK at 31 Dec 14 based on hedged rates*	*Net excess(+)/ less value(-) in NOK at 31 Dec 14*	*Total hedged amount in USD 31 Dec 14*	*Average hedged exchange rate in USD at 31 Dec 14*	*Total hedged amount in EUR at 31 Dec 14*	*Average hedged exchange rate in EUR at 31 Dec 14*
Hedge category						
Kongsberg Maritime, Forward contracts, cash flow hedges	5 424	(758)	712	6.45	97	8.50
Kongsberg Maritime Engineering, Forward contracts, cash flow hedges	-	-	-	-	-	-
Kongsberg Oil & Gas Technologies, Forward contracts, cash flow hedges	184	(27)	29	6.46	-	-
Kongsberg Defence System, Forward contracts, cash flow hedges	1 669	(51)	192	6.45	32	8.71
Kongsberg Protech System, Forward contracts, cash flow hedges	1 690	(155)	156	6.65	8	8.58
Kongsberg Norcontrol IT AS	273	(40)	36	6.40	5	8.40
Total cash flow hedges	**9 240**	**(1 031)**	**1 125**		**142**	
Kongsberg Maritime, Project hedges	3 833	(533)	489	6.42	72	8.54
Kongsberg Maritime Engineering, Project hedges	81	(12)	14	6.56	(2)	8.65
Kongsberg Oil & Gas Technologies, Project hedges	86	(10)	12	6.62	1	8.45
Kongsberg Defence System, Project hedges	3 514	(673)	529	6.12	15	9.15
Kongsberg Protech System, Project hedges	1 436	(120)	160	6.84	(2)	7.94
Kongsberg Satelite Service, Project hedges	953	(102)	84	6.36	46	8.91
Kongsberg Spacetec	51	(3)	2	6.88	4	8.54
Kongsberg Norcontrol IT AS	362	(25)	7	6.82	36	8.49
Other companies	216	(14)	102	-	22	8.75
Currency hedges	**19 772**	**(2 523)**	**2 524**		**334**	

2013 *Amounts in mill.*	*Gross value in NOK at 31 Dec 13 based on hedged rates*	*Net excess(+)/ less value(-) in NOK at 31 Dec 13*	*Total hedged amount in USD 31 Dec 13*	*Average hedged exchange rate in USD at 31 Dec 13*	*Total hedged amount in EUR at 31 Dec 13*	*Average hedged exchange rate in EUR at 31 Dec 13*
Hedge category						
Kongsberg Maritime, Forward contracts, cash flow hedges	3 809	(67)	507	6.08	90	8.01
Kongsberg Maritime Engineering, Forward contracts, cash flow hedges	-	-	-	-	-	-
Kongsberg Oil & Gas Technologies, Forward contracts, cash flow hedges	192	(4)	32	6.02	-	-
Kongsberg Defence System, Forward contracts, cash flow hedges	5 745	35	875	6.13	46	8.28
Kongsberg Protech System, Forward contracts, cash flow hedges	628	(3)	62	6.16	29	8.35
Kongsberg Norcontrol IT AS						
Total cash flow hedges	**10 374**	**(39)**	**1 476**		**165**	
Kongsberg Maritime, Project hedges	4 008	(67)	578	6.03	51	8.21
Kongsberg Maritime Engineering, Project hedges	10	-	-	-	-	8.25
Kongsberg Oil & Gas Technologies, Project hedges	103	-	20	6.04	-	8.19
Kongsberg Defence System, Project hedges	2 605	(33)	131	5.97	209	8.34
Kongsberg Protech System, Project hedges	1 452	15	148	6.21	24	8.24
Kongsberg Satelite Service, Project hedges	526	(13)	51	6.04	26	8.21
Kongsberg Spacetec	57	(1)	3	6.00	5	8.19
Kongsberg Norcontrol IT AS	113	(7)	1	6.11	12	8.09
Other companies	**19 248**	**(145)**	**2 408**		**492**	

11 Cash and cash equivalents

Nominal amounts in MNOK	*31 Dec 14*	*31 Dec 13*
Short-term money market investments	2 116	860
Bank deposits, operating accounts	156	683
Total	**2 272**	**1 543**

Bank guarantees amounting to MNOK 10 (MNOK 10 in 2013) have been furnished for funds related to withholding tax for employees.

The Group's liquidity management is handled by the Group's corporate treasury unit.

12 Sale of property

On 17 December 2014, Kongsberg Gruppen ASA sold three properties, of which two are currently under contruction. Leaseback agreements for the buildings were entered into between the buyer and a subsidiary of Kongsberg Gruppen ASA.

The properties were sold at a property value of MNOK 463. The properties were sold as part of the public limited companies Kongsberg Næringsbygg 7 AS, Kongsberg Næringsbygg 8 AS and Kongsberg Næringsbygg 9 AS. The total purchase sum for the shares was MNOK 137, and resulted in profits of MNOK 58. The transaction was not subject to tax in accordance with the exemption model. The transaction entailed a net cash settlement of MNOK 264, of which MNOK 131 is settlement for the shares less transaction costs and MNOK 133 is debt settlement.

Kongsberg Gruppen ASA guarantees costs for construction and time of completion for the buildings, as well as for maintenance of the buildings during the leaseback period. The liability recognised in the balance sheet related to these guarantees totals MNOK 57, of which MNOK 48 is classified under other long-term debt.

STATEMENT FROM THE BOARD OF DIRECTORS

Kongsberg Gruppen ASA

We hereby confirm, to the best of our conviction, that the annual accounts for 1 January to 31 December 2014 have been drawn up in compliance with recognised accounting standards, and that the information disclosed therein gives a true picture of the enterprise's and the Group's assets, liabilities, financial position and performance as a whole, and that the information disclosed in the director's report gives a true picture of the progress, profits and position of the enterprise and the Group, as well as a description of the most central risk and uncertainty factors facing them.

Kongsberg, 20 March 2015

Finn Jebsen Finn Jebsen, *Chairman*

Anne-Lise Aukner, *Deputy chairman*

Irene Waage Basili Irene Waage Basili, *Director*

Roar Flåthen Roar Flåthen, *Director*

Morten Henriksen Morten Henriksen, *Director*

Magnar Hovde Magnar Hovde, *Director*

Helge Lintvedt Helge Lintvedt, *Director*

Roar Marthiniussen Roar Marthiniussen, *Director*

Walter Qvam Walter Qvam, *President and CEO*

Back

AUDITOR'S REPORT 2014

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Oslo Atrium, P.O.Box 20, NO-0051 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00
Fax: +47 24 00 24 01
www.ey.no
Medlemmer av Den norske revisorforening

To the Annual Shareholders' Meeting of
Kongsberg Gruppen ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Kongsberg Gruppen ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2014, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2014, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Building a better working world

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Kongsberg Gruppen ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility (Sustainability report 2014) concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 20 March 2015
ERNST & YOUNG AS

Anders Gøbel
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

CORPORATE GOVERNANCE

"The Group's value platform and ethical guidelines are **a fundamental premise** for KONGSBERG's corporate governance."

Back

THE BOARD'S REPORT ON CORPORATE GOVERNANCE

KONGSBERG's objective is to safeguard and enhance stakeholder value through profitable and growth-oriented industrial development in a long-term and international perspective.

Good corporate governance and corporate management shall maximise value creation and reduce business-related risk, while the company's resources shall be utilised in an effective and sustainable manner. The Group shall achieve its goals through further development of first- class competency centres, deliveries of leading systems, products and services in its international market segments, as well as by operating in an ethical, sustainable and socially responsible manner. KONGSBERG is listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation and stock exchange regulations.

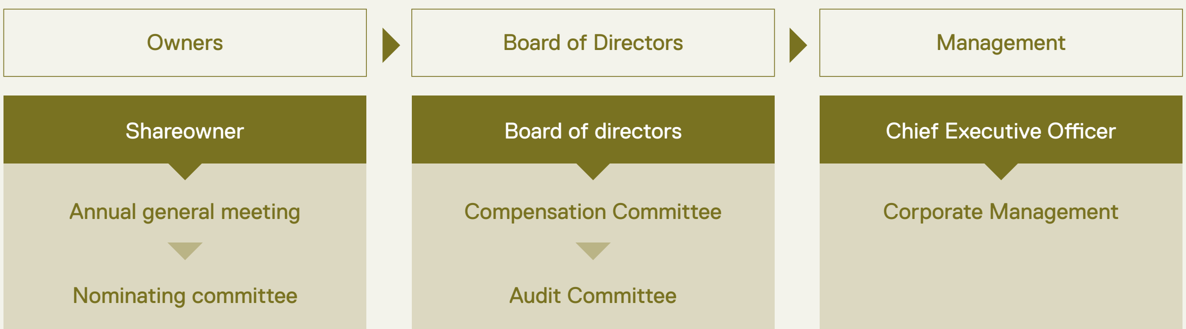
How KONGSBERG understands the concept

The Group's value platform and ethical guidelines are a fundamental premise for KONGSBERG's corporate governance. Corporate governance deals with issues and principles associated with the distribution of roles between the governing bodies in a company, and the responsibility and authority assigned to each body. Good corporate governance is distinguished by responsible interaction between owners, the Board and management, seen in a long-term productive and sustainable perspective. It calls for effective cooperation, a defined division of responsibilities and roles between the shareholders, the Board and management, respect for the Group's other stakeholders and open, reliable communication with the world around us.

Treatment of the topic in 2014

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

KONGSBERG's MODEL FOR CORPORATE GOVERNANCE



The Annual General Meeting elects five representatives of the owners to the Board of Directors based on a recommendation from the Nominating Committee. They are elected for a two-year term of office.

Ultimate responsibility for strategy and the management of the company. Provide advice and monitor management.

Strategy and operational management.

Policy

Kongsberg Gruppen

KONGSBERG is subject to the reporting requirements regarding corporate governance pursuant to Section 3-3b of the Norwegian Accounting Act, as well as the "Norwegian Code of Practice for Corporate Governance", cf. Item 7, ongoing requirements for listed companies. The Norwegian Accounting Act is available on www.lovdata.no. The "Norwegian Code of Practice for Corporate Governance", most recently revised on 30 October 2014, is available on www.nues.no.

In compliance with Section 5-4 of the Public Limited Liability Companies Act, this report will be dealt with at KONGSBERG's Annual General Meeting on 7 May 2015. The Group's compliance with and any deviations from the recommendation will be commented on and made available to the Group's stakeholder.

The policy was adopted by the corporate Board of Directors. The Norwegian state, which owns 50.001 per cent of the Group, also assumes that all companies in which the State has a stake will comply with the recommendation. Since the Norwegian state owns a stake of 50.001 per cent, the Group also complies with White Paper No. 13 (2006–2007) – the "Ownership Report", White Paper No. 27 (2013-2014) – "A diverse and value creating ownership",, the Norwegian state's 10 Principles for Good Corporate Governance and the OECD's Guidelines regarding State Ownership and Corporate Governance. These guidelines are posted on the Group's website at www.kongsberg.com

The following elements are fundamental to KONGSBERG's corporate governance policy:

- KONGSBERG shall maintain open, reliable and relevant communication with the public about its business activities and factors related to corporate governance.
- KONGSBERG's Board of Directors shall be autonomous and independent of the Group's management.
- KONGSBERG will attach importance to avoiding conflicts of interest between the owners, the Board and administration.
- KONGSBERG will have a clear division of responsibilities between the Board and management.
- All shareholders are to be treated equally.

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

Articles of association

Kongsberg Gruppen

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

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

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

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

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

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

§ 7 General Meetings will be held in Kongsberg or in Oslo, and shall be convened in writing with at least 21 days' notice. Documents that apply to items on the agenda for the general meeting need not be sent to the shareholders if the documents are made available to the shareholders on the Company's website. This also applies to documents which are required by law to be included in or attached to the notification of the General Meeting. A shareholder can nevertheless ask to be sent documents that apply to items on the agenda at the general meeting.

§ 8 The Annual General Meeting shall:

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

The convening letter shall state that shareholders who would like to participate in the General Meeting are to sign up by a deadline specified in the convening letter. The deadline shall expire no more than five days prior to the General Meeting. The General Meetings are led by the Chairman of the Board, or if he is absent, by the Deputy Chairman. If they both are absent, the General Meeting elects a chairperson.

§ 9 The Nominating Committee shall consist of three members who shall be shareholders or representatives of shareholders. The members of the Nominating Committee, including the chair, shall be elected by the Annual General Meeting.

The Nominating Committee shall submit its roster of candidates to the General Meeting to elect the members of the Nominating Committee. The term of office is two years. Based on a recommendation from the Board of Directors, the General Meeting shall stipulate the compensation to be paid to the Nominating Committee's members. The Nominating Committee shall present to the Annual General Meeting its recommendations for the election of and remuneration to the Directors and Deputy Directors on the Board. The Chair of the Board shall, without being enfranchised to vote, be called in to at least one meeting of the Nominating Committee before the Nominating Committee presents its final recommendation.

THE BOARD'S REPORT ON THE NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

The Kongsberg Group Board of Directors actively supports the principles for good corporate governance and attaches importance to KONGSBERG's compliance with the Norwegian Code of Practice for Corporate Governance and to explaining any deviations. For the complete overview of the Code with comments, see the Oslo Stock Exchange's website at www.oslobors.no/ob/cg or NUES (the Norwegian Corporate Governance Committee): www.nues.no

The following is a detailed discussion of each individual section of the Norwegian Code of Practice. The review is based on the latest version of the Code, dated 30 October 2014.

The information that KONGSBERG is required to disclose pursuant to Section 3-3b of the Accounting Act regarding reporting on corporate governance has been taken into account in this report and follows the systematics of the Code of Practice where it is natural to do so. A detailed description of the location of the disclosures required by Section 3-3b of the Accounting Act follows below:

1. "a statement of the recommendations and regulations concerning corporate governance that the enterprise is subject to or otherwise chooses to comply with": The section of the report entitled 'KONGSBERG's Policy'
2. "information on where the recommendations and regulations mentioned in no. 1 are available to the public": The section of the report entitled 'KONGSBERG's Policy'
3. "the reason for any non-conformance with recommendations and regulations mentioned in no. 1": The section of the report entitled 'Deviations from the code of practice'
4. "a description of the main elements in the enterprise's and, for enterprises that prepare consolidated accounts, if relevant also the Group's internal control and risk management systems linked to the accounts reporting process": The section of the report entitled Item 10 'Risk management and internal control'
5. "articles of association that completely or partially extend or depart from provisions stipulated in Chapter 5 of the Public Limited Companies Act": The section of the report entitled Item 6 'General Meeting'
6. "the composition of the Board of Directors, corporate assembly, shareholders' committee/supervisory board and control committee and any working committees that these bodies have, as well as a description of the main elements in prevailing instructions and guidelines for the bodies' and any committees' work": The section of the report entitled Item 8 'Board of Directors – composition and independence' and Section 9 'The Board's work'
7. "articles of association that regulate the appointment and replacement of directors": The section of the report entitled Item 8 'Board of Directors composition and independence'
8. "articles of association and authorisations that allow the Board to decide that the enterprise is to repurchase or issue the enterprise's own shares or equity certificates": The section of the report entitled Item 3 'Share capital and dividends'

Deviations from the Code of Practice
According to the Group's own evaluation, we deviate from the code of practice on one major point:

Item 6 – The General Meeting
There are two deviations on this point. The entire Board of Directors has not usually attended the General Meeting. Thus far, the items on the agenda of the General Meeting has not required this. The Chair of the Board is always present to respond to any questions. Other board members participate on an ad hoc basis. From the Group's perspective, this is considered to be sufficient.

The other departure refers to Article 8 of the Articles of Association, which specifies that the General Meetings are to be chaired by the Chair of the Board. If the Chair is absent, the General Meeting is chaired by the Board's Deputy Chair. In the absence of both, the chair shall be elected by the General Meeting. This is a departure from the recommendation regarding an independent chair. The arrangement has been adopted by the shareholders through a unanimous resolution of the General Meeting and has worked satisfactorily thus far.

1 Report on corporate governance

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

We actively strive to comply with international "best practice" standards when we draw up our governance documents, since we feel there is a close correlation between high-quality systems of governance and our value creation.

The topic of corporate governance is subject to annual evaluation and discussion by the Board. The following report was carried at the Board meeting on 5 February 2015.

Value platform

The Group's vision is "World Class – through people, technology and dedication". The values that support this vision are: Determined, Innovative, Collaborative and Reliable. These values are important for developing a healthy, strong corporate culture and thereby for providing a platform for good corporate governance. Further information about our values can be found on the Group's website at www.kongsberg.no and in the Group's Annual and Sustainability Report for 2014.

Ethics and corporate social responsibility

The Group's current ethical guidelines were approved by the Board of Directors in February 2015. They are based largely on international initiatives and guidelines related to social responsibility which the Group has endorsed, including the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Conventions. The guidelines include the topics of human rights, worker's rights, climate and environment, corruption, our relations with customers, supplier and market representatives, legal competence and confidentiality. They apply to the Group's directors, managers, employees, all contracted personnel, consultants, agents and lobbyists and others who act on behalf of KONGSBERG. See the detailed description in the Annual and Sustainability Report for 2014.

The Group's policy for sustainability and corporate social responsibility is adopted by the Board. The policy is an integral part of the Group's strategic processes and is discussed in more detail in the Group's Annual and Sustainability Report and on the Group's website.

2 Operations

Kongsberg Gruppen ASA is a company whose object is to engage in technological and industrial activities in the maritime, defence and related sectors. The company may participate in and own other companies. The abovementioned is stated in Section 3 of KONGSBERG's Articles of Association. The Articles of Association are available on the Group's website at, www.kongsberg.com.

The Group's objectives and main strategies are described in the Group's Annual and Sustainability Report and on the Group's website, www.kongsberg.com.

3 Share capital and dividends

Equity

At 31 December 2014, the Group's equity came to MNOK 6,282 (MNOK 6,657), which is equivalent to 31.1 (38.2) per cent of total assets. The Board of Directors considers this satisfactory. At any given time, the company's need for financial strength is considered in the light of its objectives, strategy and risk profile.

Dividend policy

The Board decided on a dividend policy that stipulates that dividends shall over time amount to between 40 and 50 per cent of the company's ordinary profit for the year after tax. In determining the size of the dividends, account will be taken of expected future capital requirements. The dividend policy was made effective from the 2013 financial year.

The General Meeting approves the annual dividend, based on the Board's recommendation. The proposal is the ceiling for what the General Meeting can approve.

A dividend of NOK 5.25 per share was paid for 2013, consisting of NOK 4.25 per share as ordinary dividends and NOK 1.00 per share as an extraordinary dividend in connection with the Group's 200th anniversary.

The Board recommends to the General Meeting to pay an ordinary dividend for the 2014 financial year of NOK 4.25/share (4.25) and an extraordinary dividend of NOK 5.00/share (1.00) – a total of NOK 9.25/share (5.25). The ordinary dividends and total dividends constitute 42.7 per cent and 93.0 per cent, respectively of the annual profit before impairment losses. The ordinary dividends and total dividends constitute 58.4 per cent and 127.1 per cent, respectively, of the annual profit.

In the assessment of the extraordinary dividend, the Board took a basis in KONGSBERG's strong balance at the end of 2014 and the need for being able to support the company's growth strategy going forward. The Board's conclusion is that there is room for a certain adjustment of the company's capital structure while at the same time having sufficient financial capacity for the possibilities that may arise. On this basis, the Board decided on an extraordinary dividend of NOK 5.00/share.

Board authorisations

Capital increase

The Board has not been authorised to issue shares.

Purchase of treasury shares

The General Meeting can authorise the Board to acquire up to 10 per cent of its own shares.

At the Annual General Meeting on 9 May 2014, the Board was given authorisation to acquire treasury shares up to a value of MNOK 7.5. This is equivalent to five per cent of the share capital. The authorization can be used several times and applies up until the next Annual General Meeting, but not later than until 30 June 2015. The Board's acquisition of treasure shares pursuant to this authorization can be exercised only between a minimum price of NOK 25 and a maximum NOK 300 per share. At 31 December 2014, the Group owned a total of 26,674 (66,699) treasury shares.

The shares were purchased for the employee share programme and in connection with the company's long-term incentive (LTI) arrangement, but can also be sold on the market. The shares included in the Group's employee share programme are offered to all employees at a discount (20 per cent), and they are subject to a one-year lock-in period from the date of acquisition. The LTI scheme is discussed in Note 28 and Item 12 of this report.

4 Equal treatment of shareholders and transactions between related parties

Class of shares

The Group's shares are all Class A shares. All shares carry the same rights in the company. At general meetings, each share carries one vote. The nominal amount per share is NOK 1.25. The Articles of Association place no restrictions on voting rights.

Trading in treasury shares

The Board's mandate to acquire treasure shares is based on the assumption that acquisitions will take place in the market. Acquired shares may be disposed of in the market, as payment for acquisitions, and through share schemes for the Group's employees.

Transactions with related parties

The Board is not aware of any transactions in 2014 between the company and shareholders, directors, executive personnel or parties closely related to such individuals that could be described as material transactions. If such a situation were to arise, the Board would ensure that an independent valuation is made by a third party. For further information, see Note 29 (28) and Note 33 (34) to the consolidated financial statements for 2014.

Guidelines for directors and executives

The Corporate Code of Ethics discusses this topic under conflicts of interest under Item 1.6. Similarly, this applies to Item 8 of the Board's instructions – independence and disqualification. Here, it is emphasised that the Board shall act independently of special interests. Independence in this context is defined as follows:

- Board members shall normally not receive any other remuneration than their directors' fee and remuneration for work on Board committees. Any departure from this general rule requires the approval of the entire Board and shall be recorded in the minutes. When material transactions take place between the company and a director or the CEO, an independent valuation shall be obtained from a third party.
- Board members shall inform the Board about any relationships with or interests in KONGSBERG's significant business associates or transactions.
- The director's fee shall not be linked to the financial performance of the Group and options shall not be allocated to Board members.
- Cross relationships between directors, the CEO or other executives shall be avoided.
- Board members shall not have or represent significant business relations with the Group.

If a director is in doubt about his/her legal competence, the question shall be discussed by the entire Board. The conclusion on the question of disqualification shall be recorded in the minutes.

The Norwegian Government as customer and shareholder

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

The Group has quarterly meetings with the Norwegian state, as represented by the Ministry of Trade, Industry and Fisheries. The topics discussed at these meetings are first and foremost the Group's financial development, and there are briefings on strategic questions related to KONGSBERG. The Government's expectations regarding investment performance and yield are also communicated. These 'one-on-one' meetings with the Government are comparable to what is customary between a private company and its principal shareholders. The meetings comply with the provisions specified in company and securities legislation, not least with a view to equal treatment of shareholders. A meeting on corporate social responsibility is held once a year.

The requirement regarding equal treatment of the shareholders limits the possibilities for exchanging data between the company and the Ministry. As a shareholder, the Government does not usually have access to more information than what is available to other shareholders. However, that does not preclude discussions on matters of importance to society. Under certain circumstances, i.e. when Government participation is imperative and the Government must obtain an authorisation from the Storting (Norwegian parliament), from time to time, it will occasionally be necessary to give the Ministry insider information. In such cases, the Government is subject to the general rules for dealing with such information.

5 Freely negotiable

The shares are freely negotiable, with the exception of shares purchased by employees at discount, and shares allocated in connection with the company's long-term incentive (LTI) scheme, see Items 3 and 12. The Articles of Association place no restrictions on negotiability.

6 General Meetings

Through the General Meeting, shareholders are ensured participation in the Group's supreme governing body. The Articles of Association are adopted by this body. Shareholders representing at least 5 per cent of the shares can call for an extraordinary general meeting.

Notification

The Annual General Meeting is ordinarily held by 1 June each year. In 2015, the Annual General Meeting is scheduled to be held on 7 May 2015.

- Notification is usually distributed 21 days in advance of the General Meeting at the latest. The relevant documents, including the Nominating Committee's well-founded roster of nominees when new candidates are up for election or existing members are up for re-election, are available on the Group's website at www.kongsberg.com
- It is important that the documents contain all the information required for the shareholders to take a position on all items on the agenda. The company's Articles of Association stipulate that the deadline for registration can expire no earlier than five days prior to the date of the General Meeting. Efforts are made to set the deadline as close to the meeting date as possible.

All shareholders registered in the Norwegian Central Securities Depository (VPS) receive the notice and are entitled to submit motions and to vote directly or by proxy. The Financial Calendar is published on the Group's website.

Registration and proxies

Registration can be done by written notice, fax or online. The Board of Directors would like to make it possible for as many shareholders as possible to participate. Shareholders who are unable to attend the meeting are urged to authorize a proxy. A special proxy slip has been drawn up to facilitate the use of proxies on each individual item on the agenda. A person is appointed to vote as a proxy for the shareholders. Representatives of the Board, at least one member of the Nominating Committee and the auditor will attend the General Meeting. Management is represented by the Chief Executive Officer and the Chief Financial Officer, at the very least.

In 2014, the General Meeting was held on 9 May and 77.5 per cent (78.4) of the aggregate share capital was represented. A total of 95 (95) shareholders were present or represented by proxies.

Agenda and execution

The agenda is set by the Board, and the main items are specified in Article 8 of the Articles of Association. The same article stipulates that the Chair of the Board will chair the General Meeting. The CEO reviews the status of the Group.

All shareholders are entitled to have their questions dealt with at the General Meeting. Questions shall be submitted in writing to the Board a minimum of seven days prior to the deadline for sending the notification of the General Meeting. Please specify also the reason that there is a wish to have the question put on the agenda. The minutes from the General Meeting will be posted on the Group's website at www.kongsberg.com.

7 Nominating Committee

Article 9 of the Group's Articles of Association specifies that the Group shall have a Nominating Committee. The Committee's work is regulated by special instructions adopted by the General Meeting. These instructions were last revised by the Annual General Meeting on 8 May 2007.

The Nominating Committee's main responsibility is to submit a roster of nominees to the General Meeting for the shareholder-elected members of the Board of Directors and their deputies. The nominations shall be reasoned and recommend a nominee for the Chair of the Board separately. In the work on finding candidates for the Board, the Committee is in contact with relevant shareholders, board members and the CEO.

In addition, the Nominating Committee shall submit proposals for the remuneration of Board members and their deputies, and make an annual evaluation of the work of the Board.

The Nominating Committee consists of three members who shall be shareholders or representatives of shareholders. The General Meeting shall elect all members of the Nominating Committee, including the chair. The Nominating Committee itself proposes to the General Meeting a roster of nominees for the Committee. The term of office is two years. The Nominating Committee's remuneration is approved by the General Meeting based on the Board's recommendation.

Composition

The current Committee was elected by the Annual General Meeting on 9 May 2014 and consists of:

- Alexandra Morris, senior portfolio manager ODIN Forvaltning (re-elected)
- Morten S Bergesen, managing director in Havfonn AS (new)
- Morten Strømgren, department director in the Ministry of Trade, Industry and Fisheries (new)
- Morris was elected chair of the Committee.

None of the Committee's members represents KONGSBERG's management or Board. The majority of the members are considered to be independent of daily management and Board. Morten S Bergesen is the managing director of Havfonn AS, which owns a 26.02 per cent share in Arendals Fossekompani ASA. Morten S Bergesen is also a board member in Arendals Fossekompani ASA, where KONGSBERG's director Morten Henriksen has a leading position. The Nominating Committee is considered to have a composition that reflects the common interests of the community of shareholders.

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

8 Composition and independence of the Board of Directors

The Annual General Meeting in 1999 resolved to discontinue the Corporate Assembly. The reason was an agreement between the unions and the Group that increased the number of employee representatives on the Board from two to three.

Composition of the Board of Directors

The Board of Directors consists of eight members and currently has the following composition; Finn Jebsen (Chair), Anne-Lise Aukner (Deputy Chair), Irene Waage Basili, Roar Flåthen and Morten Henriksen. Magnar Hovde, Helge Lintvedt and Roar Marthiniussen are directors who have been elected by and from among the employees. Detailed information on the individual directors can be found on the website at www.kongsberg.com.

Participation in Board meetings and Board Committees in 2014:

Participation in meetings	*Board meetings*	*Audit Committee*	*Compensation Committee*
Finn Jebsen	10		2
Anne-Lise Aukner	9	7	
Irene Waage Basili	10		
Roar Flåthen	10		2
Morten Henriksen	10	7	
Roar Marthiniussen	10		2
Magnar Hovde	10		
Helge Lintvedt	10	7	

It is important that the entire Board has the expertise required to deal with Board work and the Group's main business activities.

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

The directors are elected for two-year terms and elect their own Chair. Finn Jebsen was elected Chair of the Board.

The Board's independence

All shareholder-elected directors are considered autonomous and independent of the Group's corporate executive management. The same applies relative to important business associates. Morten Henriksen has a leading position with Arendals Fossekompani ASA, which owned a 7.96 per cent stake in Kongsberg Gruppen ASA at year end. The Board of Directors is favourable to long-term shareholders being represented on the Board. It is important that there be no conflicts of interest between owners, the Board, management and the Company's other stakeholders.

Among the shareholder-elected directors, there are three men and two women, i.e. 40 per cent women.

Election of the Board of Directors

The General Meeting elects the five shareholder-elected representatives to the Board. The Nominating Committee draws up a roster of shareholders' nominees for the Board prior to the election. The roster of nominees is sent to the shareholders along with the notification of the General Meeting. Decisions on the composition of the Board take place by simple majority. The government currently owns some 50 per cent of the shares, and could, in principle, control the election of the shareholder-elected directors. Three of the directors are elected directly by and from among the Group's employees.

The directors are elected for two-year terms and are eligible for re-election. All shareholder-elected directors will be up for election in 2015.

The directors' shareholdings

At 31 December 2014, the shareholder-elected directors held the following portfolios of shares in the Group: Finn Jebsen, Chair of the Board, owns 20,000 (20,000) shares through his wholly-owned company Fateburet AS. The employee-elected directors had the following holdings of KONGSBERG shares at 31 December 2014: Roar Marthiniussen owned 5,269 (5,004) shares and Magnar Hovde owned 80 (80) shares.

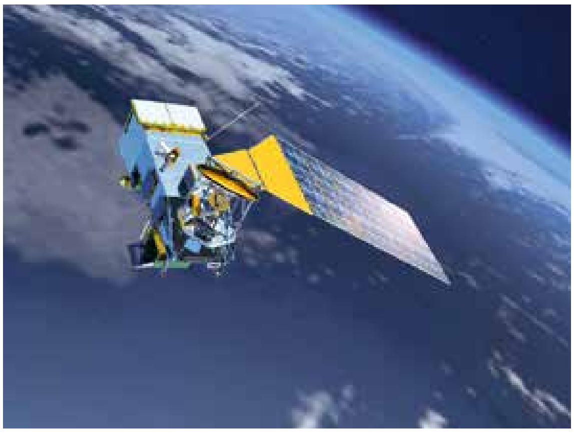
9 The Board's work

The Board's responsibilities

The Board of Directors bears the ultimate responsibility for managing the Group and for monitoring day-to-day administration and the Group's business activities. This means that the Board is responsible for establishing control systems and for the Group operating in compliance with the adopted value platform and the Corporate Code of Ethics, as well as in accordance with the owners' expectations of good corporate governance. First and foremost, the Board of Directors protects the interests of all shareholders, but it is also responsible for safeguarding the interests of the Group's other stakeholders.

The Board's main responsibilities are to contribute to corporate competitiveness, and to ensure that the Group develops and creates value. Further, the Board of Directors is to participate in the framing of and adopt the Group's strategy, exercising the requisite control functions and ensuring that the Group is managed and organised in a satisfactory manner. The Board sets the objectives for financial structure and adopts the Group's plans and budgets. The Board also handles items of major strategic or financial importance to the Group. In cases of a material nature in which the Chair and other Board members have been actively engaged, this will be disclosed in the proceedings and considered by the Board on a case-by-case basis.

Back



These tasks are not constant and the focus will depend on the Group's needs at any given time. The Board hires the CEO, defines his or her work instructions and authority, and sets his or her wages.

Instructions for the Board of Directors

The Board's instructions are subject to review every second year by the Board and are revised as needed. The current instructions were presented to the Board in February 2015. The instructions cover the following items: the notification of Board meetings, notification deadlines, administrative preparations, Board meetings, Board decisions, the keeping of minutes, the Board's competency and items on the Board's agenda, segregation of duties between the Board and the CEO, relations between subsidiaries and the parent company, independence and disqualification, main principles for the work of the Board in connection with a possible corporate takeover, confidentiality and professional secrecy, relations to legislation, the Articles of Association and instructions.

The Board of Directors can decide to depart from the instructions in individual cases.

Instructions for the CEO

There is a clear segregation of duties between the Board and executive management. The Chair is responsible for the Board's work being conducted in an efficient, correct manner and in compliance with the Board's responsibilities.

The CEO is responsible for the Group's operational management. The Board has prepared special instructions for the CEO, which are reviewed every second year by the Board and revised as needed. The current instructions were presented to the Board in February 2014.

Financial reporting

The Board of Directors receives monthly financial reports and comments on the Group's economic and financial status. The reports are financial presentations that describe what has happened in the Group's operative and administrative functions during the reporting period. In connection with reporting on operations, the individual units shall hold meetings to review operating activities. The financial report forms the basis for internal control and communication on status and necessary measures. Quarterly financial reports are reviewed at Board meetings, and these form the basis for external financial reporting.

Notice of meetings and discussion of items

The Board schedules regular Board meetings each year. Ordinarily, eight meetings are held each year. Additional meetings are held on an ad hoc basis. Ten (9) Board meetings were held in 2014. The Board meetings had 99 (95) per cent attendance in 2014.

All directors receive regular information about the Group's operational and financial progress well in advance of the scheduled Board meetings. The directors also receive monthly operations reports. The Company's business plan, strategy and risk are regularly reviewed and evaluated by the Board. The directors are free to consult the Group's senior executives as needed. The Board draws up and adopts an annual plan, including set topics for the Board meetings. Ordinarily, the CEO proposes the agenda for each individual Board meeting. The final agenda is decided in consultation between the CEO and the Chair of the Board.

Besides the directors, Board meetings are attended by the CEO, CFO, other EVPs as needed, and the General Counsel (secretary of the Board). Other participants are called in on an ad hoc basis.

The Board adopts decisions of material importance to the Group, including the approval of the annual and quarterly accounts, strategies and strategic plans, the approval of significant investments, the approval of significant contracts and the approval of substantial business acquisitions and disposals.

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

Duty of confidentiality – communication between the Board and shareholders

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

Expertise

The entire Board has completed a programme to gain insight into the Group's business activities. In that connection, the Board makes excursions to different Group locations. The purpose of the excursions is to improve the Board's insight into the commercial activities in the area.

Disqualification

The Board is bound by the rules regarding disqualification as they appear in Section 6-27 of the Public Limited Companies Act and in the instructions to the Board. In 2014, no directors were recused due to disqualification.

Use of Board Committees

The Board has two subcommittees, an Audit Committee and a Compensation Committee. Both committees prepare items for consideration by the Board. They are responsible only to the Board as a whole and their authority is limited to making recommendations to the Board.

The Board's Audit Committee

The Audit Committee shall support the Board of Directors in its responsibilities related to financial reporting, audits, internal control and overall risk management. The Committee consists of two shareholder-elected directors and one employee-elected director. The CFO and the independent auditor usually attend the meetings. The CEO and the other directors are entitled to attend if they so desire. Seven (six) meetings were held in 2014.

Members: Anne- Lise Aukner (Chair), Morten Henriksen, Helge Lintvedt. The terms of reference for the Audit Committee are published on the Group's website at www.kongsberg.com.

The Board's Compensation Committee

The Committee addresses tasks linked to the CEO's terms of employment, questions of principle related to wage levels, the bonus system, pension schemes/terms, employment contracts, etc. for executives, as well as other matters related to compensation that the Committee believes to be of special importance for the Group. The Committee consists of the Chair of the Board, one shareholder-elected director and one employee-elected director. The CEO is entitled to participate in the Committee's meetings if he so desires, except when his own situation is under discussion. Two (four) meetings were held in 2014.

Members: Finn Jebsen (Chair), Roar Flåthen, Roar Marthiniussen. The terms of reference for the Compensation Committee are published on the Group's website at www.kongsberg.com.

The Board's self-evaluation

The Board has one extended meeting each year to evaluate the work done by the Board and the CEO. In this connection, the Board also holds its own activities up for comparison with the Norwegian Code of Practice for Corporate Governance. Individual performance interviews are conducted each year between the Chair of the Board and the other directors.

10 Risk management and internal control

The Board's responsibilities and the purpose of internal control

KONGSBERG's internal control and risk management system for financial reporting are based on the internationally recognised framework COSO.

The Group has established a decentralised management model featuring delegated responsibility for profits. As a result, the control function parallels the Group's management model, and it is the individual unit's responsibility to

make sure that it has the capacity and expertise it requires to carry out responsible internal control.

A general management document has been adopted, describing how the requirements for internal control establish a framework for the units' responsibilities.

Management prepares monthly financial reports that are sent to the directors.

In addition, quarterly financial reports are prepared for the financial market. When the Group's quarterly financial reports are to be presented, the Audit Committee reviews the reports prior to the Board meeting. The auditor takes part in the Audit Committee's meetings and meets with the entire Board in connection with the presentation of the interim annual financial statements, and when otherwise required.

The Board's annual review and reporting

The annual review of the strategic plans of the Board forms the basis for the Board's discussions and decisions throughout the year. Reviewing the Group's risks is part of this annual review. In addition, quarterly reviews are made of the operative risks. HSE matters are reviewed by the Board on a quarterly basis.

The Board conducts an annual review of the Group's key governance documents to ensure that these are updated and cover the relevant topics. Risk assessment and the status of the Group's work on compliance and corporate social responsibility are reported to the Board annually. The Group's financial position and risks are thoroughly described in the Directors' Report.

Compliance with values, ethics and corporate social responsibilities

At KONGSBERG, we emphasise that our values and Code of Ethics are to be an integral part of our operations. We expect our employees and partners to demonstrate high ethical standards and compliance with applicable rules and regulations.

In 2014, we continued our work on systematic development and follow-up of important areas for compliance with regulations, rules and internal guidelines. The Group placed emphasis on the anti-corruption programme; including training of own employees and business partners, compliance with corporate social responsibility in the supplier chain and implementation of routines for follow-up of human and worker's rights. In 2014, we evaluated our anti-corruption programme using external advisers. The evaluation showed that we have a satisfactory programme with regard to internationally recognised statutes and framework. Some areas of improvement were identified in our programme, and adapted measures will be implemented. The Group has compliance functions at both a corporate level and in the business areas. In the same way as the financial reporting, the internal control was established in accordance with a decentralised management model. The KONGSBERG compliance programme is coordinated and monitored from a corporate level.

Routines have been established for notification and follow-up on any alleged misconduct.

The Group has an Ethics Committee whose purpose is to promote high ethical standards and good behaviour, and to ensure that KONGSBERG maintains a good reputation.

11 Remuneration of the Board of Directors

The Annual General Meeting approves the remuneration paid to the Board of Directors each year. The proposal for remuneration is made by the chair of the Nominating Committee. In 2014, total remuneration to the Board came to NOK 1,883,333 (NOK 1,785,715). The remuneration breaks down as follows: Chair of the Board NOK 414,000 (NOK 399,333), Deputy Chair NOK 227,333 (NOK 219,333), other directors NOK 207,000 (NOK 199,667).

In addition, the members of the Audit Committee receive NOK 9,300 (NOK 9,000) per meeting, and a maximum NOK 46,500 (NOK 45,000) per year. The Committee's chair receives NOK 10,600 (NOK 10,200) per meeting, and a maximum of NOK 53,000 (NOK 51,000) per year. The members of the Compensation Committee receive NOK 8,600 (NOK 8,000) per meeting, and a maximum of NOK 43,000 (NOK 40,000) per year. The Committee's chair receives NOK 9,800 (NOK 9,200) per meeting, and a maximum of NOK 49,000 (NOK 46,000) per year.

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

12 Remuneration of executive management

Guidelines

The Board has drawn up special guidelines for the determination of salaries and other remuneration to executive management. The CEO's terms of employment are determined by the Board. Each year, the Board undertakes a thorough review of salary and other remuneration to the CEO. The evaluation is based on market surveys of comparable positions.

The structure of the incentive system for the other members of corporate executive management is determined by the Board and presented to the Annual General Meeting for information purposes. The terms are determined by the CEO in consultation with the Chair of the Board.

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

The incentive system consists of basic wages, bonuses, pensions, LTI, severance arrangements and other benefits in kind.

Back

The guidelines for determining salaries and other remuneration to executive management are presented to the General Meeting. The guidelines are binding for the LTI arrangement and serve as a recommendation for the rest.

Performance-based compensation
In 2006, the Board introduced a new bonus system for executive management. Performance-based compensation is linked to the performance trend, profit margin and non-financial goals. The payment of performance-based salary has a ceiling of 50 per cent of the basic salary. For a more detailed description of the system, see Note 28 (27) to consolidated financial statements for 2014. Altogether, the Group has approx. 90 (90) managers who are covered by an incentive plan that includes an element of individual performance.

Long-term incentive (LTI)
The Board of Directors decided in 2012 to introduce a long-term incentive (LTI) scheme as part of the regular remuneration for the CEO and other members of corporate executive management. The remuneration constitutes 25 per cent of annual base salary for the CEO and 15–20 per cent for other members of corporate executive management. The rationale is to be competitive with comparable companies. A more detailed description of the arrangement is provided in Note 28 (27) to the consolidated financial statements for 2014.

Conditions
Remuneration to corporate executive management and the Board is described in Note 29 (28) to the consolidated financial statements for 2014.

13 Information and communications

The Annual Report and Accounts – interim reporting
The Group usually presents preliminary annual accounts in late February. Complete accounts, the Directors' Report and the Annual Report are sent to shareholders and other stakeholders in March/April. Beyond this, the Group presents its accounts on a quarterly basis. The Financial Calendar is published on the Group's website and in the Annual Report. The Group's Report on Corporate Social Responsibility is published on the Group's website (pdf version), along with other information on sustainability and corporate social responsibility, as well as in a limited number of paper copies. The report is verified by a third party.

All shareholders are treated equally as a matter of course.

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

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

Informing owners and investors about the Group's progress and economic and financial status is considered to be of great importance. Attention is also devoted to ensuring that the equity market gets the same information at the same time. The prudence principle is applied to guarantee impartial distribution of information when communicating with shareholders and analysts.

The Group has a separate Investor Relations Directive, which includes sections on communication with investors and how price-sensitive information is to be treated.
The Board of Directors has prepared special guidelines for the Group's contact with shareholders outside the General Meeting.

14 Take-overs

There are no defence mechanisms against take-over bids in the Group's Articles of Association, nor have other measures been implemented to limit the opportunity to acquire shares in the company. The Norwegian government owns 50.001 per cent of the shares. The marketability of these shares is subject to parliamentary discretion. The Board's instructions contain an item that refers to the guiding principles for how the Board of Directors shall react in the event of any take-over bid. The Board of Directors is responsible for ensuring that KONGSBERG's shareholders are treated equally and that operations are not disrupted unnecessarily.

Where a bid is made for the company, the Board of Directors shall draw up a statement containing a well-grounded evaluation of the bid and, if need be, provide an independent third-party assessment.

The evaluation shall specify how, for example, a take-over would affect long-term value creation at KONGSBERG.

If a bid is made for the Company's shares, the Company will not limit others from presenting similar bids for the Company's shares, unless this is clearly justified as being in the Company's and shareholders' common interest. In the event of a bid for the Company's shares, the Company will publish the required disclosures pursuant to legislation and regulations for companies listed on the Oslo Stock Exchange.

15 Auditor

The auditor's relationship to the Board

The Group's auditor is elected by the General Meeting. A summary of the main aspects of the work planned by the auditor shall be presented to the Audit Committee once a year.

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

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

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

The auditor submits a written statement to the Board on compliance with the Statutory Audit Independence and Objectivity Requirements, cf. the Auditing and Auditors Act.

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

Ernst & Young is the Group auditor. Some smaller companies within the Group use other audit firms. In addition to ordinary auditing, the auditing company has provided consultancy services related to accounting. For further information, see Note 30 (29) to the consolidated financial statements.

At regular intervals, the Board of Directors evaluates whether the auditor exercises a satisfactory level of control and the auditor's competitiveness otherwise.

16 Management and internal routines

This point is not covered by the Code of Practice.

Chief Executive Officer

The Board has adopted instructions for the CEO, cf. Item 9.

Corporate executive management

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

Corporate executive management's main responsibility is the operational management of the Group, where KONGSBERG's overall situation is decisive for the decisions that are made. Corporate executive management's other responsibilities include strategic development of the Group, the evaluation and development of the Group's business areas and issues of principle importance to the Group. Corporate executive management evaluates its own work and working methods annually.

Corporate executive management meets regularly, and otherwise has regular contact on an operational basis. Corporate executive management conducts monthly follow-up of results and budgets with the various profit centres in the Group. The Group subscribes to the general principle of making binding commitments to agreed targets, so it practices a decentralised form of corporate governance that gives individual units considerable autonomy, accompanied by the responsibility that entails.

Executive Steering Group (ESG)

In 2013, the Group established an Executive Steering Group (ESG) for each business area. The aim is to improve routines for decision-making and follow-up, among other things, by transferring several important decisions related to the individual business area to the relevant business area's ESG. The ESGs are chaired by the CEO. Other permanent members are the CFO and EVP Business Development and EVP Staff. Another two or three other EVPs from Corporate Executive Management attend, depending on the agenda. Participants in the ESGs include the head of the relevant business area as well as all or part of the relevant business area's executive management.

Intra-Group Boards of Directors

The Group's subsidiaries have their own Boards of Directors, which are comprised of internal managers and employees. The president of the holding company or a person authorised by the president will chair the Board of the subsidiary. Appointments of the Boards and the Board work in subsidiaries are handled pursuant to the Group's principles for good corporate governance.

Guidelines for share trading

The company has stipulated in-house guidelines for trading in the company's shares. These guidelines are updated regularly to maintain compliance with the legislation and regulations that apply at any given time. The Group has in-house guidelines for primary insiders, which require internal clearance by the CEO before primary insiders can buy or sell KONGSBERG shares.

SHAREHOLDER'S INFORMATION

"KONGSBERG shall have a profile that ensures **reliability and predictability** in the stock market."

SHARES AND SHAREHOLDER INFORMATION

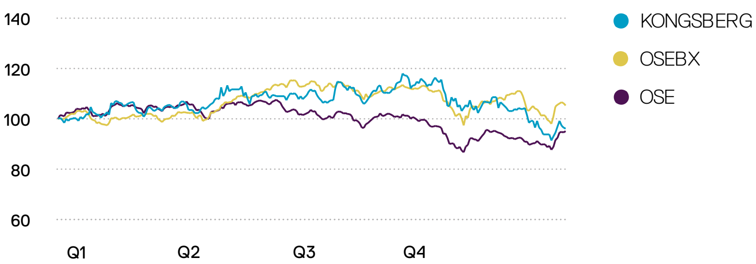
KONGSBERG's share price closed at NOK 123.00 at year-end 2014. Including the dividend of NOK 5.25, the return was 0.6 per cent in 2014 compared with an overall increase on the Oslo Stock Exchange Benchmark Index (OSEBX) of 5.3 per cent.

Shareholder policy
KONGSBERG's objective is to maintain and enhance stakeholder value through profitable and growth-oriented industrial development in a long-term and international perspective. Good corporate governance and corporate management shall secure the greatest possible value added and reduce business related risk while the company's resources shall be utilised in an effective and sustainable manner. The Group shall achieve its goals through further development of first-class competency centres, deliveries of leading systems, products and services in its international market segments as well as through running the business in an ethical, environmental and social responsible manner. Growth shall come through internal development and acquisitions within selected strategic market segments. The Group shall be among the leading actors worldwide within its areas of commitment.

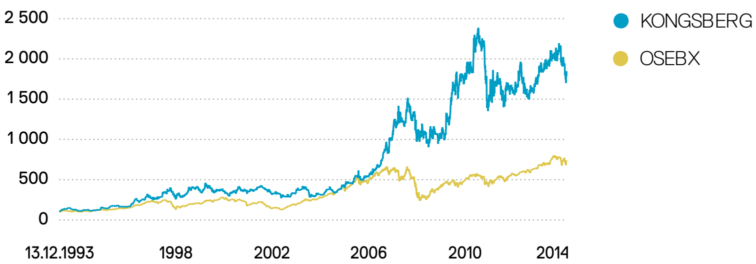
KONGSBERG shall have a profile that ensures reliability and predictability in the stock market. Shareholders shall be assured a long-term, competitive return of investment to the related risk. The company's objective is that dividends over time shall constitute between 40 and 50 per cent of the company's net result.

Share price trend in 2014
KONGSBERG's market capitalisation declined during the year from MNOK 15,300 to MNOK 14,760 (-3.5 per cent). KONGSBERG was listed on the Oslo Stock Exchange on 13 December 1993 and had a market capitalisation of MNOK 643 at the time. The share price dropped by NOK 4.50 in 2014 and ended at NOK 123.00 at year-end, down from NOK 127.50 at the end of 2013. The Oslo Stock Exchange Benchmark Index (OSEBX) and the Oslo Stock Exchange Industrial Index (OSE20GI) increased by 5.3 per cent and decreased by -6.2 per cent, respectively, during 2014.

Share price trends in 2014
NOK (Indexed at NOK 100 – 1 January 2014)



Share price trends from the launch on the Oslo Stock Exchange
NOK (Indexed at NOK 100 – 13 December 1993)



Dividend and net profit per share

NOK	*2014*	*2013*	*2012[1)]*	*2011[1)]*	*2010*	*2009*	*2008*	*2007*	*2006*	*2005*
Ordinary earnings per share	7.28	10.24	10.91	11.83	12.46	6.83	4.86	4.04	2.08	1.80
Dividends	9.25[3)]	5.25[2)]	3.75	3.75	3.75	2.00	1.38	1.25	0.63	0.54

1) The numbers have been restated as described in Note 33, "Change in comparative figures". This change has not been taken into account for other years.
2) Consists of NOK 4.25 per share in ordinary dividends and NOK 1.00 per share as an extraordinary dividend to celebrate the Group's 200th anniversary.
3) Consists of NOK 4.25 per share in ordinary dividends and NOK 5.00 per share as an extraordinary dividend.

Share capital

Kongsberg Gruppen ASA has a share capital of MNOK 150, comprising 120 million shares with a nominal value of NOK 1.25 per share. There is one class of shares, and there are no limitations on voting rights. At year-end 2014, KONGSBERG owned a total of 26,674 treasury shares.

Employees as shareholders

Employee ownership in KONGSBERG is considered very favourable and an employee share programme is conducted each year. In the summer of 2013, the Group's annual employee share programme was conducted for the 18th time. All employees were given the opportunity to buy KONGSBERG shares at a 20 per cent discount. A total of 497,389 shares were sold at a discounted price of NOK 113.20 to 2,112 employees.

At year-end 2014, more than 2,200 employees owned more than 3.6 million KONGSBERG shares. This represents 3 per cent of the company's shares.

Investor relations

KONGSBERG shall provide the equity market with relevant, comprehensive information as the basis for a balanced, correct valuation of the share. The Group emphasises maintaining an open dialogue with the equity market and media through stock exchange disclosures, press releases and other media initiatives, as well as through presentations for analysts and investors.

The Group's website, www.kongsberg.com, has a separate section featuring investor information. The section contains the Group's annual reports, interim reports and company presentations. In 2014, KONGSBERG organised presentations and met with owners and potential investors both in Norway and abroad. KONGSBERG aspires to be accessible to all market players, and parts of corporate management are present at most such events. The quarterly presentations are made available by webcast. In 2014, KONGSBERG placed number three in the category "Best Norwegian company, Large Cap" in the IR Nordic Markets' annual ranking.

In November 2014, Kongsberg organised its annual Capital Markets Day at its premises in Kongsberg. The event was well attended. Several members of the corporate management board gave presentations as well as demonstrations of some of the products and systems. A capital Markets Day will also be organised in 2015.

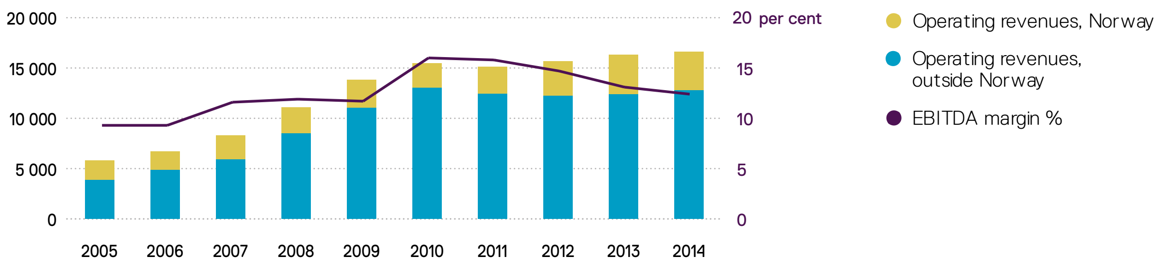
Historical share information

Amounts in NOK	*2014*	*2013*	*2012*	*2011*	*2010*	*2009*	*2008*	*2007*	*2006*	*2005*
Market capitalisation 31 Dec. (in million)	14 760	15 300	14 940	13 920	15 960	10 590	9 840	10 170	5 250	3 720
Change during the year	(3.5%)	2.4%	7.3%	(12.8%)	50.7%	7.6%	(3.2%)	93.7%	41.1%	25.3%
Closing share price 31 Dec.	123.00	127.50	124.50	116.00	133.00	88.25	82.00	84.75	43.75	31.00
Closing share price first trading day	128.00	123.00	113.50	135.00	91.25	82.25	84.75	42.50	31.25	24.75
Highest closing price	151.00	135.00	127.50	164.00	135.00	88.25	104.25	86.25	43.75	33.00
Lowest closing price	117.00	103.00	96.25	93.00	80.75	62.00	66.75	41.75	30.50	22.75
Average daily closing price	136.22	117.62	112.59	132.31	113.50	72.80	85.10	60.88	36.45	27.09
Volume (in 1000 shares)	13 322	13 991	9 927	13 698	14 024	12 029	12 230	16 938	11 960	21 188
As a per cent of outstanding shares1)	22.20%	23.3%	16.5%	22.8%	23.4%	20.0%	20.4%	28.2%	19.9%	35.3%
Number of transactions	36 955	38 205	28 949	37 189	25 836	9 310	14 810	5 158	1 980	3 345
Number of trading days	253	249	251	253	252	251	252	250	225	247

1) Of shares in circulation. The Norwegian state's interest of 50.001 per cent (60 001 600 shares) is not included.

Historical development – revenues and EBITDA

MNOK



List of KONGSBERG's largest shareholders at 31 December 2014

Shareholders	*Number of shares*	*Percentage*
The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries	60 001 600	50.00%
Arendals Fossekompani ASA	9 552 796	7.96%
The National Insurance Fund	7 338 325	6.12%
MP Pensjon PK	4 742 800	3.95%
The Northern Trust Co	2 471 860	2.06%
J.P. Morgan Chase Bank N.A. London	1 878 330	1.57%
Danske Invest Norske Instit. II	1 809 696	1.51%
Odin Norden	1 592 821	1.33%
Reassure Limited	1 178 300	0.98%
Odin Norge	1 152 181	0.96%
Skagen Vekst	1 056 509	0.88%
Danske Invest Norske Aksjer Inst	1 013 839	0.84%
BNP Paribas Sec. Services S.C.A	928 500	0.77%
State Street Bank & Trust Co.	821 964	0.68%
Montague Place Custody Services	722 777	0.60%
Odin Global	643 171	0.54%
KLP Nordea Kapital	548 863	0.46%
VPF Nordea Kapital	509 013	0.42%
BNP Paribas Sec. Services S.C.A	439 500	0.37%
Must Invest AS	400 000	0.33%
Total	**98 802 845**	**82.34%**
Other (stake < 0.35%)	21 197 155	17.66%
Total number of shares	**120 000 000**	**100.00%**

Shareholders, by size of holding

Number of shares	*Number of owners*	*Number of shares*	*Holding percentage*
1 - 1 000	5 912	1 710 537	1.43%
1 001 - 10 000	1 842	4 685 267	3.90%
10 001 - 100 000	189	5 020 148	4.18%
100 001 - 1 000 000	59	14 794 991	12.33%
1 000 001 - 10 000 000	11	33 787 457	28.16%
Over 10 000 000	1	60 001 600	50.00%
Total	**8 014**	**120 000 000**	**100.00%**

Share price data, by quarter 2014

Amounts in NOK	*4th quarter 2014*	*3rd quarter 2014*	*2nd quarter 2014*	*1st quarter 2014*
Opening share price	146.50	139.00	136.50	127.50
Closing price	123.00	146.50	139.00	136.50
Investment performance during the period	(16.0%)	5.4%	1.8%	7.1%
Highest closing price	148.00	151.00	145.00	137.00
Lowest closing price	117.00	135.50	131.00	126.00
Average closing price	131.5	143.05	138.60	132.08
Median	133.25	143.25	140.00	132.00
Volume (in 1,000 shares)	3 306	2 098	2 495	5 012

Back

SUSTAINABILITY REPORT

"We will continue to expand our international presence, meaning **more focus on corporate social responsibility**."

Picture: Follow the Sun - regardless of the time of day, someone at Kongsberg Maritime will be on duty to answer calls for help. Three high-tech support centres in Europe, America and Asia make sure of that.

CONTENTS – SUSTAINABILITY REPORT

ABOUT THE SUSTAINABILITY REPORT

Kongsberg Gruppen (KONGSBERG) is an international technology corporation that supplies dependable, advanced technological solutions that improve the reliability, safety and efficiency of complex operations, also under extreme conditions. KONGSBERG collaborates with global customers in the defence, maritime, oil and gas, and aerospace industries.

The purpose of this report is to give stakeholders who are affected by or interested in our activities information about KONGSBERG's approach to sustainability and corporate social responsibility.

The report covers the period from 1 January 2014 to 31 December 2014, and addresses topics of importance to us and to our stakeholders. Any significant events from 1 January 2015 to 20 March 2015 will also be discussed. All figures are linked to the 2014 fiscal year.

Changes in the reporting platform since the last report
No material changes were made in the reporting platform from 2013 to 2014. Otherwise, please see the list of new units reporting climate and environmental data on page 135.

Limitations of the report
The report deals only with companies in which KONGSBERG owns 50 per cent or more. The environmental data includes all of our Norwegian units, as well as all our production units all over the world and the largest offices outside of Norway.

The information in the report is based on data obtained from different parts of the Group. Even though importance is attached to ensuring that the data is complete and correct, some of the information will be based on estimates.

Process to define the content
The content of the report is largely defined based on what we have called 'Areas of Focus for 2014-2015'. The areas of focus are a result of the targets and activities that are dealt with by the Group's Forum for Sustainability and Corporate Social Responsibility and identified by corporate executive management and, ultimately, by the Group's Board.

In this report, we have also chosen to provide some examples of what we have called sustainable innovation. This illustrates the 'perspective of opportunity' in relation to the Group's Policy for Sustainability and Corporate Social Responsibility. The report is organised on the basis of the principles in the Global Reporting Initiative (GRI), and we are affiliated with the UN Global Compact Initiative.

From Rio de Janeiro

The Sustainability Report has been drawn up based on the following framework:

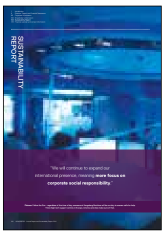
White Paper No. 27 (2013-2014) – Diverse and value-creating ownership
The Norwegian State owns 50.001 per cent of the shares in the company. The State's stake is managed by the Ministry of Trade and Fisheries. The process we have used to define the content of the report ensures that we are reporting in accordance with the expectations posed to us through the White Paper on ownership.

Global Compact
The Group joined the UN Global Compact in 2006. This requires that we submit a report to the UN each year, describing our activities and the advances we have made in the field of sustainability. The Group's Sustainability Report serves as such a report – a COP (Communication on Progress). We would maintain that the report complies with Global Compact's criteria for 'Advanced Level'. For more details about the Global Compact, see their website at www.unglobalcompact.org

Global Reporting Initiative (GRI)
We use GRI's guidelines for voluntary reporting on sustainable development. The guidelines cover financial, environmental and social dimensions related to operations, and they are the leading global initiative in this field.
In 2013, GRI published a new version of its guidelines (G4), calling for obligatory implementation as from the 2015 reporting year. For 2014, we are reporting pursuant to an earlier version, GRI G3.1. The transition to G4 means, among other things, that we must carry out a materiality analysis related to sustainability in 2015.
In our opinion, our reporting practice is generally compliant with GRI's reporting principles. GRI version 3.1 uses a classification that indicates the extent to which a company applies GRI's definitions and disclosure requirements. KONGSBERG complies with the requirements for level B+. The '+' indicates that the report has been independently verified.
The answers to the indicators can be found directly in the text. The report's final pages contain a reference to the individual GRI indicators and where they are discussed in the report.
For more details about GRI, see their website at www.globalreporting.org

		C	C+	B	B+	A	A+
Obligatory	Self-declared						
Optional	Independently verified				KONGSBERG		
	GRI verified						

The Norwegian Accounting Act
The Accounting Act requires large enterprises to report on their corporate social responsibility either in the Directors' Report or in a separate report. The report is to cover consideration for human rights, employee rights and social conditions, the outdoor environment and anti-corruption activities.
Special regulations stipulate that reporting pursuant to the UN Global Compact or Global Reporting Initiative (GRI) can supersede the requirement for reporting in the Directors' Report.
It is our assessment that the Sustainability Report for 2014 is fully adequate and compliant with the requirements of the Norwegian Accounting Act.



Board treatment
The Group's Sustainability Report has in its entirety been reviewed and approved by Corporate Executive Management and the Board of Directors.

External verification
The report has been verified by a third party, the independent auditor Deloitte.
See the Auditor's Statement on page 148.

Tilbake

CEO WALTER QVAM

KONGSBERG celebrated its bicentennial in 2014, marking the start of the next 200 years of our history. In attaining such a milestone, we would like to honour the achievements of generations of co-workers before us at one of the world's oldest technology enterprises, at the same time as we would like to emphasise the importance of always looking to the future, that is, towards the next 200 years of KONGSBERG's history. Sustainability and corporate social responsibility will be very central to our further development.

Operating revenues totalled NOK 16.6 billion in 2014, up 1.8 per cent from 2013. KONGSBERG ended the year with an EBITDA margin of 12.4 per cent and a robust backlog of orders valued at NOK 21 billion. We have spent an amount on product development equivalent to about 10 per cent of our sales. We have also intensified our CSR efforts throughout the entire Group.

KONGSBERG delivers solutions, products, services and systems to several industries and market segments. This has led to financial robustness and a valuable network of international customers. The Group also has a strong common core. Our business areas have many common denominators as regards basic technology and expertise, shared fundamental values and common work processes. Most of our business areas are related to the ocean space. We have solutions and systems that can help solve the challenges of both today and tomorrow. We see that our opportunities to draw on expertise and technology across the Group are growing.

Corporate social responsibility through 200 years

2014 marked a major milestone in KONGSBERG's history. Like Norway's Constitution, we celebrated our bicentennial. Not many companies can look back on 200 years of continuous operations, and we are both proud and humbled by this fact. We believe that it is our corporate social responsibility to continue this unique history, passing on to coming generations a KONGSBERG that is even stronger and better than when we took over. For us, this is what corporate social responsibility is all about.

Stronger international presence

We will continue to expand our international presence, meaning more focus on corporate social responsibility, including anti-corruption, labour rights, human rights, climate challenges and the follow up of a responsible and sustainable supply chain.

Value platform

The Group's value platform and the attitudes our values represent are the very essence of KONGSBERG's work with corporate social responsibility. An organisation characterised by wholesome attitudes promotes behaviour that means more than most regulations and procedures. In an ever more globalised competitive situation, where companies and products alike are becoming increasingly similar, a strong and visible corporate culture is crucial for differentiation, market recognition and good relations with our customers and partners. Value issues are high on the agendas of our leaders and key personnel, and there is genuine follow up of individuals' behaviour.

KONGSBERG's four values are:
Determined, Innovative, Collaborative, Reliable

Besides specific activities associated with corporate social responsibility, such as those described in this report, we work systematically to discuss and anchor the importance of our value platform in all parts of our organisation.

Reliable (dependable, trustworthy)
"Our customers and partners can count on KONGSBERG to deliver – always. Working with KONGSBERG means working with reliable individuals, a reliable enterprise and reliable products. KONGSBERG is a responsible organisation characterised by integrity and with respect for health, safety and the environment. We are reliable individuals. We are responsible members of society."

The UN Global Compact Initiative
KONGSBERG joined the UN Global Compact in 2006. We have learned more about the topics covered by the initiative, both through direct contact and through national and Nordic networks. Each year, we draw up action plans for corporate social responsibility. The principles in Global Compact are the guiding principles for our plans. We will continue to support the important work done in association with the Global Compact.

Sustainable innovation
Our ability to think new and innovate is essential if we are to continue this good corporate trend in the years ahead. As a technology enterprise, our most important contribution to solving the climate challenge and resource situation is to use our knowledge to develop products that can help address these challenges. This year's report discusses six examples of products we would describe as products of sustainable innovation.

Areas of focus 2014
In 2014, KONGSBERG elected to focus on the following aspects of corporate social responsibility (see the detailed discussion on pages 123–130):

Policy for Sustainability and Corporate Social Responsibility
Our Policy for Sustainability and Corporate Social Responsibility and the principles underlying it are integral parts of the Group's strategy and planning work. In this context, we emphasise that all growth and all strategic business-related decisions taken within the Group are to be firmly entrenched in a sustainable perspective.

Anti-corruption
KONGSBERG takes the prevention of corruption very seriously. KONGSBERG has zero tolerance for corruption among our employees, consultants and business associates. As an enterprise with significant international activities, KONGSBERG has implemented a comprehensive anti-corruption programme, and high ethical standards are an integral part of our business activities. We have worked in this area systematically for many years, attaching importance to compliance, training, education and verification.

Human rights and labour rights
During the year, we drew up routines for better, more systematic analysis, control, reporting and follow up of possible violations of the rights. The routines will be implemented in 2015.

Climate challenge
The UN's Intergovernmental Panel on Climate Change (IPCC), fifth report, part 1, emphasises the severity of ongoing climatic change. Although we are a modest player when it comes to GHG emissions, we nonetheless take initiatives to reduce our environmental footprint. We think globally, but act locally.

Sustainability and corporate responsibility in the supplier chain
Our suppliers are important contributors to our value creation. Our target in this area is to get an overview of the risk associated with sustainability and corporate responsibility in the supply chain, and to ensure that the risk is manageable through controls and measures.

Our employees
We have decided to make our employees, health and safety an area of focus in this year's report. This is invariably one of the areas that attracts the most attention, and we wish to render it visible in the context of sustainability and corporate social responsibility.

Charge, corruption case in Romania
In February 2014, charges were filed against Kongsberg Gruppen ASA and Kongsberg Defence & Aerospace AS and an employee, alleging serious corruption in conjunction with deliveries of communications equipment to Romania between 2003 and 2008.

KONGSBERG is cooperating with the National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway to determine what actually happened, but it is expected that it will take time before the case is closed.

KONGSBERG has zero tolerance for corruption, and high ethical standards are an integral part of our business activities. We have spent several years building up and further developing compliance rules and compliance positions at the corporate level and in the business areas. Today's anti-corruption system is considered to maintain a good international calibre, and independent parties have assessed it constituting a comprehensive, robust system.

Targets for 2015
In 2015, we will prepare a new strategy for climate and the environment. One very central aspect of this strategy will be the utilisation of our unique technological expertise to develop products that will reduce greenhouse gas (GHG) emissions. Beyond this, we will generally continue to concentrate on the same areas of focus we worked on in 2014.

2015 will be a year characterised by opportunities and challenges for KONGSBERG. Throughout 2014, the Group further reinforced its market-related, technological and financial positions and has the very best point of departure for continued satisfactory progress in our main markets. We will actively continue our efforts to further develop technologies, products and systems that meet the extremely high standards posed by our customers. As an integral part of this work, we will continue our focus on sustainability and corporate social responsibility.

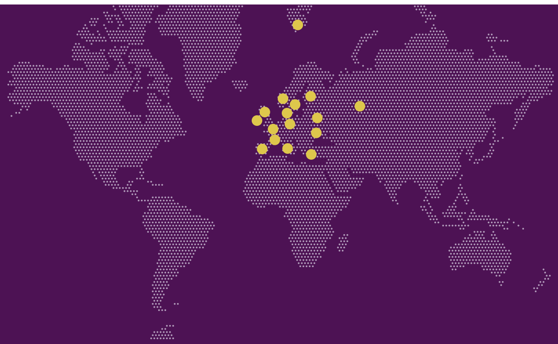
Walter Qvam

Walter Qvam,
Chief Executive Officer

Back

THE WORLD OF KONGSBERG

Europe



Norway

Employees	4,770 (4,741)
Number of suppliers[1]	3,117 (3,023)
Added value[2]	MNOK 9,237 (10,062)
Investments	MNOK 164 (254)

The Group's head office is located in Kongsberg.
Kongsberg Maritime has operations for development, production, testing, sales and service in Kongsberg, Horten, Ulsteinvik, Sandefjord and Trondheim.
Kongsberg Oil & Gas Technologies is located in Asker, Drammen, Horten, Kristiansand, Stavanger and Bergen. Operations here: sales, product development, project deliveries, service and production.
Kongsberg Defence Systems and **Kongsberg Protech Systems** account for the bulk of our defence activities, and most of their operations are in Kongsberg. We also have operations in Horten, Asker, Kjeller and Stjørdal. Operations here include development, production, testing, sales and service.

Kongsberg Spacetec and Kongsberg Satellite Services (50 per cent stake) in Tromsø are both part of Kongsberg Defence Systems. Spacetec is a leading maker of ground stations for data from meteorological and earth observation satellites. Satellite Services has ground stations for downloading satellite data on Svalbard.

Great Britain

Employees	272 (268)
Number of suppliers[1]	312 (229)
Added value[2]	MNOK 639 (495)
Investments	MNOK 17 (23)

Kongsberg Maritime's head office for offshore activities in Great Britain is located in Aberdeen, Scotland. We also have smaller offices in Wick, Scotland, and in Waterlooville and Great Yarmouth, England. Operations here include product development, production, sales and support.
Kongsberg Oil & Gas Technologies has operations for sales and project follow-up in Guildford, England and Aberdeen, Scotland.
Kongsberg Defence Systems, through its subsidiary Kongsberg Norcontrol, has a sales and service office in Bristol.
Kongsberg Protech Systems, through its subsidiary Kongsberg Integrated Tactical Systems, has a sales office in Hereford.

Poland

Employees	144 (112)
Number of suppliers[1]	18
Added value[2]	MNOK 81 (61)
Investments	MNOK 5 (6)

Kongsberg Maritime has a company that is engaged in service and project support in Szczecin.
Kongsberg Defence Systems, through its subsidiary Kongsberg Defence Sp.Zo.o, has a marketing office in Warsaw.

Rest of Europe

Employees	206 (280)
Number of suppliers[1]	688 (659)
Added value[2]	MNOK 711 (656)
Investments	MNOK 5 (3)

The Group also has offices for sales, service and project support in Denmark, Finland, France, Greece, Italy, Ireland, the Netherlands, Russia, Spain, Sweden, Germany and Hungary.

1. Number of suppliers that invoiced KONGSBERG for more than NOK 50,000 in 2014. Certain suppliers have been counted two or more times if they are suppliers for two or more of our business areas. The figures do not include all suppliers dealt with directly by our international locations.
2. Added value shows the operating revenues generated in the legal units in the individual countries.

Back

Asia

China

- Employees 683 (578)
- Number of suppliers[1] 135 (158)
- Added value[2] MNOK 456 (281)
- Investments MNOK 20 (3)

Kongsberg Maritime has built up substantial business activities in China. The business area operates as a local supplier to the Chinese shipyard industry, and now has offices in Shanghai, Dalian, Guangzhou and Zhenjiang. Our production unit in Zhenjiang consists of electro-mechanical lines where we manufacture consoles, cabinets and sensing units. We also have a CNC centre where we make mechanical components and do light engineering.

India

- Employees 223 (235)
- Number of suppliers[1] 27 (42)
- Added value[2] MNOK 117 (60)
- Investments MNOK 4 (8)

Kongsberg Maritime has sales and service offices, software support and development activities in Mumbai. The business has grown in recent years. Increasing emphasis is being placed on maritime safety and on coastal and harbour vessel traffic monitoring in India.
Kongsberg Oil & Gas Technologies has operations in both Mumbai and Bangalore. The business in Mumbai offers sales support and project support. In Bangalore, the main responsibility is software development.

Singapore

- Employees 213 (204)
- Number of suppliers[1] 131 (154)
- Added value[2] MNOK 1,007 (862)
- Investments MNOK 6 (3)

Kongsberg Maritime in Singapore focus mainly on sales, installation, engineering, commissioning and service/support. Singapore has one of the world's largest harbours and is a substantial shipowning and shipyard nation.
Kongsberg Defence Systems, through the company Kongsberg Norcontrol IT, makes significant deliveries to Singapore's vessel traffic monitoring, and is also represented here.

South Korea

- Employees 231 (222)
- Number of suppliers[1] 118 (63)
- Added value[2] MNOK 1,814 (1,558)
- Investments MNOK 8 (5)

Kongsberg Maritime's main operations in South Korea are located in Jungkwan outside Busan. The main activities are sales, engineering, installation, commissioning and service/support, as well as local production. For years, we have been building up a local presence based on highly qualified co-workers in the world's largest shipbuilding nation.
Kongsberg Defence Systems has a sales office in Seoul.

United Arab Emirates

- Employees 42 (44)
- Number of suppliers[1] 35
- Added value[2] MNOK 93 (73)
- Investments MNOK 1 (1)

Kongsberg Maritime has a service office in Dubai.

The rest of Asia

- Employees 4
- Number of suppliers[1] 52
- Added value[2] MNOK 17 (13)
- Investments MNOK 0 (0)

Kongsberg Maritime has set up a sales and service office for fisheries activities in Malaysia.
Kongsberg Defence Systems has operations in the United Arab Emirates, Kuwait and Saudi Arabia. The main activities are the operation and delivery of projects involving tactical radio and communications systems.
Kongsberg Oil & Gas Technologies has a sales and project office in Malaysia.

Back

North America

USA

- Employees 637 (626)
- Number of suppliers[1] 515 (705)
- Added value[2] MNOK 1,863 (1,664)
- Investments MNOK 94 (26)

Kongsberg Maritime has operations in Seattle (Washington), Houston (Texas), New Orleans (Louisiana), Pocasset (Massachusetts), Salt Lake City (Utah) and West Mystic (Connecticut). In Pocasset, operations include development, sales and support for autonomous underwater vehicles (AUV). The other units are mainly engaged in sales and customer support. The unit in Seattle is also engaged in technological development and the adaptation of existing products for the US market.

Kongsberg Oil & Gas Technologies has operations in Houston (Texas) aimed at sales, support and project implementation.

Kongsberg Defence Systems has a marketing office in Alexandria (Virginia).

Kongsberg Protech Systems has a marketing office in Alexandria (Virginia). Johnstown (Pennsylvania) is the site for the production and maintenance of the PROTECTOR weapon control system for the US market. The business area has a project office in Mount Arlington, New Jersey. In Bellport (New York), our subsidiary Kongsberg Integrated Tactical Systems (KITS) develops and manufactures parts and systems for infrastructure for military vehicles.

Canada

- Employees 136 (135)
- Number of suppliers[1] 134 (195)
- Added value[2] MNOK 319 (261)
- Investments MNOK 2 (5)

Kongsberg Maritime's largest maritime operation in Canada is located in Vancouver. The company there is engaged in proprietary product development and production. The business in Vancouver is based on hydroacoustics technology, and is coordinated with Kongsberg Maritime's other subsea activities. The business area also has two sales and customer support locations in Nova Scotia and Newfoundland on the east coast.

Kongsberg Defence Systems is represented by Gallium Visual Systems Inc. in Ottawa. The company is known for its map graphics tool for military command and control systems.

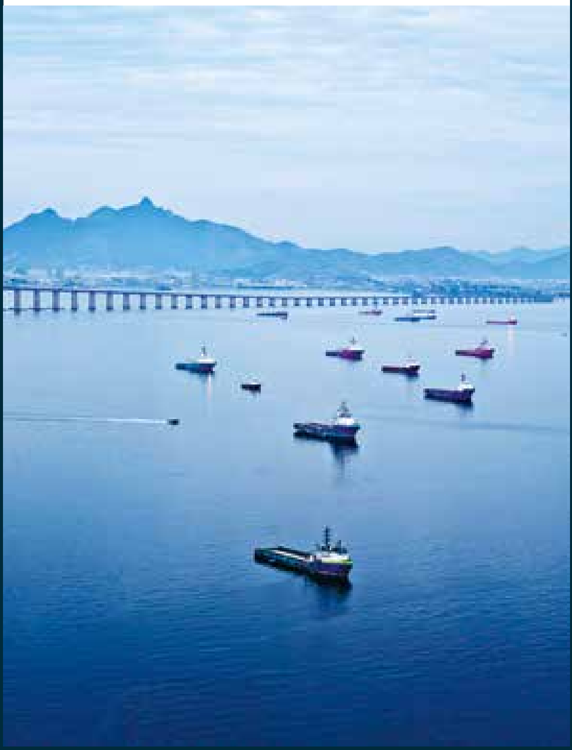
Kongsberg Protech Systems is located in London, Ontario. The plant was established to maintain and manufacture weapons systems for the Canadian market.

Central and South America and Antarctica

Brazil

- Employees 121 (118)
- Number of suppliers[1)] 119 (33)
- Added value[2)] MNOK 176 (145)
- Investments MNOK 8 (17)

Kongsberg Maritime's business in Brazil comprises sales, service, engineering and the commissioning of systems for the merchant marine and offshore vessels, as well as user training. Business is booming on the oil fields outside Rio de Janeiro. The shipping industry has had formidable growth in tandem with the political and financial development in the country. The training centre in Rio de Janeiro offers different training programmes for Brazilian crew members, including simulator practice. The unit also has an anchor-handling simulator. **Kongsberg Oil & Gas Technologies** has a sales and project office in Brazil.



Mexico

- Employees 13 (11)
- Number of suppliers[1)] 9 (3)
- Added value[2)] MNOK 35 (34)
- Investments MNOK 2 (0)

Kongsberg Maritime has set up a service office in Mexico.

Antarctica

Kongsberg Defence Systems' jointly- and equally-owned subsidiary Kongsberg Satellite Services has a ground station for satellite data on Antarctica.

Back

Africa

Algeria

- Employees 0 (4)
- Number of suppliers[1] 0 (0)
- Added value[2] MNOK 0 (0)
- Investments MNOK 0 (0)

Kongsberg Defence Systems has offices for operations and projects related to tactical radio and communications systems in Algiers, Algeria.

Nigeria

- Employees 0 (0)
- Number of suppliers[1] 0 (1)
- Added value[2] MNOK 0 (0)
- Investments MNOK 0 (0)

Kongsberg Maritime has a service and support office for offshore activities off the coast of Nigeria.

Total number of suppliers in Africa: 13

Oceania

Australia

- Employees 17 (27)
- Number of suppliers[1] 16 (69)
- Added value[2] MNOK 45 (95)
- Investments MNOK 1 (0)

Kongsberg Maritime has sales and service operations in Perth.
Kongsberg Oil & Gas Technologies has a sales and project office in Perth.
Kongsberg Protech Systems has a marketing office in Adelaide.

ACCOUNTABILITY

KONGSBERG has 200 years of tradition and history as a defence supplier and technology enterprise. Today, we are an important partner for customers in the defence, aerospace, and maritime industries, as well as in oil and gas industry.

The defence industry
The Norwegian Armed Forces performs important tasks for society in times of peace, crisis, armed conflict and war. A modern total defence calls for state-of-the-art defence systems, and KONGSBERG's defence systems and products are an integral part of this. In 2014, defence operations accounted for 33 per cent of our sales. KONGSBERG's role as a supplier of defence products must be seen in the context of Norway's national security policy, and Norway's international obligations as a member of the UN and NATO. The Armed Forces and KONGSBERG cooperate closely to develop tailor-made systems to meet Norway's particular needs. KONGSBERG has also developed high-technology defence systems that are important in an international context. Our deliveries are subject to strict export rules. We are acutely aware of the special responsibility that rests on us as a defence supplier.

The export of defence materiel
Norway's rules for the export of defence materiel are among the most stringent in the world. The Norwegian parliament has resolved that defence products can only be sold to pre-approved countries. Transparency in respect of the export of defence materiel is an important principle in Norway. We consistently comply with the requirements posed by the Ministry of Foreign Affairs for the application process, reporting and statistics.

Export control implies that defence materiel, technology and services can only be exported with an export licence issued by the Ministry of Foreign Affairs. There are two reasons for controlling exports:

1. to ensure that the export of defence materiel from Norway takes place in compliance with Norwegian security and defence policy.
2. to ensure that the export of multi-purpose products does not contribute to the proliferation of weapons of mass destruction (nuclear, chemical and biological weapons).

Norway generally exports to allied forces. In 2013, 88 per cent of Norway's exports of Category A material and 93 per cent of the exports of Category B material went to NATO countries, Finland and Sweden. KONGSBERG has transparent cooperation with the Ministry of Foreign Affairs in connection with licence applications and we have a comprehensive internal control system for our export operations. KONGSBERG has partners, suppliers and customers in many countries. Consequently, we must also comply with other countries' export control regulations in connection with both re-exports from Norway and exports from the countries in which we operate.

Oil, gas and the merchant marine
More than half of our Group is involved in the oil, gas and shipping industries, all of which face challenges related to greenhouse gas emissions. The global demand for energy and the need for transportation are growing, and even though alternative energy carriers are rapidly moving into the market, oil and gas will continue to be the most important energy carriers for many years. KONGSBERG's systems and products are largely related to optimisation, safety, the operation and control of machinery, production processes and equipment. We supply systems and services that facilitate the effective use of resources, more efficient sailing routes and safer operation of complex vessels and installations. Thus, we help make improvements in industries that will play a crucial part in future global development.

What types of defence products does KONGSBERG sell?
KONGSBERG does not manufacture the types of weapons that are blacklisted by some ethical funds, e.g. cluster bombs, land mines, nuclear weapon, biological weapons or small firearms. Most of our defence businesses supply missiles, and systems for weapon command and control, decision-support and communications.

Category A materiel consists of weapons and ammunition.
Category B materiel comprises other military materiel.
Multi-purpose products are civilian products, technology and services with potential military applications.

Back

ENCOURAGING CHILDREN AND YOUNG PEOPLE TO LEARN MORE ABOUT MATHS AND SCIENCE

At KONGSBERG, we believe that science is the key to solving the challenges of the future. Consequently, we would like to motivate children and young people to discover how useful physics, mathematics and science really are.

An interest in science usually starts already in early childhood. For that reason, we support the Kongsberg Science Centre, which is open free of charge to day-care centres and schools. Here, children are introduced to science through play and experimentation. The offer also includes upper secondary schools. The Centre has course modules in subjects such as energy, mechanics, mathematics, technology and animation.

KONGSBERG cooperates with a number of lower and upper secondary schools, inviting school classes to tour our facilities and accepting pupils for short-term placements. We also have employees whose work is to plan programmes for elementary school and secondary schools.

KONGSBERG cooperates with a number of university colleges and universities in Norway. We take part in career days, give presentations, invite students to visit us, sponsor professorships, and cooperate on selected projects with students who would like to write their theses in collaboration with us.

Along with other companies in Kongsberg, Buskerud/ Vestfold University College and the Norwegian Centre of Expertise, the Group has developed a master's degree programme in Systems Engineering. Under this programme, students hold paid part-time positions at one of the enterprises. In cooperation with other companies in Kongsberg, we also offer a unique training programme for apprentices.

A special guild certificate in the subject of polymer composites has been established at the composite plant in Kongsberg.

High attrition is one of the challenges facing science subjects in Norway. In this context, KONGSBERG has voiced its support for a national technology campaign to strengthen the sciences and help retain engineering students. Our summer programme is part of this initiative. Each year, KONGSBERG accepts roughly 150 students who work on projects throughout the entire corporation.

The summer jobs are an important aspect of KONGSBERG's corporate social responsibility, at the same time as they are good for recruitment and for product development. We would like to help ensure that more engineering students have a chance to gain practical experience. For many, a summer job is the first step on the path to getting a permanent job at KONGSBERG.

Another important policy instrument in the national campaign to promote technology is the student competition "Your Extreme". In collaboration with the Norwegian University of Science and Technology, KONGSBERG invites students to submit technological solutions to the challenges of tomorrow. This initiative is intended to motivate first- and second-year students to finish their first two years, as the average attrition rate is high during that period.

Left: Kongsberg Science Centre

Right: The Norwegian University of Science and Technology

CONTRIBUTIONS TO SPORTS, CULTURE AND SOCIAL CAUSES

KONGSBERG contributes to value creation and economic development in local communities in which we operate. The Group is an integral part of these communities. This is because we take a genuine interest in our employees, and in supporting sports, culture and social causes.
Here are a few examples:

Children and young people

Zambia and the Philippines
For many years, KONGSBERG has provided support to SOS Children's Villages in Zambia and on the Philippines. SOS Children's Villages give the most vulnerable children a family and a safe and secure home, and help them shape their future by taking part in the development of their local communities.

Brazil
We provide support to the Bola pra Frente Institute, which offers poor children schooling and football training. The institute was founded in 2000 and since then, it has helped hundreds of children and young people to a better life. We are also part of the project "Dream Learn Work" that offers children from poor areas training and education that can help qualify them to work in the companies that take part in the project.

Additionally, support is given to the social project Karanba in Rio de Janeiro. Using football (soccer) as a tool, the project helps disadvantaged children from the slums with education, development and advancement. Today, Karanba organises about 1,000 children and adolescents, boys and girls alike, from several different parts of Rio de Janeiro.

India
In India, we support AARAMBH, a charity that works in Navi Mumbai. The organisation is a service centre for the most disadvantaged families in the city's slums.
In Bangalore, we sponsor an English teacher at the school Kanaka Vidya Mandir, and we help provide school uniforms and supplies for the pupils.

Norway
In Norway, we have concentrated our support on teams and associations in the local communities in which we are represented. Priority is given to sports and culture.

Left: The Norwegian University of Science and Technology

Right: The Gloger Festival 2014

SUSTAINABLE INNOVATION

Environmental monitoring • Green shipping • Subsea Storage Units • Maritime simulators • Wind power

SUSTAINABLE INNOVATION

KONGSBERG's 200-year history is a story of innovation and growth. It is an industrial fairy tale, borne of the legacy of Kongsberg Våpenfabrikk in areas as diverse as subsea technology, automation, jet engines and technology relating to the defence, maritime and offshore markets. However, the story has only just begun.

There are tremendous business opportunities located in the interface between KONGSBERG's expertise and the emerging 'green market'. We see similar chances unfolding all across our global organisation. There is formidable potential inherent in applying our overall resources better, which could also generate considerable added value both in and between established business areas and as we explore new markets.

We have set ambitious growth targets for the years ahead. Large parts of our growth will have to originate outside the framework of the individual business areas' plans and acquisitions.

To achieve the ambitions for growth that have been set, KONGSBERG will have to reach a new level of innovation within, between and outside our existing business areas.

Against this backdrop, corporate executive management has defined two main areas with substantial potential for sustainable growth: 'Ocean Space' and 'Smart Communities'. Focus and energy will have to be devoted to these specific growth areas, giving rise to a broad range of opportunities based on KONGSBERG's expertise.

In a world with ever more focus on finite vital resources, our solutions must seek to minimise the consumption of resources while enabling our customers to reduce their global footprint. A sustainable approach is therefore a prerequisite when seeking innovative solutions to the challenges we face, whether they are externally defined or arise as part of our in-house activities.

Back

ENVIRONMENTAL MONITORING

Building the ocean observatories of the future

Kongsberg Maritime is building two ocean observatories to be placed off the coast of Svalbard (Spitsbergen) to monitor methane emissions from the seabed. Our customer is the Centre for Arctic Gas Hydrate, Environment and Climate (CAGE) at the University of Tromsø.

This is the first time that research will be done on the full cycle of methane emissions, from the seabed to the atmosphere. These emissions require cutting-edge technical expertise in order to be measured. The observatories will include multiple instruments, be self-sufficient and have wireless networks so that they can regularly transmit data to scientists. The instruments will monitor methane emissions, CO_2 in the water column and the acidification of ocean waters. The data from the observatories will contribute important information to understanding processes related to climatic change.

In recent years, KONGSBERG has been engaged in several major research and development programmes, including environmental monitoring and the development of subsea sensor arrays. The observatories destined for CAGE are a good fit with KONGSBERG's list of merits as a practical developer of environmental monitoring.

ENVIRONMENTAL MONITORING

Surveilling the High North

In 2014, KONGSBERG concluded a contract with the European Space Agency (ESA). The agreement entails that Kongsberg Satellite Services (KSAT) will be supplying ground station services for Sentinel satellites under the ESA's Copernicus programme.

KSAT will be responsible for downloading and transmitting data from the six Sentinel satellites to relevant European organisations. The first radar satellite, Sentinel 1a, is especially important for Norway since it is used, among other things, for marine surveillance in the High North.

Data from this satellite is used in operational services, e.g. for oil spills, ice and ship detection. It offers an effective way for Norway to monitor the High North. The services KONGSBERG will be supplying from its station on Svalbard will enhance the company's position as a supplier of services related to data reception and the management of satellites in polar orbit.

GREEN SHIPPING

Hybrid solution for the maritime industry

Kongsberg Maritime is now focusing on new solutions in response to the need for environment-friendly operations of merchant and offshore vessels. In December 2014, Kongsberg Maritime became part owner of Grenland Energy, a company that develops battery systems for the maritime and offshore industry. Kongsberg Maritime thereby acquired expertise to help develop hybrid solutions, that is, systems that use several energy sources.

Grenland Energy manufactures batteries that can yield a high electrical output for shorter periods of time. They are intended to be used to meet peak needs for output and to store energy during periods with less demand for power. Thus, the batteries facilitate more optimal operation and reduce fuel consumption, which cuts costs and is environment friendly.

A large number of applications on offshore installations and vessels require a great deal of power for a limited time. For example, dynamic positioning requires several large diesel generators that run inefficiently with a very light load most of the time. If a battery could offset peak loads, fewer diesel generators would be needed to run efficiently.

It is assumed that the market for such systems will grow rapidly in future, and hybrid solutions represent a deliberate choice of direction on the part of Kongsberg Maritime.

SUBSEA STORAGE UNITS

Reducing the need for energy

A Subsea Storage Unit is a concept that KONGSBERG has developed for storing oil on the seabed. Oil is traditionally stored on board vessels anchored beside offshore oil installations. This leads to emissions of GHGs from vessels, and requires personnel and helicopter transport.

A Subsea Storage Unit is made of a flexible bag enveloped in a protective shell that can contain the entire volume of the oil if the flexible bag were to leak. Sensors will detect any leaks during filling and emptying. This makes the solution at least as safe as a conventional double-hulled vessel.

The concept is based on using a flexible bag. This material is nothing new. For example, it is used to store fuel for military purposes. From this perspective, using a bag on the seabed is a new application, but it is no more complicated than storing fuel. Each bag holds up to 25,000 cubic metres of oil, and up to six storage units can be linked together.

Scale-model SSU. (Scale 1:10)

MARITIME SIMULATORS

The most amazing simulator technology

The Norwegian Navy's new Skjold simulator is profoundly important for educating officers on board Norway's new coastal corvettes.

The naval officers can use the simulator to fine hone their skills in navigation, manoeuvring, decision-making and routines. The original plan was to train roughly 2/3 of the time on the vessel and 1/3 on the simulator. Once the simulator was in place, the training turned out to be so realistic that the bulk of the navigation training could be done on it. The simulator allows the crew to test their skills in situations that cannot be tested at sea, e.g. a vessel may suddenly appear in front of the bow, a GPS failure, a defective gyro or a variety of other things the crew needs to practice.

The simulator is nearly identical to the bridge on a real Skjold class coastal corvette. All the instruments and communications equipment are authentic. A deep bass speaker under the floor simulates the vessel's four gas turbine engines. Advanced software allows the Navy to very accurately replicate the vessel's complex movements in the sea.

The new simulator also offers many financial advantages. Officers can practice navigation and tactical manoeuvring without polluting, spending large sums of money, occupying an entire crew or inflicting wear and tear on the vessels.

WIND POWER

Launching new windmill technology

KONGSBERG plans to launch its Wind Management System in 2015. The system is intended to reduce costs related to wind power by up to eight per cent.

The Wind Management System detects each individual windmill's status, condition and maintenance requirements. The system integrates all the requisite parameters to enhance wind park operations by optimising energy production and minimising wear and tear on the equipment.

The system combines several internal and external sources, as well as statistics and history to provide better weather forecasts for each wind park. This makes it easier to predict how much energy the wind park can generate at any given time.

KONGSBERG tested the system with good results in 2014. A testing centre has been set up in Trondheim to acquire data from two different wind parks. The data make it possible to make advanced analyses of operating parameters in the wind parks.

At the same time, KONGSBERG has set up a new company called Kongsberg Renewables Technology. This represents a further fine honing of KONGSBERG's ambitions in the renewable segment. The focus on renewable energy also signals that KONGSBERG has ambitions for developing other renewable energy sources, such as solar power and hydropower.

Back

WHAT HAVE WE ACHIEVED?

Policy for Sustainability and Corporate Social Responsibility • Anti-corruption • Human rights and labour rights • Climate challenges • Sustainability and Corporate Social Responsibility in the supply chain • Our employees

Back

AREA OF FOCUS 2014–2015

Policy for Sustainability and Corporate Social Responsibility

The Group's Policy for Sustainability and Corporate Social Responsibility is generally based on a perspective that incorporates opportunities and risks, and where global megatrends are important strategic drivers.

Our position	Technological innovation is a key element for resolving the serious global challenges facing the earth. For KONGSBERG, this may offer business opportunities in several markets, seen in the light of our broad technology base and competency platform.
Our challenges	The Group's work with sustainability and corporate social responsibility is an integral part of its other strategic processes. The work is based on the challenges facing the Earth with a view to climate changes and shortages of important resources such as energy, as well as food, access to clean water and minerals. In addition, there are issues related to urbanisation, the loss of biological diversity, etc. *The perspective of opportunity* – The anticipated challenges of the future will call for the use of advanced technology. In the course of our work with innovation and the further development of our technologies, the opportunities this will open up will be important drivers. *The perspective of risk* – The anticipated development will also present challenges for our own operations. We try to stay ahead of this through energy conservation and other specific measures. In addition, our 'licence to operate', i.e. the right to conduct our business relative to the traditional themes in corporate social responsibility, constitutes an ongoing risk that is taken into consideration in our strategic planning.
What have we achieved?	*The perspective of opportunity* – In 2014, the Group defined two main segments where we envisage formidable growth opportunities within the area of sustainable product development: We have called them 'Ocean Space' and 'Smart Communities'. *The perspective of risk* – In 2014, we began to assess the global megatrends against our own operations from the perspective of risk. This work will continue in 2015.
Our ambitions	Our policy identifies the direction for the perspective of opportunity and the perspective of risk. Our ambitions include exploiting our technological expertise in a rapidly growing "green" market, and we will act in a socially responsible manner. Risk and opportunities related to global megatrends will be analysed and taken into account in our strategic decisions. This will be a continuous process in the years ahead. For the full text of the Group's Policy for Sustainability and Corporate Social Responsibility, see www.kongsberg.com

Back

AREA OF FOCUS 2014–2015

Anti-corruption

"KONGSBERG takes the prevention of corruption very seriously. We have zero tolerance for corruption among our employees, consultants and business associates. As an enterprise with substantial international activities, KONGSBERG has implemented a comprehensive anti-corruption programme, and high ethical standards are an integral part of our business activities."

Walter Qvam, Chief Executive Officer

Our position	KONGSBERG has zero tolerance for corruption. Our attitude is expressed clearly through the corporate Code of Ethics that we adopted in 2003, our endorsement of the UN Global Compact, the OECD's Guidelines for Multinational Enterprises and our membership of Transparency International. The Board and executive management devote considerable attention to this work.
Our challenges	KONGSBERG operates in both the defence industry and the oil and gas industry, which, according to Transparency International, are two of the sectors most susceptible to corruption. Our activities involve the use of agents and market representatives. The use of third parties is generally known to imply a high risk of corruption, so we pay special attention to that part of our anti-corruption programme. We have developed in-house regulations for signing and following up agreements with market representatives. The regulations include assessments of a market representative's ethical standards and reputation. Further, risk is assessed based on the industry, country and company, and approval procedures have been introduced for the use of standard terms of business and the verification of payments, as well as for follow up during the agreement period, including training and possible audits.
What have we achieved?	We have focused in particular on anti-corruption rules related to gifts and representation, sponsorship, the signing and follow up of agreements with market representatives (agents) and supplier conduct. In recent years, we have further developed the Group's compliance system, placing considerable emphasis on compliance being a line responsibility and part of day-to-day operations. Training and notification routines are important measures. In addition, we regularly perform in-house inspections to ensure compliance with our Code of Ethics in connection with the use of market representatives, including verification of payments. Anti-corruption is an area in which we maintain continuous focus on prevention, risk mitigation measures and the identification of possible non-compliance. In 2014, we evaluated our anti-corruption programme with the assistance of an independent law firm. The evaluation showed that our programme is satisfactory in the light of internationally recognised laws and parameters. Compared with similar Norwegian companies of the same size and level of international activities, our programme is considered to be among the best. Some areas were identified where there was room for improving our programme and appropriate initiatives were implemented.
Our ambitions	We base our efforts on systematic risk assessments, internal controls and reporting. We will continue to develop our training programme, revise our corporate Code of Ethics, and further develop in-house guidelines for due diligence in connection with our business partners.

The charge of corruption in Romania

KONGSBERG takes the prevention of corruption very seriously. The activity at issue in Romania was concluded in 2008. We work systematically and continuously to further develop our anti-corruption programme. Rules, routines and practices have been implemented to detect any activities that may signal corruption. Our anti-corruption guide can be downloaded at www.kongsberg.com.

Back

AREA OF FOCUS 2014–2015

Human Rights and Labour Rights

The Group's international activities make us susceptible to problems related to human rights and labour rights, either directly through our own businesses or indirectly through our value chain.

Our position	KONGSBERG supports and respects the international human rights and labour rights enshrined in the UN's Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, the ILO conventions (International Labour Organization) and the UN Global Compact Initiative. Respect and continuous improvement are significant elements of our approach to human rights and labour rights.
Our challenges	Through the establishment of new ventures and the use of suppliers outside Norway, KONGSBERG's level of internationalisation is growing year by year. This means that we must also devote more attention to and learn more about dealing with human rights and labour rights.
What have we achieved?	During the year, we have developed governance documents based on the 'UN Guiding Principles on Business and Human Rights'. Against this background, a course was held on human rights and labour rights for about 60 individuals, including many senior executives. We also conducted an audit related to corporate social responsibility at our units in India. Compliance with human rights and labour rights was part of the audit. No non-compliance of significance was found in relation to these topics. *Discrimination* – In 2014, one alert was received claiming harassment, among other things. The case was dealt with pursuant to KONGSBERG's Code of Ethics. *Child labour and compulsory labour* – The Group's own activities are of such a nature that issues related to child labour and forced and compulsory labour are considered to be of limited relevance. We are working to survey the situation in the value chain. There have been no reports of cases involving these topics. *The use of security personnel at the international level* – We use security personnel in the areas in which we consider it necessary. Thus far, the scope of this has been very limited. *Indigenous rights* – The Group has not been involved in any violations of indigenous rights. *Suppliers* – The follow up of human rights and labour rights in the supplier chain follows current in-house procedures. Self-declarations and audits are important tools in these efforts.
Our ambitions	We will comply with international standards for human rights and labour rights as expressed in our corporate Code of Ethics and our Policy for Sustainability and Corporate Social Responsibility. In 2015, for the first time, we will carry out a systematic evaluation of our own activities related to human rights and labour rights. This is in accordance with the recommendations in the 'UN Guiding Principles on Business and Human Rights'.

AREA OF FOCUS 2014–2015

Climate challenges

Global warming is one of the most serious threats facing the Earth. According to the UN's Inter-governmental Panel on Climate Change (IPCC), the average temperature may rise more than four degrees by 2100 if emissions continue at the same rate. The IPCC's 5th major assessment report published in 2014 paints a dismal picture. However, the report points out that there is still time to avoid the most extreme effects, but we must act quickly.

Our position	KONGSBERG is an enterprise with moderate GHG emissions, but we must still do our part to ensure the necessary reduction. Our absolutely largest contribution, notwithstanding, will be the development of sustainable solutions, systems and products that enable our customers to cut their emissions. This will also entail significant business opportunities for us.
Our challenges	The climate accounts indicate that our emissions of CO_2 are growing year by year. More than 50 per cent of these emissions are related to air travel. Travel is an important part of the Group's operations and we face a challenge with a view to reducing this type of emissions. Our targets for reducing emissions are relative, so that as we grow, actual emissions may increase even though we reach our targets for relative reductions in emissions. This is a dilemma, given that the global challenge is to cut GHG emissions.
What have we achieved?	The Group has several product areas that have had positive environmental impacts in a variety of ways. Moreover, two new main segments have been defined for innovation that offers a substantial potential for sustainable growth. See the discussion in the chapter entitled 'Sustainable Innovation'.
Our ambitions	KONGSBERG shall reach its long-term business targets while contributing as little as possible to global warming. We will accomplish this by: · Finding product solutions that can reduce our customers' greenhouse gas emissions · Reducing direct and indirect greenhouse gas emissions from own operations · Using environmental profiling as one of several assessment criteria when choosing suppliers We will work systematically to reduce energy consumption and GHG emissions, with special focus on products, infrastructure and transportation. We will be drawing up a new strategy for climate and the environment in 2015.

Back

AREA OF FOCUS 2014–2015

Sustainability and corporate social responsibility in the supplier chain

Sustainability and corporate social responsibility in the supply chain is a question of suppliers' relationship to ethical guidelines, human rights, labour rights, anti-corruption, the climate and the environment. We are of the opinion that systematic, good work with corporate social responsibility is a moral imperative. At the same time, such work reduces our risk and improves the quality of the products we buy.

Our position	KONGSBERG uses roughly 5,500 suppliers the world over, 3,000 of which are in Norway. This means we help to safeguard jobs and build competence, not only where we have proprietary operations, but also to a large extent, where we have subcontractors. The suppliers are an important part of our value creation, at the same time as we are important and in many cases decisive for their value creation. This implies an obligation. Basically, we take responsibility for ensuring that the whole value chain linked to the Group's products complies with our standards for sustainability and corporate social responsibility.
Our challenges	There is still work to be done before we have a satisfactory overview of the assessed risk in the supplier chain. This work is time-consuming, and we devote considerable attention to it.
What have we achieved?	We have drawn up principles and systems of governance for how we would like our suppliers to deal with sustainability and corporate social responsibility, and how we will follow this up. In 2014, we continued training programmes for auditors from previous years. In addition, we conducted a comprehensive training programme related to directives and the use of computer tools for following up the supplier chain for large parts of our international maritime operations.
Our ambitions	One main principle is that we will collaborate with suppliers to seek continuous improvement. The goal is to ensure that elements that fail to meet the standards to which we aspire will be adapted and improved through dialogue. Further, we must ensure that we maintain close control of risk. We also aspire to collaborate with other companies to enhance expertise and the quality of the work and to make operations as rational and efficient as possible.

Conflict minerals
are minerals extracted from conflict zones and sold by countries in conflict. The mineral are generally sold to perpetuate armed conflicts, oppression and violence perpetrated on the local population. This is a particular problem in the Democratic Republic of Congo and the adjacent countries (Angola, Burundi, the Central African Republic, Rwanda, South Sudan, Tanzania, Uganda and Zambia). The most important conflict minerals are coltan, gold, cassiterite and tungsten (wolframite). As a result of the Dodd Frank Act adopted in the USA in 2010, and the OECD guidelines, companies are expected to be able to report which 'conflict minerals', if any, are used in their products, in which products, where the minerals originated and in which part of the value chain the minerals are introduced. KONGSBERG has drawn up routines for dealing with the expectations described above.

KONGSBERG exists thanks to the knowledge and expertise of our employees. Accordingly, we work systematically to make KONGSBERG an exciting, attractive and stimulating place of work. It is important for us to attract appropriate expertise and to ensure that we continuously help our employees to develop.

Leadership at KONGSBERG	Leadership at KONGSBERG is all about creating value. The key to success is the combination of good leadership and dedicated co-workers. Leadership is based on our values, code of ethics and leadership principles. Leadership@KONGSBERG is our leadership platform. It is based on leadership development, talent management and management by objectives. This platform encompasses all the Group's managers and ensures a uniform process for the follow-up and development of leaders. Our leaders have clear goals and have reconciled those goals with their immediate superiors, including a review of the superiors. We have a good selection of in-house and independent management development programmes. Our leadership platform also includes structured processes for following up planning and talent development. Leadership@KONGSBERG is intended to contribute to creating a continuous inflow of management talent. KONGSBERG has a global HR policy that is one of our governance documents for human resource management the world over.
Recruitment and development	One prerequisite for achieving the Group's growth targets is our ability to attract and retain highly qualified co-workers. Accordingly, we endeavour to strengthen our position in the labour market and to be at the forefront of the competition for the best and the brightest. Each individual business hires people locally with the assistance of local managers. Outside Norway, we usually hire local employees except in certain managerial positions and positions that require special expertise. The Group offers an extensive range of further and continuing education through a combination of in-house and independent programmes and courses. They include professional and personal development, and leadership development. Our employees' career paths should be open to lateral as well as vertical movement throughout the Group.
Employee relations	We believe in involving our employees and their union representatives in the development of the company. KONGSBERG recognises employees' freedom of assembly and right to engage in collective bargaining in accordance with the ILO conventions. Where this conflicts with local legislation, local legislation shall have precedence. Where legislation prohibits the right to organise, efforts will be made to apply alternative means of ensuring a good dialogue between management and employees. Every second year, a global job satisfaction survey is conducted to provide feedback on how employees experience working conditions and the working environment.
Diversity	In tandem with growing internationalisation and a global business model, we strive to make KONGSBERG a robust, widely diverse organisation. Our 7,700 employees the world over reflect great diversity and that is important for protecting our market position. We work towards this end in a systematic, goal-oriented manner by recruiting, developing and retaining men and women of various nationalities and all age groups in all types of positions. One of our goals is to recruit more women into managerial positions. This is done *inter alia* by focusing on female talents in our leadership development programmes.

Back

Health and safety	Through our global HR policy, we require that all companies work systematically with HSE to ensure a good working environment, prevent injuries and accidents, and to reduce absence due to illness. HSE work is organised through formal bodies made up of representatives of management and the employees. Each business area, as well as the Group's other entities, has a cooperation structure to deal with legislative and regulatory requirements, as well as with operational needs. We have well-developed HSE routines in our Norwegian operations. All employees in Norway have access to company health services. This varies in accordance with local practices and legislation for our foreign businesses. In Norway, the formal bodies are the works council, joint consultative committees, divisional committees and working environment committees. In addition, *ad hoc* committees are created for special projects. Both management and the employees are represented on these committees. Our international HSE work is based on our global HR policy, and on applicable legislation and regulations in the country in question. Most countries require that a designated HSE manager be assigned responsibility for ensuring compliance with local and national legislation and regulations. KONGSBERG adapts to countries' national public health services and supplements them through special agreements as needed. Employees stationed abroad, their families and travelling personnel are given special attention by the company health service, and offered seminars on the cultural differences. They are also covered by more comprehensive insurance schemes. KONGSBERG does not currently have permanent employees stationed in countries that require special safety measures for employees and their families. In connection with new ventures and the build-up of operations in Nigeria, for example, the necessary security measures are taken. The Group has designated fora that determine how employees can travel as safely as possible all over the world. Travel may not be advised or even be prohibited for political, financial, environmental, safety-related or health-related reasons. We also have routines for how employees should conduct themselves on business trips. HSE data is collected from all companies in the Group and reported to Corporate Executive Management and then the Board of Directors on a quarterly basis. The data are also reported to the appropriate authorities in compliance with statutory requirements in different countries.
Absence due to illness	Systematic efforts are made to follow up absence due to illness. We see that a good working environment, interesting work and good career development opportunities have a positive impact on absence due to illness. See the details on page 141.
Injuries	Injuries and near-accidents are registered in the individual unit and reported to the Group each quarter. See the details on page 141.
Wages	KONGSBERG will reward its employees on the basis of results achieved and desirable conduct. We will be competitive but not a wage leader. Starting salaries will reflect this. With the exception of special positions, all employees in Norway are directly or indirectly covered by collective wage agreements. Wages are adapted to local market conditions in the areas in which we operate.
Retirement age	Retirement age for employees in Norway is 67.

Left: From Zhenjang

Right: From Rio de Janeiro

SYSTEMS OF GOVERNANCE AND KEY FIGURES

Our corporate Code of Ethics • Organisation and systems of governance • Responsible taxation • Climate and environmental accounts 2014 • Targets and activities for sustainability and corporate social responsibility • Key sustainability figures • External reporting • Global Compact • Global Reporting Initiative Index • Auditor's Report 2014

OUR CORPORATE CODE OF ETHICS

KONGSBERG's corporate Code of Ethics expresses our basic attitudes and indicate how we ought to show our fundamental respect for and relate to colleagues, customers and society-at-large. This makes up the backbone for how we conduct our operations, and the code applies regardless of where, when and which of our employees is doing business. This is to be communicated to and understood by all employees, thereby contributing to a strong corporate culture that will help prevent mistakes and irregularities from arising. Well-integrated values and the corporate Code of Ethics make up an important element of our risk management.

KONGSBERG's corporate Code of Ethics applies to the Group's directors, management, employees, casual employees, consultants, market representatives (agents), lobbyists and others who act on behalf of KONGSBERG. Our Code of Ethics emphasises that all employees and the Group's Board of Directors must maintain high ethical standards while performing their duties. The Group has developed special guidelines for its suppliers.

Updating the corporate Code of Ethics

The corporate Code of Ethics is updated to stay abreast of national and international developments. They were updated most recently in 2014.

In-house training

All new employees go through an e-learning programme based on the Group's Code of Ethics. The programme is updated regularly, and consists of an e-learning course and a classroom course for new employees and line supervisors. In addition, a complex training programme has been further developed for the field of ethics, business-related behaviour and special topics for susceptible target groups.

Alerts about circumstances worthy of criticism

The Group has special routines for notification of any breach of the corporate Code of Ethics. Employees have always had the right to issue alerts about circumstances worthy of criticism, and a duty to do so if there is a question of a violation of laws, rules or our corporate Code of Ethics. KONGSBERG will not tolerate that a person who blows the whistle is subject to reprisals/negative reactions. For more details, see www.kongsberg.com.

The Group has two ombudsmen who can provide advice and receive alerts from employees. Internal and external questions about ethics, whistleblowing, etc., may be directed to the Group's Compliance Officer by sending an e-mail to: ethics@kongsberg.com.

In 2014, we received and dealt with a total of nine queries.

There is a web-based alert channel for our employees in the USA and Canada. The website is at https://kongsberg.alertline.com/

Sanctions

The Group has not been fined or subject to other types of sanctions in 2014 due to anti-competitive business practices or failure to comply with legislation or regulations.

ORGANISATION AND SYSTEMS OF GOVERNANCE

KONGSBERG's overall system of governance is closely linked to the 'Norwegian Code of Practice for Corporate Governance'. The following is an overview of systems of governance and organisation linked to sustainability and corporate social responsibility.

Annual General Meeting (AGM)

The Annual General Meeting is the Group's supreme governing body. Here, the shareholders can influence how sustainability and corporate social responsibility are practiced at KONGSBERG.

The Board

The corporate Board of Directors bears the ultimate responsibility for KONGSBERG's ethical behaviour and contribution to sustainable development. The Board adopts the Group's Code of Ethics and Policy for Sustainability and Corporate Social Responsibility, and the Sustainability Report is reviewed and approved by the Board.

The CEO and Corporate Executive Management

Corporate Executive Management bears the ultimate responsibility for implementing the Group's strategy, development and routine work. The CEO is responsible for the content of the Group Policy for Sustainability and Corporate Social Responsibility being followed up, complied with and integrated into the Group's ordinary strategic planning.

The Business Areas

The business areas are responsible for follow up and compliance with policy, targets and governance documents related to sustainability and corporate social responsibility. The practical aspects of the work are usually handled by the four business areas, with support from the Corporate Centre.

Ethics Council

The Group's Ethics Council is to help raise ethical awareness, ensuring good behaviour and KONGSBERG's good reputation. The Ethics Council's mandate is to deal with cases of a principle nature and questions about policies and provisions. The composition of the Ethics Council is subject to Board approval.

Business Conduct Review Board

KONGSBERG has comprehensive guidelines for how we are to comport ourselves in business situations. The guidelines are adopted by the Board, then the Business Conduct Review Board, which is the Group's compliance forum and bears the main responsibility for ensuring compliance.

Forum for Sustainability and Corporate Social Responsibility

The Forum is a link between the business areas, the Corporate Centre and Executive Management on questions of sustainability and corporate social responsibility. Its main responsibility is to help promote, develop and coordinate the Group's efforts in this field.

Climate and the Environment
The Council is a link between the business areas, the Corporate Centre and Corporate Executive Management in respect of questions about climate and the environment. The main responsibility is to help promote, further develop and coordinate the Group's efforts in this field.

Following up CSR in the Supply Chain
The Council is responsible for promoting and further developing the Group's work with corporate social responsibility in the supply chain, for ensuring coordinated skills upgrading, risk assessment and the coordination of audits.

RESPONSIBLE TAXATION

KONGSBERG's international presence and the development of new markets mean that we must comply with a wide variety of tax legislation in many countries. In our opinion, a responsible approach to taxation is decisive for the long-term sustainability of our activities in the countries in which we operate.

This includes identifying and complying with current tax legislation, disclosing all the necessary information to the relevant authorities, and taking prudent tax positions where tax legislation allows different interpretations or choices. The commercial aspects of KONGSBERG's business activities are paramount, and all tax planning should be done with this in mind. A transaction shall only be made if it satisfies the requirements for form as well as content pursuant to the tax legislation of the countries in question. KONGSBERG employs no "artificial" structures in tax havens to avoid paying tax.

At the same time, KONGSBERG has a responsibility to its owners to optimise and manage the tax expenses. Tax legislation may often be worded to stimulate a certain type of behaviour, e.g. to promote certain investments or create local jobs. In such situations, KONGSBERG can take advantage of the opportunities afforded by the rules to reduce its tax expenses.

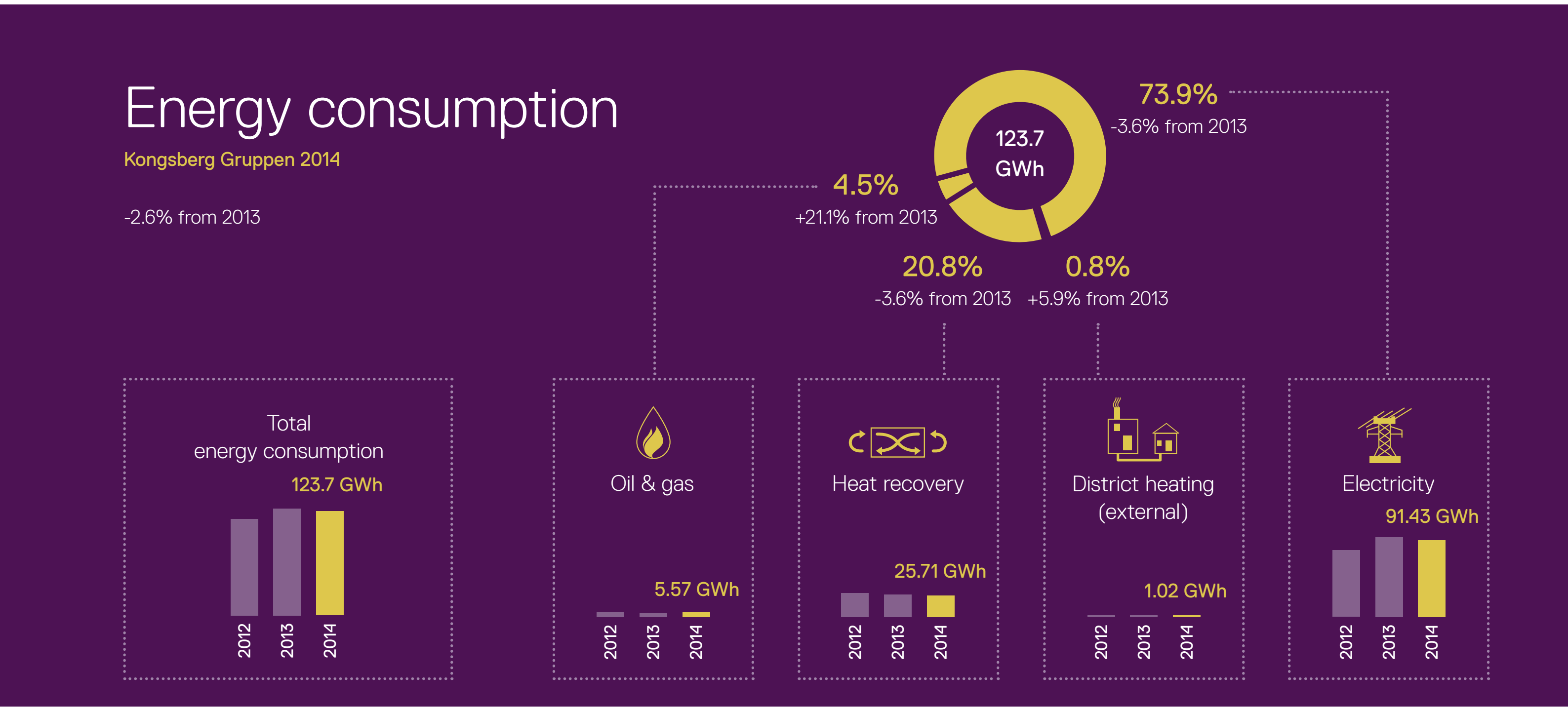
KONGSBERG takes a transparent approach to taxation and our tax positions. Tax reporting complies with applicable local tax legislation, as well as with current reporting requirements and accounting standards such as IFRS.

Back

CLIMATE AND ENVIRONMENTAL ACCOUNTS 2014

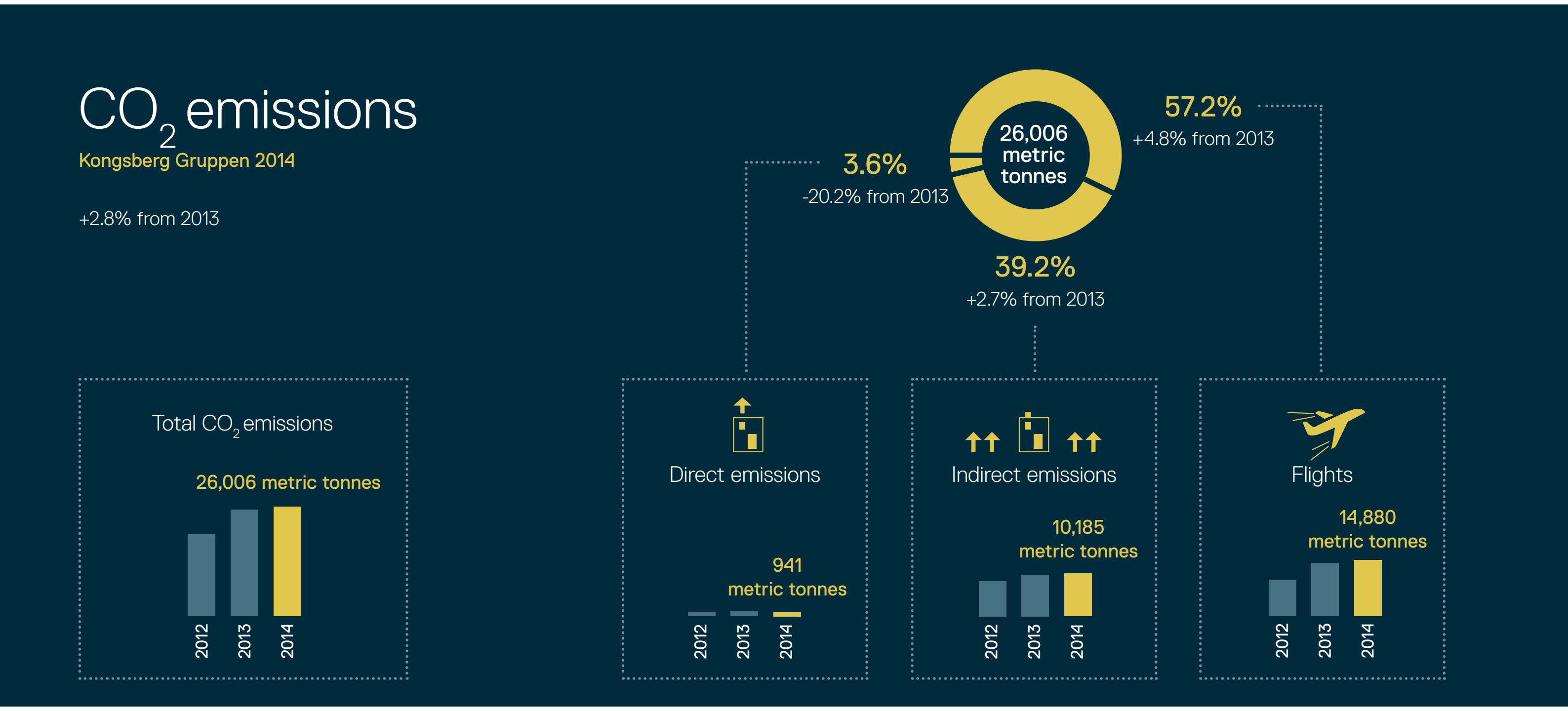
The Environmental Accounts give an overview of KONGSBERG's consumption of energy and water, CO_2 emissions and production of waste. It encompasses all Norwegian units, all production units and major offices abroad.

The accounts for 2014 reflect minor changes relative to 2013 in respect of energy use and waste. CO_2 emissions for 2014 increased slightly relative to 2013. Registered water consumption increased substantially, due to better reporting. Three new units from Kongsberg Maritime (KM Middle East, KM Holland and Simrad SI, Spain) are included in the reporting for 2014.



KONGSBERG uses energy in the form of electricity, district heating, gas and fuel oil. Kongsberg Technology Park makes district heating and remote cooling, gas and compressed air for enterprises located in the technology parks in Kongsberg. About half the production is supplied to other enterprises in the technology park. District heating and remote cooling are produced from electricity, fuel oil, gas and heat recovery. Efficient technology allows us some 25 GWh in savings each year thanks to the heat recovery plant at Kongsberg Technology Park.

Figures: Total energy consumption (GWh) for KONGSBERG. District heating produced at Kongsberg Technology Park is included in the figures for electricity, and oil and gas, as well as heat recovery. District heating (external) refers to district heating delivered to KONGSBERG from external suppliers.



KONGSBERG's CO_2 emissions have been calculated as recommended by the 'Greenhouse Gas Protocol' published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI). The environmental accounts encompass the following sources of CO_2 emissions:

- **Direct emissions (Scope 1):** Emissions from the use of fuel oil and gas to heat buildings, as well as from the production of district heating at Kongsberg Technology Park.
- **Indirect emissions from electricity (Scope 2):** Emissions from the consumption of electricity or district heating or cooling from external suppliers. CO_2 emission factors used for electricity are location-based and pursuant to GHG Protocol Scope 2 Guidance*).
- **Emissions from flights (Scope 3):** Emissions from national and international flights booked in Norway and abroad.

*) **Source:** 2014 data from the Department for Environment, Food & Rural Affairs, UK. http://www.ukconversionfactorscarbonsmart.co.uk/. For Norway, a location-based factor of 50t CO_2/GWh (this emissions factor for Norway has also been used in earlier reporting years).

Emissions of CO_2 were up by 2.8 per cent in 2014, compared with 2013. The Group's growth in recent years through the establishment of many new businesses entails more activity, and not least more flights. The increase in CO_2 emissions is ascribable to a steep increase in the number of flights taken.

Emissions from national and international flights booked in Norway have been included since 2010. For flights ordered outside Norway, reporting is not yet complete. Emissions from flights represented 57 per cent of total CO_2 emissions, increasing by nearly 5 per cent in 2014, compared with 2013.

CO_2 emissions

Metric tonnes [1]	*Change, past year*	*2014*	*2013*	*2012*
Scope 1 (Direct emissions)	**-20.2%**	**941**	**1 179**	**1 004**
Oil and Gas (Business area)		723	585	512
Oil and Gas (Kongsberg Technology Park)		218	594	492
Scope 2 (Indirect emissions)	**2.7%**	**10 185**	**9 921**	**8 393**
Electricity (Business area)		8 071	8 244	7 371
Electricity (Kongsberg Technology Park)		1 523	1 486	865
District heating from external supplier		470	191	157
Remote cooling from external supplier		121		
Scope 3 (Other emissions)	**4.8%**	**14 879**	**14 194**	**10 182**
Flights purchased in Norway		11 144	10 588	10 182
Flights purchased abroad		3 735	3 606	
Total	**2.8%**	**26 006**	**25 294**	**19 579**

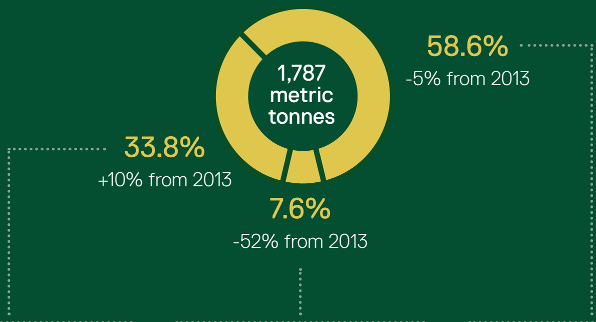
Figures: Emissions of CO_2 (metric tonnes) for KONGSBERG. Emissions from the consumption of fossil fuels for the production of district heating delivered by Kongsberg Technology Park are shown as direct emissions. Indirect emissions include the consumption of electricity and district heating or cooling from external suppliers in the business areas, as well as the consumption of electricity for the production of district heating and remote cooling at Kongsberg Technology Park.

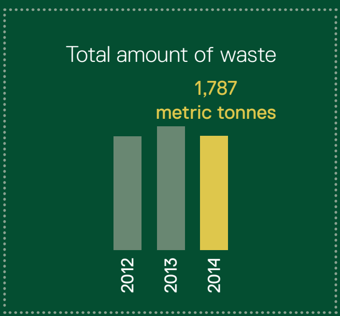
Back

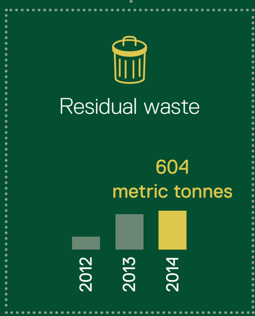
Waste

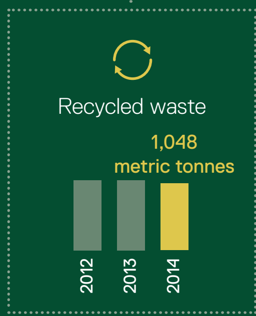
Kongsberg Gruppen 2014

-8% from 2013









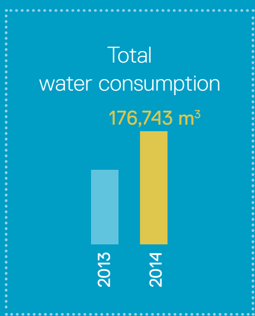
KONGSBERG generates waste from production and from office activities. Waste volumes are part of KONGSBERG's in-house environmental reporting. The report covers generated waste broken down by category of waste and waste for recycling divided by recycling fractions. The total volume of waste for KONGSBERG was reduced in 2014 by 8 per cent from preceding years. Kongsberg Maritime accounts for 70 per cent of total waste, and in 2014, it reduced the volume of waste by 9 per cent compared with 2013. The volume of hazardous waste was cut by half, compared with 2013.

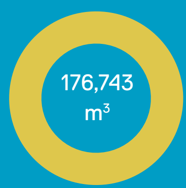
Figures: Total waste production (metric tonnes) at KONGSBERG.

Water

Kongsberg Gruppen 2014

+52% from 2013





Water is the lifeblood of all life on earth. It is absolutely decisive for sustaining eco-systems and keeping the earth's environment in balance. Meanwhile, access to clean water is in short supply many places. Getting access to clean water is and will increasingly be one of the main challenges facing sustainable value creation. What is more, flooding and droughts are growing global problems. The UN's World Water Development Report 3 points out that initiatives are needed urgently if we are to avert a global water crisis. Population growth, rising consumption and climate change are three of the main explanations for this serious situation.

For 2014, KONGSBERG has improved its reporting. Forty units have reported water use in 2014, compared with 31 in 2013. Total reported water use is 176,743 cubic metres water, which is an increase of 52 per cent from 2013. There is still considerable uncertainty attached to the reports.

TARGETS AND ACTIVITIES FOR SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Group attaches great importance to sustainability and CSR, with added attention being paid by executive management and the Board. The activities marked with or continue to be targets, but final implementation is taking some time. Activities with a were completed on schedule. All the activities will continue to be high-priority areas in 2015.

What we said – Activities	Targets 2014	What we did – Status	
Policy			
Implement activities in conjunction with the Policy for Sustainability and CSR, including assessing risks and opportunities related to global megatrends	• Assess business-related opportunities related to sustainable product development • Analysis of global megatrends compared with our "license to operate"	• Pointed out strategic main segments for sustainable product development • Started analyses of risks related to global mega-trends compared with our "license to operate"	
Anti-corruption			
Further develop policies and routines	• Ongoing activity pursuant to action plans • External assessment of the anti-corruption programme, seen in the light of the charge in the corruption case in Romania	• Our routines for "integrity due diligence" on the use of market representatives have been updated, and we have published an anti-corruption guide" • EY (Ernst&Young) evaluated our anti-corruption programme against Norwegian and international legislation and frameworks in 2014, and found it to be satisfactory	
Perform risk analyses, relevant action plans and audits to mitigate risk	• Ongoing activity pursuant to plans of action	• Adequate action plans carried out both in the business areas and at the corporate level	
Further develop and carry out continuous training	• Ongoing activity pursuant to training programmes	• The training programme was carried out both in the business areas and at the corporate level	
Routines for sustainability and corporate social responsibility			
Remaining work associated with drawing up and implementing routines and human resource development in connection with acquisitions, venture creation, product development, new buildings, other proprietary activities, etc.	• Implement routines associated with acquisitions • Compile other routines	• Routines related to acquisitions have been implemented • The preparation of other routines has been postponed until 2015	
Human and labour rights			
Draw up routines for analysis, control and the reporting of possible abuses of human rights	• Implement pursuant to action plans	• Routines have been drawn up, implemented on schedule	
Suppliers			
Implement routines and processes for following up suppliers with a view to CSR	• Ongoing activities in accordance with action plans	• Routines and processes have been incorporated by most units – slight delay in implementation	
Follow up the implementation of CSR audits and dialogue with suppliers	• Ongoing activities in accordance with action plans	• Conducted somewhat more audits than in preceding years	
Climate strategy			
Follow up specific initiatives	• Ongoing activity and start work towards new targets	• Project New Climate Strategy defined, kick-off February 2015	
Identify new initiatives related to the climate strategy and policy for sustainability and CSR	• Work done in 2014 and 2015 • Better quality reporting • Identify significant sources of climate influences • Initiate measures to reduce our environmental footprint • Start the work to identify our products' positive influences for reducing greenhouse gas emissions	• Being done due to the new climate strategy • Switched to new reporting tools • Postponed until 2015 in connection with drawing up the new climate strategy • Many minor initiatives implemented • Postponed until 2015 in connection with drawing up the new climate strategy	
Stakeholder dialogue			
Implement systematic dialogue with stakeholders related to CSR	• Greater focus on this work in 2014	• Dialogue meetings held	

The targets for 2015 will be in furtherance of the areas of focus we have had in 2014

Activities	Targets for 2015 – 1 year	Targets for 2017 – 3 years	Targets for 2019 – 5 years
Policy			
Follow up the intentions in the Policy for Sustainability and CSR, including assessments of risk and opportunities related to global megatrends	• Continue innovation work related to the two main strategic areas for sustainable product development • Assess the risk related to global megatrends compared with a "license to operate"	• Evaluate and further develop innovation work related to "the green revolution" • Implement measures to curb risk	• Evaluate and further develop • Implement measures for adapting to and curbing risk
Anti-corruption			
Continue communication about taking a clear position against corruption in all forms.	• Further develop routines and tools for risk assessment, and the approval and follow up of business partners.	• Further develop and maintain: · Communications internally and externally about our attitude to corruption · Policies and routines · Risk analyses · Action plans · Reporting · Training · Collaboration with external parties • External evaluation of compliance and the anti-corruption programme.	• Further develop and maintain: · Communications internally and externally about our attitude to corruption · Policies and routines · Risk analyses · Action plans · Reporting · Training · Collaboration with external parties
Further develop and maintain in-house policies and routines.	• Further develop internal routines for investigations and follow up of individual cases.		
Carry out risk analyses, internal controls and audits to confirm compliance with legislation, regulations and internal routines. Implement risk reduction measures as needed.	• Revise and distribute e-training programmes for ethics and compliance for all employees.		
Further develop and carry out continuous training	• Implement training programmes for new employees, new line supervisors, management and susceptible sales staff in marketing, procurements, etc.		
Further develop good forms of cooperation with business partners and other external parties.			
Routines for sustainability and corporate social responsibility			
Draw up and implement routines in connection with venture creation, new buildings and product development.	• Draw up and implement routines for establishing ventures in new geographical areas and routines for erecting new buildings	• Implement routines for sustainable product development	• Maintain, evaluate and further develop routines for sustainability and CSR
Human rights and labour rights			
Implement routines for analysis, control and the reporting of possible abuses of human rights	• Implement due diligence for all larger units and overall Corporate risk	• Maintain, evaluate and further develop routines – implement necessary due diligence	• Maintain, evaluate and further develop the routines – implement necessary due diligence
Suppliers			
Implement routines and processes for follow up of suppliers relative to sustainability and CSR	• Implement routines and processes for all units in the Group • Follow up of the action plans that have been drawn up for each business area	• Maintain, evaluate and further develop routines, processes and engimplementation	• Maintain, evaluate and further develop routines, processes and implementation
Climate and environmental strategy			
Draw up a new climate and environmental strategy	• Draw up a new climate and environmental strategy	• Follow up initiatives and activities described in the climate and environmental strategy	• Follow up initiatives and activities described in the climate and environmental strategy
Climate and environmental accounts	• Better quality data reported on the climate and the environmental accounts		
Stakeholder dialogue			
Implement systematic dialogues with stakeholders related to sustainability and CSR	• Assess the new approach – draw up a strategy-policy for dialogue	• Implement in accordance with the strategy-policy	• Implement in accordance with the strategy-policy

KEY SUSTAINABILITY FIGURES

Financial value added

MNOK	2014	2013	2012	2011	2010	2009	2008
Added value							
Payroll expenses	4 537	4 304	3 894	3 515	3 172	3 003	2 561
Share dividend	1 110	630	450	450	450	240	165
Interest to lenders	30	43	37	35	41	115	93
Retained earnings	(230)	595	854	980	1 050	558	422
Other key financial figures							
Goods and services purchased (approx.)	8 817	7 918	8 300	8 300	9 500		
Government Subsidy	21	14	16	17	29		
Taxes							
Norway	291	332	416	513	528	270	210
Rest of Europe	27	11	14	17	18	23	21
North and South America	50	55	32	24	26	19	26
Asia	37	21	43	24	25	29	17
Total	**405**	**419**	**505**	**578**	**597**	**341**	**274**

The Board of Directors will propose a dividend for 2014 of NOK 9.25 (5.25) per share to the AGM. The dividend consists of NOK 4.25 per share as an ordinary dividend and NOK 5.00 per share as an extraordinary dividend. Providing the proposal is adopted at the AGM on 7 May 2015, the dividends will be paid as follows if the ownership structure is the same as at 28 February 2015.

MNOK	2014	2013	2012	2011	2010	2009	2008
Dividends							
Norwegian State	555.0	315.0	225.0	225.0	225.0	120.0	82.5
Organisations/enterprises	191.0	111.8	90.6	97.4	97.6	56.4	40.4
Securities funds	107.1	63.7	47.1	45.2	48.4	27.6	16.9
Insurance/pension funds	59.1	34.0	25.0	25.0	24.4	12.5	9.5
Private individuals	52.8	29.2	20.9	19.9	20.2	12.0	7.3
Foreign owners	145.0	76.3	41.4	37.5	32.6	11.5	8.4
Total	**1 110**	**630.0**	**450.0**	**450.0**	**450.0**	**240.0**	**165.0**

Social investments

MNOK	2014	2013	2012	2011	2010	2009	2008
Financial support to organisations, etc.	8.8 1)	7.3	6.7	3.0	3.0	2.9	2.0

1) Including the sponsorship of three professorships at NTNU and Buskerud/Vestfold University College.

Employees

	2014	2013	2012	2011	2010	2009	2008
Level of education							
Master's degree or more (%)	28	29	28	26	28	29	
– of which, doctorates (PhD)	1	1	2				
Bachelor's degree (%)	36	34	36	35	35	33	
Technicians (%)	14	14	14	14	11	12	
Production workers %	11	11	10	12	13	13	
Other	11	11	12	12	13	13	
Number of employees							
Number of employees, total	7 726	7 493	7 259	6 681	5 681	5 423	5 243
Number of full-time employees	7 470	7 171	7 003	6 393	5 442	5 195	5 015
Number of part-time employees	256	322	256	286	239	228	228
Age							
Average age	41	41	40	42	42	42	42
Employees under age 30 (%)	21	21	22	21	19	19	17
Employees between ages 30 and 50 (%)	55	56	55	55	57	55	56
Employees over age 50 (%)	24	23	23	23	24	26	27
Percentage of women							
Women as a % of the number of employees	20,9	21.4	21.2	20.9	19.5	18.8	19.5
Women in managerial positions as a % of total managerial positions	18	21	19	14	13	15	13
Shareholder-elected women on the Board (%)	40	40	40	40	40	40	40
Turnover							
Turnover (employees who have resigned)	516	587	459	424	346	250	222
Turnover (%)	6.7	7.8	6.3	6.4	6.1	4.6	4.2
– Men	5.5	5.9	5.2	4.4	4.9	3.4	3.0
– Turnover, men of the total number of men	6.9	-	-	-	-	-	-
– Women	1.2	1.9	1.1	2.0	1.2	1.2	1.2
– Turnover, women of the total number of women	5.8	-	-	-	-	-	-

Health and safety

	2014	2013	2012	2011	2010	2009	2008
Absence due to illness as a % of est. hours of work	2.6	2.5	2.4	2.2	2.5	2.6	2.4
Absence due to illness for the Norwegian companies	3.0	3.1	2.8	2.8			
Number of recordable injuries per million hours (TRI)	4.7	3.7	1.5	1.7	6.3	5.5	3.5
Injury severity rate (number of days lost per one million man hours worked) (ISR)	45.3	15.6	13.6	1.1	22.3	58.2	5.6
Total number of injuries among employees	240	86	54				
Total number of near-accidents among employees	140	158	78				
Registered occupational diseases	0	0	0				
Registered work-related fatalities	0	0	0				

Climate and the environment

	2014	2013	2012	2011	2010	2009	2008
CO_2 emissions							
CO_2 emissions *(thousand metric tonnes)*[2)3)]	26 006	25 294	19 579	22 747	20 005	12 980	7 801
Energy consumption							
Electricity *(MWh)*[1)]	91 428	94 802	79 218	77 625	66 256	57 053	46 895
Gas/oil *(MWh)*	5 572	4 601	6 092	13 257	12 968	21 324	14 464
District heating *(MWh)*[1)]	16 575	20 342	20 844	20 041	23 903	1 739	1 208
Energy consumption *(MWh)* per employee	16.0	16.0	14.6	16.6	18.2	15	12
Energy consumption (MWh/MNOK)	7.5	7.4	7.4	7.2	6.7	5.8	5.8
Waste *(metric tonnes)*							
Waste for recycling	1 048	1 100	1 100	1 191	1 330	827	717
Residual waste	604	550	200	131	265	594	511
Hazardous risk	136	285	484	300	177	52	28
Water *(m^3)*							
Water consumption (process water and sanitation water)	176 743	115 968					

1) As from 2010, the reported breakdown between Kongsberg Technology park and the business areas changed so that the figures are not directly comparable with previous years.
2) Since 2010, air travel has been included in the corporate environmental accounts.
3) Most of the flights ordered by our international locations are included in the CO_2 accounts for 2013, accounting for a significant share of the increase from 2012 to 2013.

Left: New eco-friendly 40,000 sq. ft. facility in Pocasset, Massachusetts

Right: From the energy centre for district heating, remote cooling and heat recovery at Kongsberg Technology Park.

Back

EXTERNAL REPORTING

KONGSBERG also reports to various external organisations. We do this to ensure that the information we provide is structured, transparent and relevant in the light of international guidelines for reporting sustainability.

Global Reporting Initiative (GRI)
GRI is a voluntary international framework for how companies should report on their work with corporate social responsibility and their vision and strategy for sustainable development. KONGSBERG has reported pursuant to the GRI index since 2004.

FNs Global Compact
The Global Compact is the UN's initiative for cooperating with business and industry to promote sustainable development. The initiative was taken by then UN Secretary-General Kofi Annan in 1999. The principles consist of 10 points related to human rights, labour rights, the environment and anti-corruption. KONGSBERG joined the initiative in 2006.

Carbon Disclosure Project (CDP)
CDP is an international framework that encourages companies to measure and report externally on the company's strategy in relation to climatic change and to publish the figures for the company's emissions of greenhouse gases. KONGSBERG has reported to CDP since 2011.

GLOBAL COMPACT

Topic	*GC Principles*		*Relevant GRI indicators**	*References 2014, page*
Human rights	Principle 1	Support and respect the protection of internationally proclaimed human rights	EC5, LA4, LA6–9; LA13–14, HR1–9, SO5, PR1–2, PR8	108–109, 124, 126, 128, 133, 138–139
	Principle 2	Make sure the company is not complicit in human rights abuses	HR1–9, SO5	126, 128, 133, 138–139
Labour rights	Principle 3	Uphold the freedom of association and the right to collective bargaining	LA4–5, HR1–3, HR5, SO5	108–109, 124, 126, 128–130
	Principle 4	Uphold the elimination of all forms of forced and compulsory labour	HR1–3, HR7, SO5	126, 128
	Principle 5	Abolish child labour	HR1–3, HR6, SO5	126, 128
	Principle 6	Eliminate discrimination in respect of employment and occupation	EC7, LA2, LA13–14, HR1–4, SO5	21–22, 126, 128–130
Environment	Principle 7	Support a precautionary approach to environmental challenges	EC2, EN18, EN26, EN30, SO5	108–109, 124, 127, 138–139
	Principle 8	Undertake initiatives to promote greater environmental responsibility	EN1–30, SO5, PR3–4	108–109, 124, 127, 138–139
	Principle 9	Encourage the development and diffusion of environmentally friendly technologies	EN2, EN 5–7, EN 10, EN 18, EN 26–27, EN30, SO5	119–122, 124, 127
Anti-corruption	Principle 10	Work against corruption in all its forms, including extortion and bribery	SO2–6	18, 108–109, 124–125, 128, 132–133, 138–139

* UN Global Compact (2007), "Making The Connection – The GRI Guidelines and the UNGC Communication on Progress", page 15. For more information about Global Compact, see www.globalcompact.org

GLOBAL REPORTING INITIATIVE INDEX (GRI)

On the following pages, we list the GRI indicators with references to where the topics are discussed in the report, whether they are wholly or partially answered in respect of GRI. For a complete description of the individual indicators, please see GRI's website at www.globalreporting.org.

Deloitte has verified that our Report on Corporate Social Responsibility is generally in compliance with GRI's reporting principles and that the reporting satisfies level B+ pursuant to the guidelines, cf. the Auditor's Report, page 148.

NR = Not relevant NA = Not addressed PA = Partly addressed Additional indicators are marked by (*)

Indicator		See page(s)
	Profile	
1	**Strategy and analysis**	
1.1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability strategy	108-109
1.2	Description of key impacts, risks, and opportunities in relation to sustainability	108-109, 115, 118-122, 124-128
2	**Organisational profile**	
2.1	Name of the organisation	1, 89
2.2	Primary brands and products	1-2, 6-7
2.3	Organisation	6-7
2.4	Location of organisation's headquarters	89, 110
2.5	Number of countries where the organisation operates	6-7, 110-114
2.6	Nature of ownership and legal form	89
2.7	Markets served (including geographical breakdown, sectors served and types of customers/beneficiaries)	6-7, 110-114
2.8	Key numbers	Cover, 1, 6-7, 9, 140-142
2.9	Significant changes regarding size, structure, or ownership	106
2.10	Awards received in the reporting period	None
3	**Report parameters**	
	Report profile	
3.1	Reporting period for information provided	106
3.2	Date of most recent previous report	2013
3.3	Reporting cycle	Annual
3.4	Contact point for questions regarding the report or its contents	148
	Report scope and boundary	
3.5	Process for defining report content	106
3.6	Boundary of the report	106
3.7	State any specific limitations on the scope or boundary of the report	106, 124-128, 135-137

Indicator		See page(s)
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations	106, 135-137
3.9	Data measurement techniques and the bases of calculations	106, 135-137
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement	106, 135-137
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	106, 135-137
3.12	Table identifying the location of the Standard Disclosures in the report (GRI Index)	144-146
	Third-party verification	
3.13	Policy and current practice with regard to seeking external assurance for the report	147
4	**Governance, commitments, and engagement**	
4.1	Governance structure of the organisation, including committees under the highest governance body	90-99, 133
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	90-99
4.3	State the number of members of the highest governance body that are independent and/or non-executive members	90-99
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	90-99, 133
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organisation's performance	66-69, 90-99
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	90-99

Indicator		See page(s)
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics	90-99
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	126-130, 132
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance	20-22, 90-99, 106, 133
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	90-99
	Commitments to external initiatives	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation	124, 127
4.12	Externally developed economic, environ-mental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses	106-107, 125-130, 143
4.13	Memberships in associations (such as industry associations) and/or national/ international advocacy organizatons in which the organisation: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership	107, 116, 125, 143
	Stakeholder engagement	
4.14	List of stakeholder groups engaged by the organisation	106-107, 115-117, 128-130
4.15	List of stakeholder groups engaged by the organisation Basis for identification and selection of stakeholders with whom to engage	106-107, 115-117, 128-130 (PA)
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	115-119, 128-130, 138 (PA)
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	115-117, 128-130 (PA)
	Economic performance indicators	
	Management approach	108-109, 124-125, 132-134
	Economic performance	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	110-114, 140
EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	119-122, 127

Indicator		See page(s)
EC3	Coverage of the organisation's defined benefit plan obligations	42-46
EC4	Significant financial assistance received from government	140
	Market presence	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation*	130 (PA)
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation*	110-114, 128 (PA)
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	129 (PA)
	Indirect economic impacts	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	NA
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts*	110-114, 119-122, 128 (PA)
	Environmental performance indicators	
	Management approach	20-21, 108-109, 124, 127, 133, 138-139
	Materials	
EN1	Materials used by weight or volume	NA
EN2	Percentage of materials used that are recycled input materials	NA
	Energy	
EN3	Direct energy consumption by primary energy source	135, 142
EN4	Indirect energy consumption by primary source	135 (PA)
EN5	Energy saved due to conservation and efficiency improvements*	135 (PA)
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	121-122, 135
EN7	Initiatives to reduce indirect energy consumption and reductions achieved*	127, 138-139 (PA)
	Water	
EN8	Total water withdrawal by source	137
EN9	Water sources significantly affected by withdrawal of water*	NA
EN10	Percentage and total volume of water recycled and reused*	NA
	Biodiversity	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NA
EN12	Description of significant impacts of activ-ities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	NR
EN13	Habitats protected or restored*	NR

Indicator		See page(s)
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity*	NR
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk*	NR
	Emissions, effluents and waste	
EN16	Total direct and indirect greenhouse gas emissions by weight	136, 142
EN17	Other relevant indirect greenhouse gas emissions by weight	NA
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved*	127, 136, 138-139
EN19	Emissions of ozone-depleting substances by weight	NA
EN20	NOx, SOx, and other significant air emissions by type and weight	NA
EN21	Total water discharge by quality and destination	NA
EN22	Total weight of waste by type and disposal method	137, 142
EN23	Total number and volume of significant spills	21
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally*	NA
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff*	NR
	Products and services	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	NA
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	NA
	Compliance	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with None environmental laws and regulations registered transport	None registered
	Transport	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce*	136 (PA)
	Overall	
EN30	Total environmental protection expenditures and investments by type*	NA
	Labour practices and decent work performance indicators	
	Management approach	21-22, 108-109, 124, 129-130, 133
	Employment	
LA1	Total workforce by employment type, employment contract, and region	21, 110-114, 141

Indicator		See page(s)
LA2	Total number and rate of employee turnover by age group, gender, and region	141
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations*	NA
LA4	Percentage of employees covered by collective bargaining agreements	130 (PA)
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	NA
	Occupational health and safety	
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety-programs*	130 (PA)
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	130, 141
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	129-130 (PA)
LA9	Health and safety topics covered in formal agreements with trade unions*	129-130 (PA)
	Training and education	
LA10	Average hours of training per year per employee by employee category	NA
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings*	129-130
LA12	Percentage of employees receiving regular performance and career development reviews*	NA
	Diversity and equal opportunity	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	21-22, 141
LA14	Ratio of basic salary of men to women by employee category	NA
	Human rights performance indicators	
	Management approach	20, 108-109, 124, 126, 128, 133, 138-139
	Investment and procurement practices	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	NA
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	128 (PA)
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained*	126, 128 (PA)

Indicator		See page(s)
	Nondiscrimination	
HR4	Total number of incidents of discrimination and actions taken	126
	Freedom of association and collective bargaining	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	129 (PA)
	Child labour	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	126
	Forced and compulsory labor	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	126
	Security practices	
HR8	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations*	126 (PA)
	Indigenous rights	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken*	126
	Society performance indicators	
	Management approach	20, 108-109, 115, 124-125, 132-133
	Community	
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	NA
	Corruption	
SO2	Percentage and total number of business units analyzed for risks related to corruption	125, 138-139
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	132, 138-139
SO4	Actions taken in response to incidents of corruption	18, 109, 125, 132
	Public policy	
SO5	Public policy positions and participation in public policy development and lobbying	NA
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country*	NA
	Anti-competitive behavior	
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes*	132
	Compliance	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	18, 125, 132

Indicator		See page(s)
	Product responsibility performance indicators	
	Management approach	108-109, 119, 124, 127
	Customer health and safety	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	NA
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes*	NA
	Product and service labeling	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	NA
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes*	NA
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	NA
	Marketing communications	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	NA
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes*	None registered
	Customer privacy	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data*	None registered
	Compliance	
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	None registered

Back

AUDITOR'S REPORT 2014

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel: +47 23 27 90 00
Fax: +47 23 27 90 01
www.deloitte.no

To the management of Kongsberg Gruppen

INDEPENDENT AUDITOR'S REPORT ON THE KONGSBERG SUSTAINABILITY REPORT 2014

We have reviewed certain information presented in the KONGSBERG Sustainability Report 2014 ("the Report"), presented on pages 104 – 148 in the KONGSBERG – Annual and Sustainability Report 2014. The Report is the responsibility of and has been approved by the management of the Company. Our responsibility is to draw a conclusion based on our review.

We have based our work on the international standard ISAE 3000 "Assurance Engagements other than Audits and Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. The objective and scope of the engagement were agreed with the management of the Company and included the subject matters on which we provide our conclusion below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have conducted interviews of managers responsible for sustainability aspects at corporate and at Kongsberg Maritime Strandpromenaden Horten (Norway), as well as comparing reported data with source documentation for this unit and for the reporting units Kongsberg Maritime China Jiungsu (China) and Kongsberg Gallium (Canada).

We believe that our work provides an appropriate basis for us to draw a conclusion with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

Conclusions
Based on our review, nothing has come to our attention causing us not to believe that:

- Kongsberg Gruppen has applied procedures to collect, compile and validate sustainability information for 2014 from its reporting units to be included in the Report, as summarised on pages 106 – 107. Information presented for 2014 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- Data reported for 2014 from the reporting units specified above, has been reported according to the procedures noted above and is consistent with source documentation presented to us.
- Information about attainment of targets, as presented on page 138, appropriately reflects performance related to the objectives for 2014.
- The Report fulfils the content requirements for reporting in regards to sustainability as stated in the (Norwegian) Accounting Act, § 3-3c, article one.
- Kongsberg Gruppen applies a reporting practice for its sustainability reporting that is aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (version 3.1) reporting principles and the reporting fulfils Application Level B+ according to the GRI guidelines. The GRI Index presented on pages 144 – 147 appropriately reflects where relevant information on each of the elements and performance indicators of the GRI guidelines is presented. The Company's reporting on the UN Global Compact is consistent with the description on page 107 and the UN Global Compact table presented on page 143 appropriately reflects where relevant information on each of the UN Global Compact principles is presented in the Report.

Oslo, 20 March 2015
Deloitte AS

Eivind Skaug
State Authorized Public Accountant (Norway)

Frank Dahl
Deloitte Sustainability

FINANCIAL CALENDAR

Presentation of quarterly results
Q1 2015 – 30 April
Q2 2015 – 21 August
Q3 2015 – 30 October

Annual General Meeting – 7 May

Ticker kode: KOG (Oslo Stock Exchange)

INVESTOR RELATIONS, CONTACTS

Jan Erik Hoff
Vice President Investor Relations and Reporting
Telephone: (+47) 32 28 83 30
Mobie phone: (+47) 991 11 916
E-mail: jan.erik.hoff@kog.kongsberg.com

Tor Egil Kili
Manager Investor Relations
Telephone: (+47) 32 28 90 29
Mobile phone: (+47) 982 14 019
E-mail: tor.egil.kili@kog.kongsberg.com

ADDRESSES

The Group is headquartered in Kongsberg, Norway

Kongsberg Gruppen ASA
Street address
Kirkegårdsveien 45
NO-3616 Kongsberg

Mailing address
P.O. Box 1000
NO-3601 Kongsberg, Norway
Telephone: (+47) 32 28 82 00
Telefax: (+47) 32 28 82 01
E-mail: office@kongsberg.com

Org. no. 943 753 709

www.kongsberg.com

Kongsberg Maritime AS
Street address
Kirkegårdsveien 45
NO-3616 Kongsberg

Mailing address
P.O. Box 483
NO-3601 Kongsberg, Norway
Telephone: (+47) 32 28 50 00
Telefax: (+47) 32 28 50 10
E-mail: km.office@kongsberg.com

Kongsberg Defence Systems
Street address
Kirkegårdsveien 45
NO-3616 Kongsberg

Mailing address
P.O. Box 1003
NO-3601 Kongsberg, Norway
Telephone: (+47) 32 28 82 00
Telefax: (+47) 32 28 86 20
E-mail: kda.office@kongsberg.com

Kongsberg Protech Systems
Street address
Kirkegårdsveien 45
NO-3616 Kongsberg

Mailing address
P.O. Box 1003
NO-3601 Kongsberg, Norway
Telephone: (+47) 32 28 82 00
Telefax: (+47) 32 28 86 20
E-mail: kps.marketing@kongsberg.com

Kongsberg Oil & Gas Technologies
Street address
Drengsrudbekken 12
NO-1383 Asker

Mailing address
P.O. Box 451
NO-1373 Asker, Norway
Telephone: (+47) 67 80 48 00
Telefax: (+47) 67 80 48 30
E-mail: kogt.sales@kongsberg.com

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY, CONTACT

Nils Molin
Group Vice President Sustainability & CSR
Telephone: (+47) 32 28 64 01
Mobile phone: (+47) 920 60 113
E-mail: nils.molin@kog.kongsberg.com

Design: Kikkut/Bakerman. **Print:** RK Grafisk.
Photos: KONGSBERG, Einar Aslaksen, Forsvarets mediesenter (Simen Rudi, Torbjørn Kjosvold), Kilian Munch, Tom Reynolds, Glogerfestivalen, Fred Jonny, Statoil (Anne-Mette Fjærli, Alan O Neill), ESA-P.Carril, GettyImages, Dreamstime (Raldi), Dan Cutrona
Sustainability Report, translation to English: Linda Sivesind, Informatic Translations.
Disclaimer: In the event of any discrepancy between the Norwegian and English versions of KONGSBERG's Annual Report and Sustainability Report, the Norwegian version is the authoritative one.

Kongsberg Gruppen ASA
Kirkegårdsveien 45
P.O. Box 1000
NO-3601 Kongsberg
Norway
Telephone: (+47) 32 28 82 00
E-mail: office@kongsberg.com

www.kongsberg.com

WORLD CLASS – through people, technology and dedication