KONGSBERG

ANNUAL REPORT AND SUSTAINABILITY REPORT 2020

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01
YEAR 2020

Key Figures 2020

MNOK	*2020*	*2019*[3]	*2018*[3]	*2017*	*2016*	*2015*	*2014*	*2013*	*2012*	*2011*
SALES										
Revenues	25 612	23 245	13 807	14 490	15 845	17 032	16 613	16 323	15 652	15 128
New orders	28 818	31 413	15 879	13 430	14 319	15 238	22 097	15 043	14 605	15 016
Order backlog	35 947	32 347	16 707	15 629	16 914	19 597	21 020	15 687	16 523	17 839
Book-to-bill ratio	1.12	1.35	1.15	0.9	0.9	0.9	1.3	0.9	0.9	1.0
PERFORMANCE										
Earnings before interest, taxes, depreciation and amortisation (EBITDA)[1]	3 250	2 113	1 126	1092	988	1 697	1 998	2 142	2 294	2 385
Earnings before interest and taxes (EBIT)[1]	1 905	1 029	701	585	462	857	1 196	1 659	1 840	2 026
Earnings before taxes (EBT)	1 855	833	780	654	729	944	1 285	1 644	1 809	1 991
Earnings after tax	2 932	717	704	559	651	755	880	1 225	1 304	1 418
PROFITABILITY										
EBITDA % [4]	12.7%	9.1%	8.2%	7.5%	6.2%	10.0%	12.0%	13.1%	14.7%	15.8%
EBIT % [4]	7.40%	4.4%	5.1%	4.0%	2.9%	5.0%	7.2%	10.2%	11.8%	13.4%
BALANCE SHEET										
Equity	13 301	12 810	12 626	7 365	6 725	6 127	6 282	6 657	6 274	5 484
Equity ratio % [5]	33.9%	32.8%	45.70%	35.60%	31.7%	32.0%	31.0%	38.2%	38.6%	351%
Net interest-bearing debt	(3 949)	(1 565)	(5 706)	384	2 195	(941)	(3 551)	(1 935)	(1 198)	(2 191)
Working capital[1]	(458)	17	(14)	955	2 533	2 698	155	775	1 000	(644)
ROACE[1]	20.8%	10.0%	12.5%	9.1%	8.2%	21.8%	35.9%	32.5%	36.3%	51.6%
EMPLOYEES										
Number of employees, total	10 689	10 793	6 842	6 830	7 159	7 688	7 664	7 493	7 259	6 681
Number of reported injuries per million hours worked (TRI)	1.7	2.3	1.6	3.2	3.5	4.1	4.7	3.7	1.5	1.7
Number of lost time days per million hours worked (ISR)	21.2	31.4	17.6	16.2	32	14.2	45.3	15.6	13.6	1.1
THE ENVIRONMENT[2][5]										
Energy consumption (GWh)	167.1	178.4	131.2	124.4	122.8	119.35	123.7	127	114.7	108.9
CO_2 emissions (metric tonnes)	40 619	74 114	35 466	32 517	33 464	39 268	26 006	25 294	19 579	22 747
Waste (metric tonnes)	7 420	7 830	1 888	1 884	1 986	2 368	1 788	1 935	1 784	1 622
OWNERS' VALUE										
Market capitalisation	31 714	24 839	21 167	18 120	14 940	17 400	14 760	15 300	14 940	13 920
Earnings per share after tax (EPS) in NOK	16.08	3.89	5.58	4.62	5.44	6.23	7.28	10.24	10.91	11.83
P/E in NOK	10.82	34.64	30.2	32.70	22.95	23.05	16.77	12.49	11.46	9.82
Dividend per share in NOK[6]	8.0	12.5	2.5	3.75	3.75	4.25	9.25	5.25	3.75	3.75

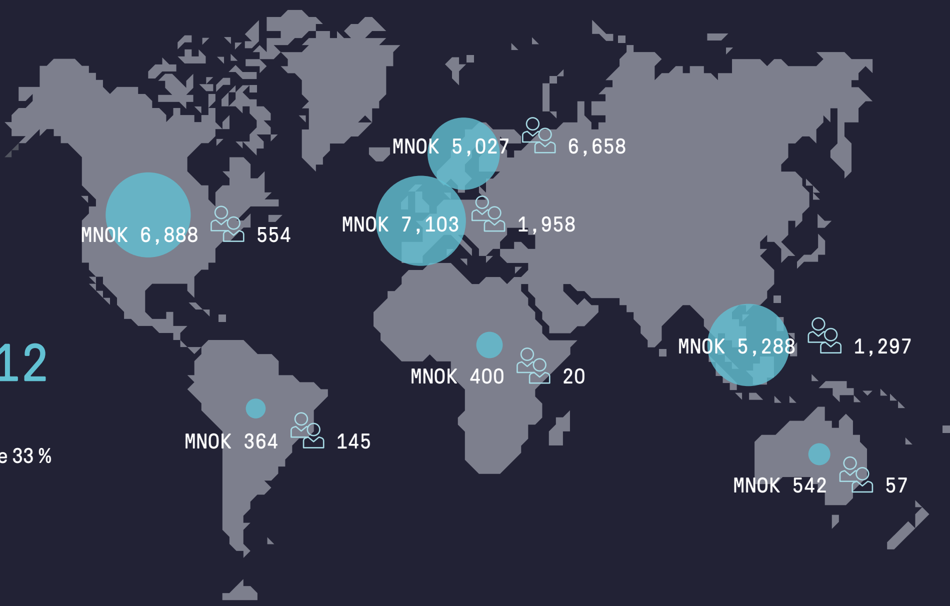
1) See Note 34 for definitions.
2) See Climate and Environmental Accounts page 52 for comparable figures.
3) Figures in the income statement, orderintake and order backlog for 2019 and 2018 are adjusted for discontinued operations. Comparable figures earlier years are not adjusted.
4) Profit share from joint ventures are no longer included in EBITDA and EBIT. Compareable figures are adjusted.
5) Figures for 2019 have been corrected.
6) Proposed dividend per share for 2020 is NOK 8.00, whereof NOK 5.00 is on top of the dividend policy.

KEY FIGURES – KONGSBERG

REVENUES

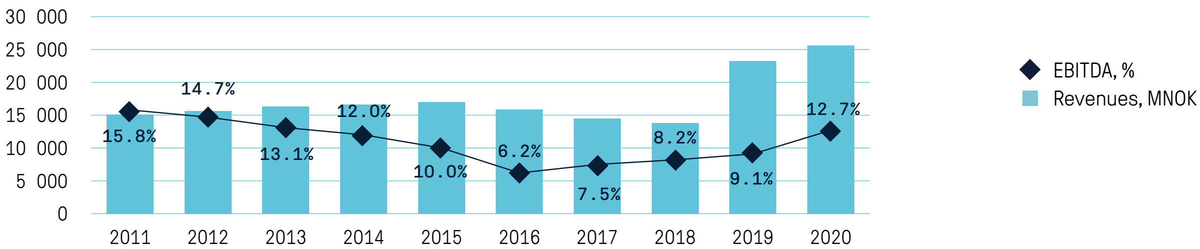
MNOK 25,612

Kongsberg Defence & Aerospace 33 %
Kongsberg Maritime 64 %
Øvrig virksomhet 3 %



EBITDA MNOK 3,250	EBIT MNOK 1,905	PROFIT FOR THE YEAR MNOK 2,932
PROPOSED DIVIDEND PER SHARE NOK 8.00[3)]	EARNINGS PER SHARE AFTER TAX NOK 16.08	MARKET CAPITALISATION MNOK 31,714

HISTORICAL DEVELOPMENT[1)2)]



1) Figures for income statement for 2019 and 2018 are adjusted for disposed companies. Comparable figures earlier years are not adjusted.
2) Profit share from joint ventures are no longer included in EBITDA and EBIT. Compareable figures are adjusted.
3) Whereof NOK 5.00 is on top of the dividend policy.

KEY FIGURES – BUSINESS AREAS

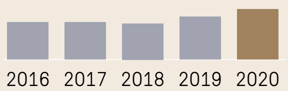
Kongsberg Defence & Aerospace

3.189

REVENUES

MNOK 8,503

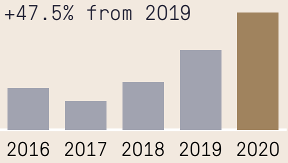
+17.4% from 2019



EBITDA[2)]

MNOK 1,656

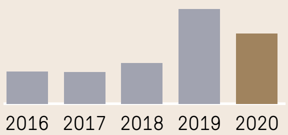
+47.5% from 2019



NEW ORDERS

MNOK 11,891

-26.0% from 2019



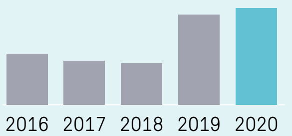
Kongsberg Maritime

6.815

REVENUES[1)]

MNOK 16,319

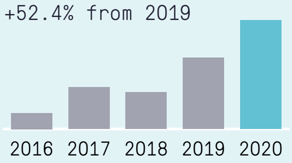
+7.4% from 2019



EBITDA[1)]

MNOK 1,532

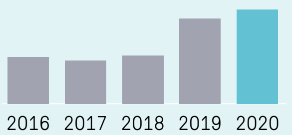
+52.4% from 2019



NEW ORDERS[1)]

MNOK 15,925

+10.4% from 2019



Other activities

685

REVENUES

MNOK 790

-1.5% from 2019

EBITDA[2)]

MNOK 62

+487.5% from 2019

NEW ORDERS

MNOK 1,002

+8.2% from 2019

1) Figures for 2019 and 2018 are adjusted for disposed companies. Comparable figures earlier years are not adjusted.
2) Profit share from joint ventures are no longer included in EBITDA. Compareable figures are adjusted.

Important milestones 2020

KONGSBERG

- Strong results and good operations in an extraordinary year.
  - The organisation has shown a great appetite for change and adaptability during a challenging year with COVID-19, where our employees' health, day-to-day operations and financial strength have been our main focus.
- We end the year with a record-high order backlog and a 2020 order intake of MNOK 28,818, representing a book/bill of 1.13.
- Successful integration of the acquired companies.

KONGSBERG DEFENCE & AEROSPACE

- Good order intake with important contracts including NASAMS for Hungary, JSM for Japan and weapons stations for the British Army.
- Solid growth and good project implementation. EBITDA margin 19.5 per cent in 2020.
- Maintained solid activity level through COVID-19, with operations almost at normal levels.

KONGSBERG MARITIME

- Realised cost reductions by a total of MNOK 640 as a result of the integration of Commercial Marine and the associated economies of scope. The goal was originally set at MNOK 500 before the end of 2022.
- The business area increased profitability at a difficult time for the global maritime market. EBITDA margin up from 6.6 per cent in 2019 to 9.4 per cent in 2020.
- Sold Hydroid, Inc. for MUSD 350 to Huntington Ingalls Industries, and also entered into a strategy cooperation agreement with the same company.

KONGSBERG DIGITAL

- International framework contract for the delivery of digital twin solutions, Kognitwin Energy, with Shell Global Solutions, and contract worth MUSD 25 with international energy company for software for aggregation and visualisation of real-time data.
- Partnership agreement for computer platform cooperation with DNV GL, MAN and ABB Turbocharger.
- Growth in the business area's new digital initiatives.

President and CEO Geir Håøy

In an extraordinary year characterised by the pandemic and the challenges that follow from it, the 2020 results confirm that KONGSBERG's operations have been good. The Group has delivered strong results and good operations, while simultaneously strengthening all its business areas. Last year has also underlined the importance of safety, sustainability and digitalisation in our industries. Our deep domain knowledge, world-leading technology solutions and strong industrial positions in all these areas make for a strong foundation going forward.

"Strong results and good operations"

Our achievements in 2020 are thanks to our people, partners, clients and our corporate culture.

Despite the global turmoil and disruption last year, we have maintained close, strong customer relationships and managed to find solutions to keep the business running almost as normal. Also, we have made very tough prioritisations, and at the same time, our cost base is reduced due to the decline in both travelling and other activities. We have signed important contracts for all our business areas and reached significant milestones in projects and key endeavours.

"We are financially solid, we have distributed a historically high dividend to our shareholders, and our experience is that our key stakeholders have trust in our strategies and in the company."

Delivered above expectations

Entering 2020, we focused on six main targets: growth and profitability; shareholder return; the successful integration of acquired companies; strong performance; capturing large defence orders; and accelerating our sustainable and digital offerings. I am pleased to conclude that, during the year we delivered on all these targets and above expectations. We are financially solid, we have distributed a historically high dividend to our shareholders, and our experience is that our key stakeholders have trust in our strategies and in the company.

Commercial Marine is fully integrated, ahead of plan, making us an even more complete partner to the maritime industry. We are also positioning ourselves within new segments, like offshore wind and aquaculture. Our defence operations have reached important milestones and been awarded the second biggest contract in the history of the company. We are also expanding our footprint within the maintenance, repair and overhaul market as well as progressing our space efforts. On the digital side, current circumstances are underlining the need for, and strength of, remote, digital solutions.

"Commercial Marine is fully integrated, ahead of plan, making us an even more complete partner to the maritime industry."

Here at KONGSBERG, we take pride in our unity across the Group – we are one KONGSBERG. Therefore, during the year, we rolled out an important group-wide value process to ensure that our values are infused in everything we do. The strength provided by our clear group identity and shared group vision and values is one of our most important assets, so this work will continue in 2021. Looking back at the year, I am both pleased with and proud of our people and the entire KONGSBERG organisation, and what we have achieved together.

Our diversified business is our strength

We stand by our ambition that KONGSBERG will continue to be a growth company, and we demonstrated this in 2020. A broad portfolio founds strenght and solidity in cyclic markets. Our diversified exposure makes us less dependent on development in single segments as well as a healthy foundation with regards to establishing future positions.

Maritime synergies and strong positions

Entering last year, maritime markets were picking up and Kongsberg Maritime (KM) had a promising order intake. And although the year became more challenging, KM increased its efficiency considerably. The Value Capture programme, launched in connection with the CM integration process, has been concluded in its current form and realised annual savings of MNOK 640. This is some MNOK 140 above target – which we originally set for 2022. We will of course continue to work on other value capture and efficiency initiatives, going forward.

KM holds a strong position in the market and has managed to maintain its order intake at a solid level despite the lowest newbuild contract rate since the early 1990s. We have, as always, been able to adapt within our maritime business, for example we have strengthened our positions in sustainable energy segments. We have also realised MNOK 700 in cross-sales from our expanded portfolio following the integration of Commercial Marine.

In the first quarter, we sold Hydroid Inc. to Huntington Ingalls Industries, in line with our active portfolio management strategy.

Defence ramp-up and world-leading products

In the defence sector, we have been able to run our operations almost as normal, delivering sound growth and profitability. This also means that Kongsberg Defence & Aerospace (KDA) has proceeded with the planned ramp-up to meet project demands. This entails, among other things, activities related to the F-35 aircraft, including the production and expansion of facilities, and steps we have taken within the maintenance, repair and overhaul market – opening the F-35 Motor Engine depot at Rygge Airport and increasing our presence in the north of Norway.

In addition, we received strong confirmation of our world-leading position within air-defence systems when Hungary became the 12th nation to choose NASAMS and we delivered our 20,000th Remote Weapon Station (RWS) – a product which has been highly successful for KONGSBERG, for nearly two decades and generated more than MNOK 40,000 in revenue.

KDA has taken significant steps within civilian markets this year too. KONGSBERG's advanced remote and digital tower systems for air traffic control are being rolled-out in Norwegian airports, increasing air traffic safety while cutting operational and maintenance costs, and have also had an international break-through. In addition, we are making headway with our space offerings – helping to combat deforestation with satellite monitoring and enabling broadband links to the International Space Station (ISS).

Digital acceleration and new opportunities

Kongsberg Digital (KDI) has over the last few years invested significantly in establishing and developing new digital products and services, as well as in strengthening its positions related to the digitalisation of existing business. As 2020 has underlined the significance and importance of digital and remote solutions, this strategy is paying off. The roll-out of our Dynamic Digital Twin has been accelerated and is received well in the market. We have gained good traction with several major players within the energy sector.

We are chasing new opportunities within the digital realm exemplified by our growing SaaS (software-as-a-service) business, our real-time drilling monitoring tool SiteCom® and our remote e-learning tool K-SIM®Connect. In sum, these achievements greatly contribute to our leading positions within industrial digitalisation.

Sustainability and green transformation

Environmental sustainability is a growing global concern as governments, industries and companies aim to 'build back better' and embrace the green recovery. KONGSBERG is also experiencing increasing demand from its stakeholders for sustainable performance and responsible business practices.

At KONGSBERG, we aim to enhance the positive impacts our core business activities have on the environment and society and thus make a tangible difference. This is manifested both in how we conduct our business and how the company is managed.

We aim to continuously improve in terms of sustainability. We have a strong focus on developing sustainable technologies and solutions to support our stakeholders and help them improve their environmental performance in all markets where we are active. Our ambition is to be at the forefront of the green transition, balanced with strong economic and environmental performance and value creation. Our technology is part of the solution.

Last year, we experienced more stringent reporting requirements and greater interest on the part of the authorities, our stakeholders and NGOs regarding both sustainability and ESG (Environment, Social, Governance) factors. In 2020, KONGSBERG achieved satisfactory ratings in several major external evaluations of our reporting on these topics. Going forward, we are analysing the results to ensure continuous improvement and to be able to give our stakeholders good, relevant information.

Responsible governance

More than 80 per cent of KONGSBERG's revenue comes from export, as we are an international company with number one products in the industries where we operate. A stable, predictable

"KONGSBERG's advanced remote and digital tower systems for air traffic control are being rolled-out in Norwegian airports, increasing air traffic safety while cutting operational and maintenance costs, and have also had an international break-through."

framework is of the utmost importance to our industries – and to KONGSBERG. We should always be in compliance with the laws, rules and regulations of the countries in which we have a presence, and work in close cooperation and dialogue with national and local authorities. We fully support the close follow-up and monitoring of industry practices, as it is vital that these can withstand public scrutiny – all players within the industry benefit from having the public's trust.

Expectations for 2021

Now, as we are well into 2021, it is our people and technology, which give me confidence in what KONGSBERG can achieve this year. The world may never be quite the same following the pandemic, but KONGSBERG has never been put off by changes or the need to adapt. We turn challenges into opportunities, we continue to nurture our domestic and international partnerships, and we form new ones. Although the world has changed and we are experiencing challenging markets, KONGSBERG is still committed to delivering as promised and on its ambitious targets.

Our goal is to continue being a growth company, and our key priorities support this. That means that we will continue to focus on our performance culture and profitability – and on maintaining a healthy balance sheet. KONGSBERG is a technology company offering products, services and solutions with extreme performance for extreme conditions. To ensure that we maintain and strengthen our frontrunner positions, we must always drive innovation and technology development. That is what enables us to stay ahead of the curve and create value for our customers and stakeholders.

"To ensure that we maintain and strengthen our frontrunner positions, we must always drive innovation and technology development. That is what enables us to stay ahead of the curve and create value for our customers and stakeholders."

Our values and culture are deeply rooted in the company, and in all of us who make KONGSBERG what it is; a great place to work and a leading technology powerhouse for the future.

Geir Håøy
President and CEO
March 2021

02

ABOUT KONGSBERG

This is KONGSBERG

Kongsberg Gruppen (KONGSBERG) is an international technology group that delivers advanced and reliable solutions that improve safety, security and performance in complex operations and under extreme conditions. KONGSBERG works with demanding customers in the global defence, maritime, oil and gas, fisheries and aerospace sectors. We deliver EXTREME PERFORMANCE FOR EXTREME CONDITIONS.

KONGSBERG's objective is to secure and increase stakeholder value through profitable and growth-oriented industrial development with a long-term, sustainable and international perspective.

Organisation

The Group is divided into three business areas and other operations. The three business areas are Kongsberg Defence & Aerospace, Kongsberg Maritime and Kongsberg Digital. Kongsberg Digital is reported in other activities. Other activities also include real estate and the corporate staff. The corporate staff provides group governance and supportfunctions to the business areas, the CEO and the Board and their councils and committees.

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 50.004 per cent of the shares in the company.

Financial value added

At KONGSBERG, we create value in the areas and countries in which we operate. We create value for our customers through our products. We create value through the payment of government fees and taxes, 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.

Sustainability and corporate social responsibility

Sustainability and corporate social responsibility is important for KONGSBERG and is an integral part of our strategy. We shall conduct our business in a sustainable and accountable manner, and we must carry out our corporate social responsibility in accordance with the applicable expectations of society. This gives KONGSBERG the necessary "licence to operate" in order to execute our business.

The UN has defined 17 sustainability development goals the world should reach by 2030. Several of these goals can only be achieved through innovation and the sensible application of technology. Sustainable technological development is a central element in our strategy. For KONGSBERG, this involves business opportunities in several markets viewed in the light of our broad technology and skills platform.

KONGSBERG has acceded to the UN Global Compact initiative. We support and respect international human and employee rights such as the UN's Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, ILO Core Conventions and the OECD Guidelines for Multinational Enterprises. KONGSBERG uses the Global Reporting Initiative (GRI) guidelines for the voluntary reporting of sustainable development.

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.

Strategy and ambitions

KONGSBERG's deliveries are often of strategic importance for our customers and contribute to the satisfaction of important societal needs and development trends within sectors such as safety, energy, transport and climate. It is important for KONGSBERG to hold technological and product positions where we are either world-leading or have the potential to become world-leading in the long term. For KONGSBERG to be successful, a good balance between operations, market positioning and new initiatives is important. Our strategic and business-related decisions are based on a culture that promotes high ethical standards.

KONGSBERG's strategic goal is to utilise our technologies to develop sustainable solutions for today's societal challenges. Our products and solutions have strong focus on green solutions and the digital transformation towards higher operational efficiency, safety and reliability for our customers. In particular, KONGSBERG contributes positively to the global green transition through green shipping concepts, optimal management of the ocean's resources, monitoring of the condition of the oceans using data and information from satellites. As a result, KONGSBERG is positioned as a highly attractive employer for the recruitment of new talents for value creation and growth going forward.

Strategic priorities

Kongsberg Defence & Aerospace

Secure strategically important contracts and achieve growth in selected geographical areas both through our own activities and in collaboration with partners.

Kongsberg Maritime

Secure the position as a leading maritime technology supplier, with sustainable innovation in green solutions and disruptive concepts. Continue to grow margins through disciplined execution of identified efficiency measures.

Kongsberg Digital

Take the leading position within digitalisation of the maritime and energy industries, with a focus on Vessel Insights, Digital Twin and the Kognifai platform.

Focus areas to ensure profitable growth and sound business operations

- Deliver what we have promised our customers on time and with the agreed quality and price.
- Continuous focus on sustainable innovation, to develop and bring to market attractive products and solutions.
- Continuously win new contracts, growing our market leadership.
- Always have an organisation tailored to the demands of the market.
- Position ourselves for new business opportunities and markets.

Vision

We have a strong, value-based culture that drives our business performance. Our vision defines our direction and what we are striving to achieve.

Our values

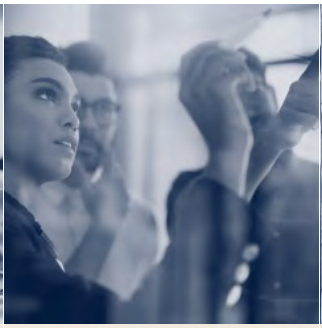
Our values comprises four words describing the KONGSBERG identity and the kind of conduct we would like to see characterise us as individuals and as an organisation.
At KONGSBERG values are regarded as an integral part of business operations and we expect all to live up to the prevailing standards.

DETERMINED

What we start, we finish. We don't give in.

We are known for our drive and persistence. We work hard to support our customers' missions and to meet our stakeholders' expectations. We set ambitious goals where our purpose is to make a difference for people and the planet.

INNOVATIVE



We relentlessly pursue improvements, new ideas and new solutions.

We have been an industrial pioneer for more than 200 years. On our journey we have always pursued improvements and redefined the standard of excellence in everything we do. We are dynamic by heart and being curious lies in our very core. We constantly strive to create value for our customers, shareholders and the society at large by pushing the boundaries of what is possible.

COLLABORATIVE

We collaborate as individuals and as an organisation.

Our collaborative and inclusive behaviour is fundamental to our business. We work closely with our customers and share knowledge with our colleagues, suppliers and partners across the globe – to the benefit of our customers and our own competitiveness. Our people are our most valued asset and we pride ourselves to attract and develop world class employees. We are ONE KONGSBERG – making the impossible possible by performing together.

RELIABLE

We are reliable people. We are responsible citizens.

Our customers and partners can trust us to deliver – always. We are an organisation characterised by our corporate responsibility, integrity, and concern for health, safety and the environment. We are part of the solution – proudly creating products for a safer and more sustainable future.

Corporate Executive Management

GEIR HÅØY

President and
Chief Executive Officer

GYRID SKALLEBERG INGERØ

Chief Financial Officer
Group Executive Vice President
Compliance and Property

CHRISTIAN KARDE

Group Executive Vice President
General Counsel

HANS PETTER BLOKKUM

Group Executive Vice President
HR and Security

IVER CHRISTIAN OLERUD

Group Executive Vice President
Strategy and Business
Development

EVEN AAS

Group Executive Vice President
Public Affairs, Communication
and Sustainability

EGIL HAUGSDAL

Executive Vice President,
KONGSBERG.
President, Kongsberg Maritime

EIRIK LIE

Executive Vice President,
KONGSBERG.
President, Kongsberg Defence
& Aerospace

HEGE SKRYSETH

Executive Vice President,
KONGSBERG.
President, Kongsberg Digital

BUSINESS AREAS

KONGSBERG is comprised of three business areas operating with autonomy in a strong corporate governance model. The organisation is connected through competence and technology synergies and a common culture based on our values: Determined, Innovative, Collaborative and Reliable.

We are an innovative and customer focused organisation dedicated to provide extreme performance for extreme conditions.

KONGSBERG DEFENCE & AEROSPACE

KONGSBERG MARITIME

KONGSBERG DIGITAL

STRENGTHENED POSITION FOR FUTURE GROWTH

Kongsberg Defence & Aerospace

Kongsberg Defence & Aerospace (KDA) has built up a solid order backlog with a good horizon and is experiencing growth in most product areas. 2020 was characterised by a focus on delivery and the facilitation of long-term growth. KDA is a respected global technology leader and a leading supplier within defence, monitoring, space and aerostructures. The maintenance, repair and servicing of aircraft became a new focus area for KDA during 2020. We take great pride in developing advanced solutions and products of strategic importance for markets around the world, with applications spanning from deep sea to outer space.

In 2020, alongside its ordinary operations, the business area continued to work on integrating the space environment and the acquired business Kongsberg Aviation Maintenance Services (KAMS), formerly Aerospace Industrial Maintenance Norway (AIM Norway) AS, which is established at Bardufoss. From 1 January 2020, the Protech Systems and Defence Communications divisions were merged to form the Land Systems division.

Land Systems

Land Systems is a world-leading supplier of remote weapons stations, radios and radio communication. These weapons stations enable soldiers to operate from a protected position inside the vehicle. In 2020, the division marked the delivery of weapons station no. 20,000 with customers in 23 countries. In 2020, the U.S. Marine Corps chose the MCT-30 (Medium Caliber Turret), a 30 mm turret system based on the same technology as PROTECTOR RWS (Remote Weapon Station). Since the first station was produced in the early 2000s, the division has delivered stations with a value in excess of MNOK 40,000. The division's radios are used in advanced tactical communication systems. The tactical communication solutions are used in more than 30 countries.

Integrated Defence Systems

The Integrated Defence Systems division supplies the world's most advanced air defence system in NASAMS (Norwegian-Advanced-Surface-to-Air-Missile-System), monitoring systems and artillery firepower, as well as land- and vessel-based combat systems. The division has a strategic cooperation agreement with Raytheon for NASAMS and with thyssenkrupp Marine Systems (tkMS) in kta naval systems SA, a joint venture company which supplies combat systems for tkMS' submarines for the international market. NASAMS is the world's best-selling air defence system in its class, with 15 countries using NASAMS elements in their defence systems. The division is also set to supply a mobile surface-to-air defence system to the Norwegian Armed Forces, along with the ICT solution for the Norwegian Armed Forces' new artillery and upgraded tanks. At the end of 2020, Hungary signed its contract for NASAMS worth MEUR 410.

Space & Surveillance

The Space & Surveillance division supplies a broad spectrum of equipment, systems and services linked to space and maritime surveillance in more than 40 countries. The space portfolio includes equipment and

KDA signed a contract valued MNOK 1.030 with Thales UK Ltd. for delivery of the PROTECTOR RS4 Remote Weapon Stations (RWS) to the British Army.

Kongsberg Satellite Services (KSAT) has the world's largest ground station with approx. 100 antennas on Svalbard.

components for launch vehicles and communication, navigation and earth observation satellites in addition to space probes for space exploration. Space & Surveillance works closely with customers such as the European Space Agency (ESA), NASA (National Aeronautics and Space Administration) and Rocket Lab, as well as major players such as Airbus, Thales and Raytheon. The division recently signed a contract for the delivery of market-leading signal processing equipment which will offer better mobile coverage in areas with little or no ground network. KONGSBERG owns 50 per cent of Kongsberg Satellite Services (KSAT), a world-leading supplier of communication services for spacecraft and launch platforms and advanced monitoring services via satellites. KDA is through the ownership in KSAT, a world-leading supplier of ground stations for downloading and processing satellite data, as well as a service provider of satellite data from ground stations in Svalbard, Antarctica and many other locations. In 2020, the division signed its largest ever framework contract worth MNOK 405.

Missile Systems

The Missile Systems division has over 50 years' experience from a variety of missile programmes. Products include Penguin, the Naval Strike Missile (NSM) and the Joint Strike Missile (JSM) which is launched from surface ships, helicopters and fighter aircraft. KONGSBERG is the world's only supplier of fifth generation long-range precision strike missiles with stealth capabilities. The U.S. Navy has chosen NSM for its OTH programme (Over-The-Horizon Weapon-System), and the U.S. Marine Corps recently chose NSM for a vehicle-based coastal defence system. During 2020, further JSM delivery contracts were signed with Japan, and NSM contracts for the USA. Demand and interest in NSM is increasing in the global market.

Aerostructures and maintenance

The Aerostructures division comprises a Centre of Excellence and offers deliveries of maintenance services through Kongsberg Aviation Maintenance Services (KAMS). Production concerns complex composite structures and metallic alloy assemblies and details. Its core capabilities range from design, prototyping and industrialisation, to mass production for aerospace and other high-performing markets. Activities range from the manufacture of parts for the F-35, missiles and helicopters, to mechanical production for the NASAMS air defence system, and the maintenance of dynamic components for helicopters. 2020 saw further growth in both production and maintenance services, and the Aerostructures division recorded a turnover of MNOK 2,100 in 2020.

Kongsberg Aviation Maintenance Services (KAMS) is part of the Aerostructures division. Through KAMS, KONGSBERG has taken a new strategic step into the maintenance market for aircraft and helicopters in the Nordic region and Northern Europe. KAMS is jointly owned by KDA, which owns 50.1 per cent, and Patria, which owns 49.9 per cent. KAMS has its main operational base in Kjeller, and the company opened the F-135 engine depot at Rygge in 2020. In 2020, KAMS acquired all shares in Patria Helicopters AS, and established KAMS's operations at Bardufoss in order to support NH-90 helicopter maintenance. KAMS is a strategic partner of the Norwegian Armed Forces for the maintenance of air systems.

Patria

The Finnish company Patria is an international supplier of systems and services for defence, security and aviation. The company specialises in maintenance services and covers all defence aspects within MRO (Maintenance, Repair and Overhaul). Patria has approximately 3,000 employees and owns 50 per cent of the shares in Nammo. KONGSBERG holds 49.9 per cent of the shares in Patria.

> "The past year has seen exceptionally high levels of activity. We have been well-rewarded for our strategic positioning work in previous years through the securing of new delivery contracts for major defence programmes. This will help to ensure strong growth over the coming years within all KDA's main segments."
>
> **Eirik Lie** – President, Kongsberg Defence & Aerospace

TECHNOLOGY FOR A GREENER OCEAN SPACE

Kongsberg Maritime

Kongsberg Maritime (KM) develops and supplies technology which is helping to realise sustainable management of the ocean space. The market lies within traditional merchant vessels and fishing vessels, offshore and research vessels, as well as advanced offshore installations linked to aquaculture, wind power, and oil and gas.

With around seven thousand employees and a presence in 34 countries, KM is creating the maritime future with its products and integrated solutions, alongside a world-class service network. Over 30,000 vessels worldwide are fitted with equipment supplied by KM.

2020 has been an exciting year for the collective global maritime industry. KM has been present for its many customers, adapted itself to the consequences of a pandemic and achieved greater profitability. Integration processes following the acquisition of Rolls-Royce Commercial Marine in 2019 have also been high on the agenda.

Integrated Solutions (ISOL)

KM is a leading supplier of products within maritime automation, bridge systems, digital solutions and electrical engineering. We are increasingly focusing on projects where the integration of these, together with products from other divisions within KM, offers unique operational benefits for our customers.

Through digital platforms, applications and ecosystems, we enable vessels and shipping companies to exploit the opportunities that lie in digitalisation for environmentally friendly, efficient and safe operation. The division is also developing the ISOL ship design in cooperation with shipping companies which have demanding requirements regarding efficiency and safety. The aim is to exploit the advantage of being a leading integrator to the benefit of both customers and the environment.

Global Customer Support (GCS)

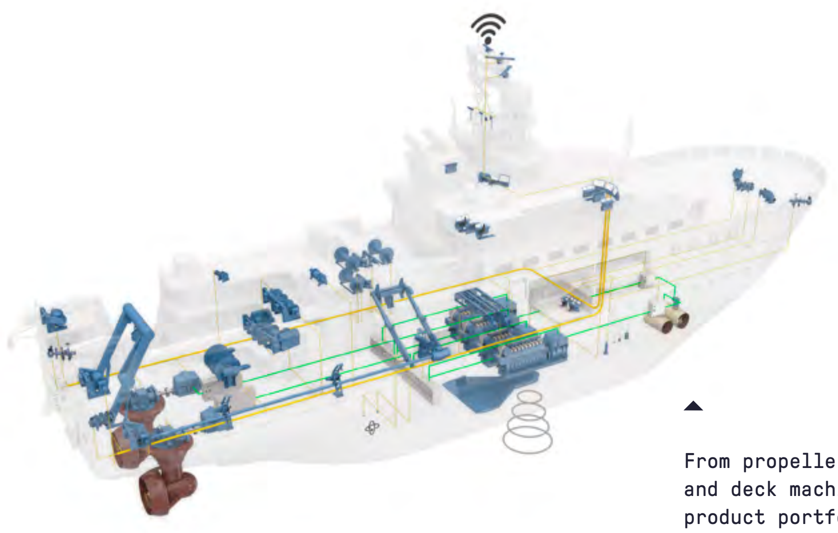
GCS supports our customers globally through a worldwide network of over a thousand service engineers, technical support, part sales and sales to the after-market. This contributes to fast and competent support wherever the client is, and at all times.

GCS works closely with our customers throughout the lifetime of vessels to ensure cost-effective upgrades, safe operation and environmentally friendly solutions adapted to the vessel's operating profile. Our sustainable solutions and services are based on many years of experience of products and systems from bridge to propeller. This encompasses batteries, propulsion, deck machinery, ship design, control systems, dynamic positioning, electrical engineering and energy management. Through KONGSBERG's digital solutions, we offer support and service without needing to board the vessel. This safeguards the vessel's uptime and offers environmental benefits too.

Sensors & Robotics

KM's portfolio of sensors and sensor solutions is key to mapping, monitoring and understanding the ocean space. This contributes to the safe and reliable control of vessels operating on and beneath the surface of the sea. The portfolio also includes solutions for communication above and below water. Sensors & Robotics offers a range of robotised platforms, such as the autonomous underwater vehicle (AUV) Hugin. Such platforms enable our sensors to reach even the most remote and inaccessible parts of the ocean space.

The division is experiencing growth, and is working on a range of solutions that will offer major environmental benefits. The



From propeller to bridge. Propulsion systems and deck machinery became a new part of KM's product portfolio in 2019. Alongside the ship's advanced electrical and control systems, both of these product areas are important environmental factors for vessels. The highlighted elements in the illustration shows KM deliveries for the Norwegian research vessel FF Kronprins Haakon.

The digital landscape in the ocean space encompasses ships equipped with autonomous technology, centres for remote operation and monitoring from land, and centresa for data analysis, simulators and the use of digital twins.

cooperation with Jotuns Hull Skating Solution is just one example of this. This is an advanced, remotely operated robot for the inspection and preventive cleaning of ships. Cloud-based monitoring and control solutions are also becoming an increasingly important part of the operating systems for our sensors and robotised solutions.

Propulsion & Engines

KM is a world-leading supplier of propulsion systems. The products supplied by Propulsion & Engines fulfil the requirements for performance, cost-effectiveness and sustainability for customers in a global market. With a global delivery chain and production in three Nordic countries, KM has delivered over 25,000 thrusters since it began around 80 years ago, along with 11,000 water jets. Product development takes place in close collaboration with both customers and leading universities. In Sweden, the division has a dedicated hydrodynamic research laboratory.

The product areas are propeller/reduction gears, thrusters, electrical pods and water jets for offshore, trade and defence markets. KM also acts as the sales channel for the renowned medium-speed engines manufactured by Rolls-Royce Bergen Engines.

Deck Machinery & Motion Control (DMMC)

KM offers an extensive range of products and systems within deck machinery, from winches to mooring and anchor handling, to specialised winches and handling systems for offshore, trade, tugs, fisheries, marine vessels and many other types of ships. The products can also be equipped with both hydraulic and electric motors. Safety, sustainability and efficient operation are keywords for product development.

The Motion Control sector has perhaps KONGSBERG's broadest catchment area in the maritime market. Here, DMMC has a portfolio of steering machines which are suitable for all types and sizes of ships. Another product is stabiliser fins which contribute to safe and pleasant trips.

> "I'm proud to lead an organisation that identifies opportunities to assist our customers in an everyday existence that has suddenly become more difficult."
>
> **Egil Haugsdal –** Administrerende direktør i Kongsberg Maritime

NEXT GENERATION SOLUTIONS

Kongsberg Digital

Kongsberg Digital (KDI) was established in 2016 to deliver next-generation software and digital solutions to customers in the maritime, oil and gas and renewable energy sectors. KDI possesses leading domain and digital expertise in areas which support increased automation and autonomous operations in the industry.

Vessel Insight and Maritime Digital Ecosystem

Given KONGSBERG's extensive maritime footprint, it is natural that the Group is aiming to create a standardised ship-to-cloud infrastructure and establish a digital ecosystem for the maritime sector. The infrastructure is called Vessel Insight and is based on Kognifai.

In addition to being a data infrastructure, Vessel Insight gives access to an ecosystem of applications and solutions in order to create value. Collectively, Vessel Insight enables customers to connect ships, retrieve data for use in analyses, and develop or download value-creating applications on top.

KDI entered into an international framework contract to supply digital twin solutions, Kognitwin Energy, with Shell Global Solutions.

Kognitwin Energy – Dynamic Digital Twin for heavy asset industries

A digital twin is a digital replica of processes and devices that facilitates insight and coordination across disciplines and levels linked to the operation of an industrial facility. Advanced digital twins, such as the market-leading Kognitwin Energy, also contain solutions which enable substantial reductions in operating costs, improvement and streamlining of work processes and increased production of oil and gas. Our accurate flow and process simulators, combined with dynamic data from the automation systems, in what is known as "hybrid analytics", enable the ongoing automatic testing of different operating scenarios, accident and incident prediction and production optimisation. Kognitwin Energy enables the automation of processes, the remote control of complex installations and a higher degree of autonomy in process control systems.

"Though 2019 was a good year with many strategic product launches within Kongsberg Digital, 2020 was just as important due to the response we have seen in the market. Digitalisation of the maritime and energy sectors is high on the agenda in order to streamline operations and reduce costs. The market response tells us that, when customers set off on their digital journey, they want technology partners who know both the industry and digitalisation. This is very apparent from the cooperation agreements we have signed with the equipment giants MAN and ABB Turbocharger, as well as the award of the global framework agreement for the delivery of digital twins to the whole of Shell's global plant portfolio. We are seeing a growing market where the customers' high ambitions and vision of a digitalised industry closely match our own."

Hege Skryseth – Administrerende direktør i Kongsberg Digital

Sitecom – Remote Drilling Operation for Oil & Gas

In Sitecom, KDI supplies a software product for data acquisition and the visualisation of drilling operations in real time, as well as applications for operations analysis and advanced decision support. KDI also supplies solutions that increase production efficiency using real-time simulators for design, multi-phase flow and operator training. These systems collectively offer drilling operators much improved well safety and greater efficiency during the drilling process.

Power Grid Optimization

In the energy sector, we are working with many major stakeholders in the industry to develop a dynamic digital twin and smart grid functionality for the distribution network operators. KDI uses dynamic physical models, data-driven analyses and virtual sensors in order to provide the distribution network operators with suitable tools for accurate load predictions, decision support concerning grid balancing, and advice regarding possible improvements for improved utilisation and flexibility in the distribution network.

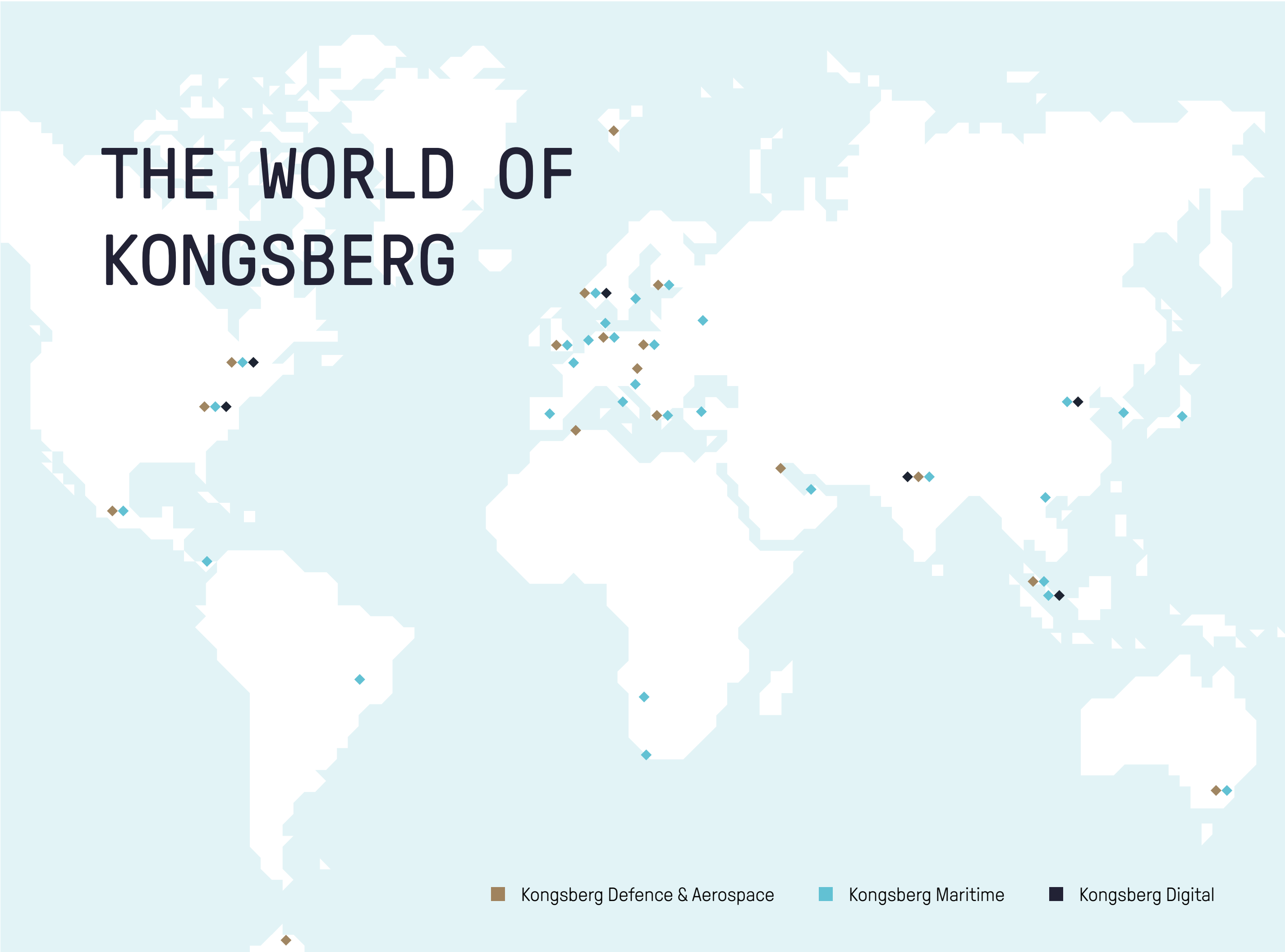
Maritime Simulation

KDI offers market-leading simulator solutions which ensure the authentic and thorough training of personnel and students in the maritime, marine and offshore markets. This part of the business has faced a challenging year as a result of COVID-19 and the closure of education and training establishments.

The simulator solutions are also used for verification and decision support, for example, in preliminary studies and research projects within design, security and cost optimisation, as well as in the development of autonomous vessels and maritime digital twins.

Vessel Insight collects and structures data from ships and provides access to applications that create value for the crew, ship operator and owner.

THE WORLD OF KONGSBERG



	Number of employees	Number of suppliers[1]	Value added MNOK	Investments MNOK
Total	10 689	9 349	25 612	536
Europe	81%	80%	80%	91%
Asia	12%	5%	10%	3%
North America	5%	10%	8%	5%
Central and South America and the Antarctic	1%	3%	1%	0%
Oceania	1%	2%	1%	1%
Africa	0%	0%	0%	0%

Refer to notes, pages 30–35

1) Certain suppliers may 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.

Europe

KONGSBERG has a central role in the maritime cluster on Sunnmøre.

Norway

Employees **6,658 (6,475)**
Number of suppliers[1)] **4,370 (4,578)**
Value added **MNOK 13,937 (12,389)**
Investments **MNOK 452 (488)**

The Group headquarters are located in Kongsberg.

Kongsberg Defence & Aerospace constitutes the most significant part of the Group's defence business, with its main activities being in Kongsberg. In addition, we have operations in Horten, Asker, Kjeller, Tromsø and Bergen. Here, there are development, production, test, sales and service activities.

Kongsberg Maritime's head office located in Kongsberg. KM also has other companies for development, production, testing, sales and service in Norway: In Horten, Ålesund, Ulsteinvik, Brattvåg, Hjørungavåg, Bergen, Hagavik, Longva, Asker, Oslo, Kristiansand, Stavanger, Sandefjord and Trondheim.

Kongsberg Digital is located in Asker, Horten, Kongsberg, Kristiansand, Stavanger and Trondheim. Operations include sales and product development, project deliveries, service and production.

Finland

Employees **487 (490)**
Number of suppliers[1)] **671 (813)**
Value added **MNOK 2,340 (1,913)**
Investments **MNOK 8 (1)**

KONGSBERG owns 49.9 per cent of Patria Oyj, which has its headquarters in Finland. Patria is Finland's leading supplier of technology solutions and maintenance services within defence, security and aviation.

Kongsberg Maritime has three locations in Finland: Kokkola, Rauma and Turku. Kokkola and Rauma are production sites associated with the Propulsion & Engines division, while the Turku office is part of Ship Intelligence.

Poland

Employees **468 (448)**
Number of suppliers[1)] **226 (318)**
Value added **MNOK 192 (192)**
Investments **MNOK 10 (6)**

Kongsberg Defence & Aerospace, through the subsidiary Kongsberg Defence Sp. Zo.o, has a marketing office in Warsaw.

Kongsberg Maritime operates production, service and project support in Gdynia, Gniew, Krakow and Szczecin.

Great Britain

Employees **211 (229)**
Number of suppliers[1)] **407 (511)**
Value added **MNOK 551 (581)**
Investments **MNOK 8 (17)**

Kongsberg Defence & Aerospace, through its subsidiary Kongsberg Norcontrol AS, has a sales and service office in Bristol.

Kongsberg Maritime has several offices in the UK. The two largest are located in Aberdeen and Dunfermline. We also have smaller offices in Birmingham, Bristol, Derby, Portsmouth and Gateshead (Washington).

Rest of Europe

Employees **792 (783)**
Number of suppliers[1)] **1,826 (2,383)**
Value added **MNOK 3,535 (2,971)**
Investments **MNOK 10 (25)**

The Group has sales, service and project support offices in Greece, Italy, the Netherlands, Spain, Germany and Hungary.

Kongsberg Maritime has operations that carry out production, assembly, sales, service and project support in Denmark, Sweden, Spain, Croatia, Greece, Italy, Germany, Turkey, France and the Netherlands.

Asia

Singapore has one of the world's largest ports and is a significant shipowner and shipyard nation.

China

Employees **460 (517)**
Number of suppliers[1] **51 (62)**
Value added **MNOK 552 (496)**
Investments **MNOK 1 (1)**

Kongsberg Maritime has built up significant operations in China. The business area is a local supplier to the Chinese shipbuilding industry and now has offices in Shanghai, Dalian, Guangzhou, Jiangsu and Zhenjiang. In Zhenjiang, we have a production unit consisting of, among other things, an electromechanical assembly line where we produce consoles, cabinets and sensors. We also have a center with CNC machines where we manufacture mechanical components and mechanics.

Kongsberg Digital has an office in Beijing.

Kongsberg Defence & Aerospace has no business operations in China.

India

Employees **299 (302)**
Number of suppliers[1] **65 (104)**
Value added **MNOK 141 (163)**
Investments **MNOK 3 (1)**

Kongsberg Defence & Aerospace has, through its subsidiary Kongsberg Norcontrol AS, a sales and service office in Ahmedabad. In addition, it owns 49 per cent of Aatash Norcontrol, a company which is also located in the Ahmedabad.

Kongsberg Maritime has sales and service offices, software support and development activities in Mumbai.

Kongsberg Digital has operations in Bangalore.

Singapore

Employees **215 (236)**
Number of suppliers[1] **91 (117)**
Value added **MNOK 500 (631)**
Investments **MNOK 3 (1)**

Kongsberg Defence & Aerospace, through the company Kongsberg Norcontrol AS, has major deliveries to Singapore's vessel traffic monitoring, where it has a sales and service office.

Kongsberg Maritime in Singapore has sales, installation, engineering, commissioning and service / support and training as its main tasks. Singapore has one of the world's largest ports and is a significant shipping and shipbuilding nation.

South Korea

Employees **240 (244)**
Number of suppliers[1] **130 (155)**
Value added **MNOK 1,162 (1,245)**
Investments **MNOK 9 (3)**

Kongsberg Maritime's main business in South Korea is located in Jungkwan outside Busan. For a number of years we have built up a local presence in the world's largest shipbuilding nation. Main tasks are sales, engineering, installation, commissioning and service / support as well as local production. In addition, we have offices in Gohyeon, Mokpo, Okpo and Ulsan.

The Middle East

Employees **59 (58)**
Number of suppliers[1] **28 (49)**
Value added **MNOK 172 (171)**
Investments **MNOK 0 (10)**

Kongsberg Defence & Aerospace has offices in Kuwait. The main tasks are operational and delivery of projects within tactical radio and communications systems. In addition, the company has had employees stationed in Oman in connection with the NASAMS project.

Kongsberg Maritime has a service office in Dubai.

Rest of Asia

Employees **24 (37)**
Number of suppliers[1] **140 (94)**
Value added **MNOK 67 (108)**
Investments **MNOK 0 (0)**

Kongsberg Defence & Aerospace has an office in Malaysia for marketing and local project management.

Kongsberg Maritime has a sales and service office for fishing activity in Kuala Lumpur, Malaysia. In addition, KM has service offices in Japan and New Zealand.

North America

KONGSBERG has several businesses in the United States.

USA

Employees **445 (644)**
Number of suppliers[1)] **766 (587)**
Value added **MNOK 1,729 (2,575)**
Investments **MNOK 22 (19)**

Kongsberg Defence & Aerospace has a marketing office in Alexandria (Virginia). In Johnstown (Pennsylvania), they manufacture and maintain the PROTECTOR Remote Weapon Station for the American market.

Kongsberg Geospatial has a sales and service office in Florida, while Kongsberg Satellite Services has a marketing office in Silicon Valley in San Francisco, California.

Kongsberg Maritime has operations in Seattle (Washington), Houston and Galveston (Texas), New Orleans (Louisiana) and Miramar (Florida). The other units works with sales and customer support. The Seattle business is also engaged in technology development and adaptation of existing products to the US market.

Kongsberg Digital's has operations in Houston (Texas) for sales, support and project implementation. There is also an office in West Mystic Groton (CT) for sales and customer support.

Canada

Employees **109 (115)**
Number of suppliers[1)] **135 (120)**
Value added **MNOK 303 (310)**
Investments **MNOK 3 (2)**

Kongsberg Defence & Aerospace is represented by Kongsberg Geospatial in Ottawa. The company is known for its geospatial visualisation tools for military command and control systems.

Kongsberg Maritime's largest business in Canada is located in Vancouver. Here the company has its own product development and production. The business area also has two sales and support offices on the East Coast, in St John's and Dartmouth.

Kongsberg Digital operates in St. Johns, where they do sales and customer support.

Central and South America and Antarctica

Brazil

Employees **114 (119)**
Number of suppliers[1] **240 (348)**
Value added **MNOK 126 (147)**
Investments **MNOK 2 (8)**

Kongsberg Maritime has two operations in Brazil, in Rio de Janeiro and Niteroi. Here they work with sales, service, engineering, as well as user training and simulator training.

Mexico

Employees **26 (22)**
Number of suppliers[1] **1 (1)**
Value added **MNOK 32 (39)**
Investments **MNOK 0 (0)**

Kongsberg Defence & Aerospace's subsidiary Kongsberg Nordcontrol AS has a marketing office in Mexico City.

Kongsberg Maritime has a service office in Veracruz, Mexico.

Rest of Central & South America

Employees **5 (8)**
Number of suppliers[1] **29 (42)**
Value added **MNOK 13 (14)**
Investments **MNOK 0 (0)**

Kongsberg Maritime has service offices in Panama.

Antarctica and Svalbard

Kongsberg Defence & Aerospace
Kongsberg Satellite Services is a 50 per cent owned subsidiary with ground stations for satellite data in Antarctica and on Svalbard.

Kongsberg Maritime has operations in Rio de Janeiro, Brazil.

Oceania

Kongsberg Maritime has offices in Perth, Australia.

Australia and New Zealand

Employees **57 (46)**
Number of suppliers[1)] **159 (156)**
Value added **MNOK 219 (98)**
Investments **MNOK 4 (2)**

Kongsberg Defence & Aerospace has a marketing office in Canberra.

Kongsberg Maritime has sales and service operations in Perth and Melbourne.

Africa

Kongsberg Maritime has sales and service operations in Namibia and South Africa.

Algeria, Namibia, South Africa and rest of Africa

Employees **20 (20)**
Number of suppliers[1)] **12 (70)**
Value added **MNOK 41 (38)**
Investments **MNOK 0 (0)**

Kongsberg Defence & Aerospace's office in Algiers, Algeria works with operation and delivery of projects related to tactical radio and communications systems. Kongsberg Norcontrol AS owns about 35 per cent of a company in Cape Town, South Africa.

Kongsberg Maritime has sales and service operations in Namibia and South Africa.

03

SUSTAINABILITY

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About the Sustainability Report

The purpose of this report is to give our stakeholders relevant information about how KONGSBERG approaches sustainability and ESG issues. The report also covers reporting requirements according to accounting legislation and GRI-Standards.

Reporting for 2020

The report covers 2020, and addresses topics of importance to us and our stakeholders. Any significant events from 1 January 2021 to 16 March 2021 will also be mentioned. All figures are related to the 2020 financial year.

Changes to the reporting platform since the preceding report

KONGSBERG acquired and integrated Rolls-Royce Commercial Marine and Kongsberg Aviation Maintenance Services (KAMS) (previously AIM Norway) in 2019. The subsidiary Hydroid, Inc. was disposed in the first quarter of 2020. These changes are reflected throughout the organisation, including in the reporting basis for sustainability. This means that the information for key figures etc. are not directly comparable with previous years. In addition, the effects of the COVID-19 pandemic led to a significant reduction in travel activity, which in turn has particularly affected the climate accounts.

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 manufacturing 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. Although importance is attached to ensuring that the data is complete and correct, some of the information will be based on estimates.

Our process to define the content

We periodically carry out materiality assessments, most recently in autumn 2019. For more details of this, see "Sustainability and ESG strategy and priority".

When carrying out the materiality assessment, we take into account what our key stakeholders are concerned about in our dialogue with them. This includes our owners, investors and lenders, our employees, customers, suppliers, and regulatory and local authorities in the areas in which we are active.

The content of the report is largely defined based on what we have called "Focus areas", where each area of focus includes an overview of goals and activities. These are approved by the Corporate Executive Management and the Board.

In 2020, we have undertaken a comprehensive process to further develop our goals and KPIs for sustainability and the ESG area, which will be implemented and reported on from 2021.

Stakeholder dialogue

In 2020, we have had a dialogue with many of our stakeholders with an emphasis on different sustainability and ESG issues. We have also annual meeting with the Ministry of Trade, Industry and Fisheries with the main emphasis on sustainability and social responsibility. We engage in collaboration with other companies and NGOs, such as the NHO Forum for Sustainability, the Coalition for Responsible Business (KAN), which is a broad association of business, trade and civil society with an emphasis on human rights, as well as the UN Global Compact Norway. Together, this gives us useful information and insight into developments and expectations from the outside world for sustainability reporting.

Sustainability and ESG strategy and priority

Sustainable innovation is an integrated part of KONGSBERG's business strategy. Our most significant contribution to achieving the sustainability goals is the supply of high-tech products and services, which reduce our customers' emissions of harmful greenhouse gases.

Our business strategy

Sustainability and ESG are anchored and integrated into our business strategy, both in terms of business opportunities and initiatives in our internal operations. We will position ourselves and seize the opportunities inherent in the "green and digital shift", the transition to zero emission society, and the challenges our customers face. We shall be in forefront to meet the accelerating regulatory changes and our stakeholders' expectations and requirements.

This is particularly relevant in the field of Green Shipping, through the development of autonomous vessels, hybrid systems and electric ferries. Through our unique position, which makes use of crossover technology and collaboration between our business areas, we facilitate innovation in both technology and sustainability. We work with private and public parties to reduce harmful effects on the oceans, through control systems for aquaculture facilities, monitoring marine areas for illegal fishing and fishing quotas, plastic trawler management, marine surveillance, etc. Applying more sustainable thinking in our innovation also strengthened our global competitiveness.

Although our internal operations have a relatively low emissions level, we are actively working on measures to achieve our target to reduce greenhouse gases. We have had a climate plan for the period 2015-2020 with the goal of 20 per cent reduction of greenhouse gases, read more about it in the chapter on climate and the environment. We will implement a new climate plan in 2021 for our internal operations, with the goal of contributing to Norway's climate targets for 2030, and fulfillment of the Paris Agreement's intention.

Our unique position of collaboration and use of crossover technology between our business areas enables innovation in terms of both technology and sustainability.

Materiality assessment

During the last quarter of 2019, we performed an extensive materiality assessment in order to learn more about what our owners, staff, business partners, finance institutions and the society expect of us in terms of sustainability, financial, environmental, social and governance matters (ESG), and what they consider most important, seen in context with our own assessments. This will form the basis of our strategic work and prioritisations for the future. We will conduct materiality assessments periodically, to follow up on new issues considered material. For 2020, it was natural to take in the COVID-19 situation in the topic of HSE and lift it up from medium to high materiality. Read more about this under the chapter for HSE. The topics are presented in the matrix related to the sustainability goals where we believe we can contribute the most.

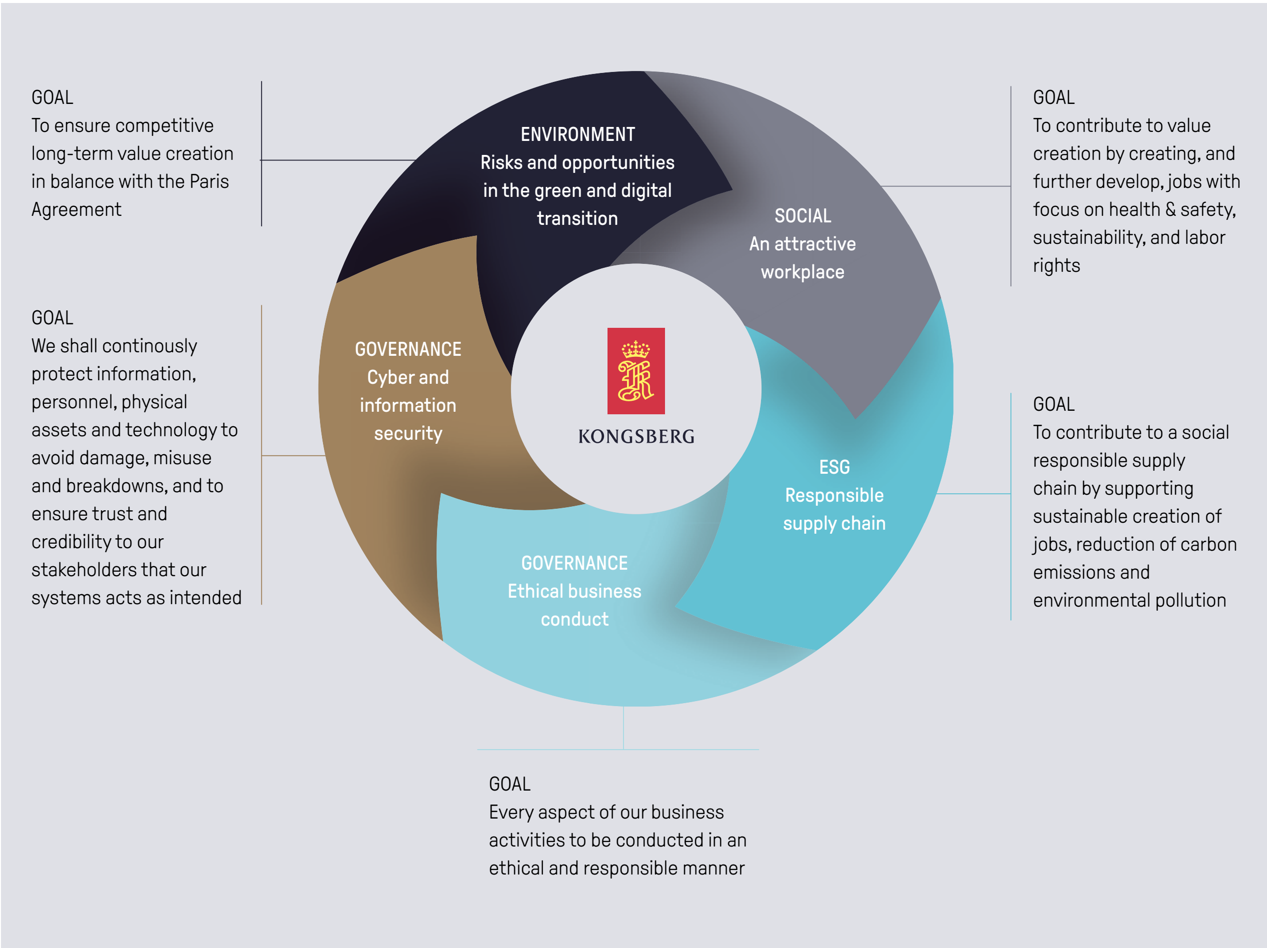
Operationalization of our Sustainability- and ESG strategy

In 2020, we have conducted a process that has involved all of our business areas and management, to define our main goals for ESG for 2021 and onwards, and which KPIs to measure achievement of the goals. We will start reporting on the KPIs from 2021. The sustainability report for 2020 reports on the targets set in 2019, effective for 2020.

Prioritizing our most material sustainability and ESG issues

Environment and climate

- We will increase our market focus, research and development and innovation for solutions for tomorrow's challenges which contribute to climate neutrality, resource efficiency and circular solutions for our customers.
- We will reduce our own climate footprint in collaboration with our suppliers, especially for transport and travel, as well as increase circularity in our own operations.



Social matters
- We will work actively to have an inclusive culture without discrimination.
- We shall prevent violations of human rights or labour rights in our operations.
- We will ensure that we increase and maintain the competence of our employees.

Governance
- Our business practices shall be conducted in a responsible and ethically way.
- Our management system and compliance programme shall support our culture and behavior.
- Our risk-based internal control systems shall be designed to protect and follow up our operations.

Integration of ESG into our business processes

We are continuously working to integrate our ESG targets into our business. Examples include:
- *Strategy;* we closely monitor and analyse regulatory requirements and stakeholders' expectations to understand the implications for our strategy. We are looking out for both risk and market opportunities to make a significant and positive contribution to sustainability and ESG.
- *Finance;* We are continuously working on improvement of our systems and reporting processes, to ensure high levels of transparency, and to be able to report on new requirements, such as the EU Taxonomy.
- *Procurement and supply chain;* we update our supplier selection criteria and procurement requirements in line with our own goals.
- *Evaluation and selection of business partners;* in addition to the necessary skills, we emphasize the business partners ESG-profile.

EU Green Deal and Action Plan for Sustainable Finance

We are preparing for new reporting requirements that will follow the EU Taxonomy. We expect that the development of this taxonomy will be a driving force for innovative, technological business opportunities within market segments where we are strong and have the potential for further development.

UN Sustainable Development Goals

The UN's 17 Sustainable Development Goals are intended to help ensure that the overall goal for a sustainable planet will be achieved by 2030. These Sustainable Development Goals can only be achieved through the efforts of businesses.

We have selected the Sustainable Development Goals to which we believe we can make the biggest contribution, while remaining fully aware that all the goals are important. We strive to support all the goals through our operations, both in terms of reducing any negative impact and by seizing any business opportunities which may be presented by the goals.

We are continuously working to integrate our ESG goals into the business.

FIND OUT MORE

CDP DISCLOSURE INSIGHT ACTION	B	Read more about our reporting to Carbon Disclosure Project (CDP): https://fil.email/fR0io0Jb
SUSTAINALYTICS a Morningstar company	ESG Risk Rating 29.0 Medium Risk (Negl. 0-10, Low 10-20, Med. 20-30, High 30-40, Severe 40+); Ranking: Industry group Aerospace & Defense 14 out of 89; Universe Global Universe 7063 out of 13410	Read more about our results: www.sustainalytics.com/esg-rating/kongsberg-gruppen-asa/1008754100/
THE GOVERNANCE GROUP	 A-	Read more about our results: https://www.thegovgroup.org/esg100/
GRI (Global Reporting Initiative)		Read our GRI Index 2020 here: https://www.kongsberg.com/no/investor-relations/reports-and-presentations/
TRANSPARENCY INTERNATIONAL Defence & Security	Band C; Commitment to Anti-Corruption and Transparency: MODERATE	Read more about our results (2020) here: https://ti-defence.org/dci/companies/kongsberg-gruppen-asa/

MATERIALITY ASSESSMENT 2020

Color code:
Alignment with the Sustainable Development Goals

UN SUSTAINABLE DEVELOPMENT GOALS

The UN's 17 Sustainable Development Goals will support achieving the overall goal of a sustainable world by 2030. Achieving the SDG's depends also on the efforts of the business community. We have selected the Sustainable Development Goals to which we believe we can make the biggest contribution, while remaining fully aware that all the goals are important. We strive to support all the goals through our operations, both in terms of reducing any negative impact and by seizing any business opportunities which may be presented by the goals.

Goals 7, 9 and 14 are the goals we believe we can make the largest contribution to, through innovation and by developing technology for sustainable solutions. Our products and solutions contribute to reduced energy consumption, increased efficiency and transition from fossil fuels to cleaner energy sources for our customers. This also provides great business opportunities while helping to achieve the SDG's. Examples are autonomous and electric ferries, control systems for use in aquaculture, on fishing trawlers, monitoring of marine areas for illegal fishing and controls of fishing quotas and plastic in the oceans. Technological development in the defence part of the business is enabling many of the innovative sustainable solutions, known as "cross-over" technology. We will also reduce our own energy consumption by efficiency and sound attitudes, and we will optimise use of energy from renewable sources in our buildings and in transport. We have developed plans for skills for future for our employees, both with regard to technical and behavioural matters. We also stimulate employee-driven innovation by project participation and by education. We participate in partnership projects supported by public programs for innovative sustainable solutions. Together, these measures support **goal number 13**, 'Stop climate change'.

We support **goal number 4** by working extensively with universities and colleges, setting up student programmes and hosting summer students in order to motivate those studying natural sciences to complete their education. We support the science centre Vitensenteret in Kongsberg science centre and work with natural science teaching in primary and secondary schools. We strive to continue a corresponding engagement in our international operations.

We support **goal number 5** by working actively to improve the gender ratio and ensure that the genders have equal rights, thereby helping to improve equality in a traditionally male-dominated working environment. We are actively working on gender equality by setting gender distribution targets in our total workforce and in management teams. We have an equal pay policy for women and men, and we have zero tolerance for discrimination and harassment.

We support **goal number 8** by using Norwegian standards and ILO Conventions as a basis for our activities in every country and impose the same requirements on our suppliers. We thereby help to protect employee rights and promote a safe and secure working environment for all employees in our operations and in our supply chain. We strive to contribute to sustainable economic growth through innovation and research and development, also in collaborative projects with other companies and organisations. We hire people for work training to support that people who may otherwise be at risk of falling out of work come back to work.

We support **goal number 16** by having comprehensive and robust internal controls and sanctions in place for exports, in particular to eliminate the risk that our defence products could be used in contravention of international rules and humanitarian law. We also have a comprehensive anti-corruption programme across all our international operations. We have established whistleblower channels where employees can report suspected violations of laws or our code of conduct, and we have strict requirements on our supply chain to avoid illegal use of labour or materials.

We support **goal number 17** by working closely with our business partners. Examples are technology development, projects for monitoring plastic in the oceans and collaboration for ethical business conduct, anti-corruption and export. We emphasise sustainable development when we enter into new strategic partnerships, in our relationship with our suppliers and when we work with charitable organisations. Examples include collaboration with Zero for the climate dimension, the Norwegian Church City Mission for the social dimension, the UN Global Compact membership, together with the implementation of e-learning and webinars for our suppliers on sustainability and ESG-issues.

Framework for the preparation of the Sustainability Report

WHITE PAPER NO. 8 (2019-2020)
The Norwegian State's direct ownership of companies – Sustainable development

WHITE PAPER NO. 27 (2013–2014)
Diverse and value-creating ownership

The Norwegian state owns 50.004 per cent of the shares in KONGSBERG. The State's ownership share is managed by the Ministry of Trade, Industry and Fisheries. We have defined the contents of the report to ensure compliance with the White Papers.

THE NORWEGIAN ACCOUNTING ACT

The Norwegian Accounting Act requires that large enterprises report on corporate social responsibility in the Directors' report or in a separate report. The report must include information about human rights, employee rights and social conditions, the environment and anti-corruption work.

In our opinion, the Sustainability Report for 2020 fulfils these requirements.

GLOBAL COMPACT

KONGSBERG acceded to the UN Global Compact initiative in 2006. It requires that we annually report our activities and results related to the human rights, employee rights, environment and anti-corruption principles stated in the initiative. The Group's report on sustainability serves as such report – a COP (Communication on Progress). More information about Global Compact can be found at www.unglobalcompact.org

EURONEXT GUIDELINES FOR ESG REPORTING AS FROM 2020

Our reporting is in our opinion, on the whole, in accordance with Euronext's (Oslo Stock Exchange) guidance. This guidance was based on the GRI Sustainability Reporting Guidelines. The Guidelines describe the expectations for conducting materiality assessment, corporate governance, communication and yearly update.

GLOBAL REPORTING INITIATIVE (GRI)

We use GRI Standards for voluntary reporting of sustainable development. The guidelines include financial, environmental and social dimensions related to the organisation and is the leading global initiative in this area.

For 2020, we have strived to report according to the material analysis conducted in the last quarter of 2019. This is described in detail under "Sustainability and ESG strategy and priority".

Our reporting is in our opinion, on the whole, in accordance with the GRI Reporting Principles. GRI applies a classification that shows to what extent a company uses GRI's definitions and disclosure requirements, namely Core or Comprehensive. KONGSBERG has decided to report on Core level.

On our website, under www.kongsberg.com/investor-relations/reports-and-presentations/, there is an index showing the GRI standards and indicators that are reported and where the information is found in the company's Annual Report and Sustainability Report. More information about GRI can be found at www.globalreporting.org

DELIBERATIONS BY THE MANAGEMENT AND BOARD

The Group's report on sustainability is processed and approved by the Corporate Executive Management and the Board.

EXTERNAL VERIFICATION

The Sustainability Report is verified by a third party, the audit firm Deloitte. See auditor's statement for 2020.

Organisation and Management Systems

KONGSBERG's governance model is closely linked to "the Norwegian Code of Practice for Corporate Governance". The following is an overview of the governance model and organisation linked to sustainability and corporate social responsibility.

THE ANNUAL GENERAL MEETING	The Annual General Meeting (AGM) is the Group's supreme governing body. Here, the shareholders can influence how sustainability and corporate social responsibility are practised at KONGSBERG.
THE BOARD OF DIRECTORS	The Board decides in all significant matters and has overall responsibility for the strategy and management of the company. The Board adopts the Group's Code of Ethics and Business Conduct and Strategy for Sustainability and Corporate Social Responsibility, and the Sustainability Report is reviewed and approved by the Board.
CORPORATE EXECUTIVE MANAGEMENT	Corporate Executive Management holds the ultimate responsibility for the Group's strategy, development and operational management. The Chief Executive Officer is responsible for ensuring that the content of the Group's Strategy for Sustainability and Corporate Social Responsibility is monitored, complied with and integrated into the Group's ordinary strategic planning.

Business areas
The business areas are responsible for follow-up and compliance with policy, goals and governance documents related to sustainability and corporate social responsibility. The practical aspects of the work are usually handled by the business areas, with support from the corporate staff.

Ethics Committee
The Group's Ethics Committee aims to help raise ethical awareness, ensuring good behaviour and KONGSBERG's good reputation. In the first instance, the Committee shall address matters of principle and questions related to policies and provisions. The composition of the Ethics Committee is subject to Board approval.

Forum for responsible business conduct
The Forum is a link between the business areas, the corporate staff and Corporate Executive Management on questions related to business ethics, compliance, sustainability and corporate social responsibility. Its main responsibility is to help promote, further develop and coordinate the Group's efforts in this field.

Quality management
KONGSBERG has a strong focus on quality management and continuous improvement. Our quality management systems control all our activities in order to deliver products and services that meet customer's quality requirements. All business areas have integrated management systems that cover relevant topics such as quality, outer surroundings, health, safety and environment, compliance, sustainability, corporate social responsibility and information security. Our quality management addresses both quality in projects and products and includes quality planning, quality assurance, quality control and continuous improvement. KONGSBERG's management system ensures efficient operations and that products are delivered according to the goals and requirements concerning time, cost and performance. Systematic internal quality audits are carried out in the entire value chain.

Business areas have the following certifications
KDA is certified according to AS9100, ISO9001, AQAP2110, AQAP2210 and ISO14001 and ISO27001.

KM and KDI are certified according to ISO9001, ISO14001, ISO 45001 (replaces OHSAS18001) and ISO27001.

Responsible Business Conduct

KONGSBERG has more than 200 years of tradition and history as a defence supplier and as a technology company. It is fundamentally important for us to conduct our business in a responsible manner. It involves following the laws and regulations applicable in the countries where we operate, our own corporate Code of Ethics and Business Conduct and other national and international principles and frameworks for responsible business conduct.

DEFENCE PRODUCTS

The main part of our defence business delivers missiles, systems for weapons guidance and control, decision support and communications. KONGSBERG does not produce cluster bombs, land mines, nuclear weapons or chemical and biological weapons. We comply with all requirements and directions specified in the UN conventions.

We operate in industries and countries that can involve different types of risk. We conduct risk analysis and seek to prioritise and manage risk to prevent and mitigate to the greatest possible extent.

The defence industry

The Norwegian Armed Forces shall safeguard important social functions both in peacetime, crisis situations, armed conflict and in war. A modern defence calls for state-of-the-art defence systems, and KONGSBERG's defence systems and products are an integral part of this. 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 United Nations and NATO. The Norwegian Armed Forces and KONGSBERG collaborate extensively to develop customised systems for the country's specific needs. KONGSBERG has developed high-tech defence systems that also play an important role on the international arena. In 2020, defence business represented about 33 per cent of our turnover.

Export of defence material

Norwegian rules for export of defence material are among the most restrictive in the world. The Norwegian parliament has sanctioned that defence products can only be sold to pre-approved countries. Transparency about export of defence material is an important principle in Norway. KONGSBERG consistently complies with all requirements set by the Ministry of Foreign Affairs regarding the application process, reporting and statistics.

KONGSBERG holds shares in companies, and have partners, suppliers and customers in other countries. Export control regulations in other countries must therefore also be complied with. KONGSBERG has a comprehensive programme for internal control and training in connection with our export activities.

Maritime industries

67 per cent of the Group's revenue in 2020 are related to maritime industries. The world is still in need of energy and transport, but with emphasis on low carbon solutions. This provides commercial opportunities for the sustainable innovative solutions we are

KONGSBERG requires that any purchase of conflict minerals shall be from responsible sources.

developing together with our partners and customers. KONGSBERG's systems and products are to a large extent associated with optimisation, security, operation and control of machines, production processes and equipment. We deliver systems and services that contribute to better utilisation of resources, more efficient navigation and safer operation of complex vessels and installations. Read more about this in the chapter on sustainable innovation.

Autonomy and Artificial Intelligence (AI[1])

KONGSBERG develops advanced technology, which includes autonomous systems and AI, e.g. in offshore transport and drone technology. Artificial intelligence in the form of machine learning is used within a secure framework by our simulators. Wherever this technology is utilised in autonomous solutions, human monitoring is always in place to provide additional security. This raises ethical questions that we have high attention on. Our Ethics Council has the theme on the agenda, and we are part of the international discussion through our membership of Ifbec[2]. Autonomy and AI affects society, working life and legislation. Our approach to AI is to engage in development, safeguard norms and values in line with our ethics and business behaviour policies, as well as comply with national and international laws and regulations.

Conflict minerals

KONGSBERG supports and respects the protection of internationally recognized human rights, and we will ensure that we have measures that prevent us from becoming involved in human rights violations. We require our suppliers to do the same.

In order to comply with regulatory- and customer requirements for the prohibition and restriction of conflict minerals, KONGSBERG prohibits the use of such minerals, unless the minerals are purchased from responsible sources.

We will use Responsible Minerals Initiatives (RMI) conflict minerals reporting template (CMRT) to facilitate information collection through the value chain of 3TG (tin, tantalum, tungsten and gold, including their derivatives), country of origin, as well as smelting plants and refineries used.

We will further develop our due diligence systems to include the purchase of materials beyond 3TG. As a first step, we have expanded our material management system to include cobalt, which is used in the production of lithium batteries, and we will use the tools and applications of RMI.

1) AI is defined by the EU as "Artificial Intelligence systems (AI) are software (and possibly even hardware) designed by people who, if given a complex goal, act in physical or digital dimensions by recognizing their environment through data collection, they interpret structured or unstructured data, reasoning on this knowledge, or processing of the information, derived from this data and determining the best action(s) to take to achieve the given goal."
2) The International Forum on Business Ethical Conduct for the AeroSpace and Defence Industry.

Responsible Tax – our Tax Policy

KONGSBERG's international presence means that we must comply with a wide variety of tax systems in many countries. In our opinion, a responsible approach to taxation is decisive for our long-term 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.

Our aim is to comply with tax legislation in a responsible way, and to have open and constructive relationships with the tax authorities in the countries in which we do business.

Tax governance

KONGSBERG's objective is to comply with tax laws in a responsible manner and to have open and constructive relationships with tax authorities in the countries where we operate.

KONGSBERG has a central Tax Department who reports to the Corporate Management, and whose primary purpose is to ensure compliance with our Tax Policy throughout the Group. The Tax Department and local management of the Group's companies ensure compliance with local requirements for tax reporting in the countries in which KONGSBERG operates, supported by internationally recognised tax advisers. The Tax Department regularly follow up the external advisers.

Tax risk management

KONGSBERG has operations in industries and countries that can carry different types of risk. We conduct risk analyses and strive to prioritise and manage the risks of preventing and mitigate them to the greatest extent possible.

Our tax team seeks to deliver clear, timely and relevant business advice on tax matters. KONGSBERG manage risk through appropriate risk management processes, controls and guidelines. We follow up the management of tax risk primarily through the regular tax reporting that gives us an effective opportunity to track tax risk.

Where there is uncertainty surrounding the interpretation of tax laws, we will seek second opinions from external tax advisers, having established our own understanding of the position, and/or seek to resolve the uncertainty by dialogue with tax authorities.

Our approach to tax risks follows the same principles that apply to all other business risks. We consider reputation and

A responsible approach to taxation is essential for our long-term activities in the countries in which we operate.

corporate social responsibility as well as purely financial impacts. When making decisions on tax we consider the materiality of any item, as well as the costs of effective risk mitigation actions. By being compliant in terms of local tax legislation, we aim to minimize tax risk.

Relationships with authorities and transparency

KONGSBERG is transparent in our approach to taxation and our tax positions. We aim to build and sustain relationships with tax authorities that are constructive and based on mutual respect. We seek to work in collaboration with tax authorities wherever possible to achieve agreement and certainty, and to prevent and resolve disputes.

Our aim is that the tax reporting complies with applicable local tax legislation, as well as with current international reporting requirements and accounting standards such as IFRS.

KONGSBERG supports international efforts to increase public trust in tax legislation and tax management of multinational businesses, including the Global Reporting Initiative's standard development.

Attitude towards tax planning

- We engage in efficient tax planning that supports our business and reflects commercial and economic activity.
- We do not engage in artificial tax arrangements.
- We adhere to relevant tax rules and their intent.
- We work to minimize the risk of uncertainty or disagreement.
- We conduct transactions between KONGSBERG's business areas on an arm's-length basis and in accordance with current OECD principles.

The commercial aspects of KONGSBERG's business activities are paramount, and all tax planning should be done with this in mind.

Tax incentives and exemptions are sometimes made available by governments and fiscal authorities in order to support investment, employment and economic development. Where they exist, and are granted to us, we seek to apply them in the manner intended.

We establish entities in jurisdictions suitable to hold our investments, taking into consideration our business activities and requirements, and the regulatory environment available to us.

Key Figures Sustainability

FINANCIAL VALUE CREATION

MNOK	2020	2019	2018	2017	2016	2015	2014
ADDED VALUE							
Salaries	7 472	6 908	4 638	4 417	4 649	4 725	4 537
Dividends	1 440	2 250	450	450	450	510	1 110
Dividends – % of earnings	49.1%	313.8%	64 %	1	1		
Interest to lenders	99	122	103	110	63	24	30
Retained earnings	1 492	267	254	109	201	245	(230)
OTHER FINANCIAL KEY FIGURES							
Costs related to the purchase of goods and services	12 851	13 059	7 239	7 610	8 722	9 143	8 497
Financial support received from authorities	121	103	53	59	35	18	21
INCOME TAX EXPENSE[2)]							
Norway	152	92	61	(15)	(40)	85	291
Rest of Europe	136	71	14	13	17	9	27
North and South America	47	47	38	33	48	49	50
Asia, Africa and Australia	40	40	27	64	53	46	37
Total	**374**	**250**	**140**	**95**	**78**	**189**	**405**

SOCIAL INVESTMENTS

MNOK	2020	2019	2018	2017	2016	2015	2014
Financial support to organisations, etc. [1)]	7.6	6.8	6.9	9.1	12.4	9.3	8.8

1) In addition, there is funding for professorships and direct costs such as wages etc. for our own employees contributing in part-time positions at various colleges and educational institutions. See pages 81–85 for further information.
2) Tax expences for 2019 includes tax expences for disposed of activities.

EMPLOYEES

	2020	2019	2018	2017	2016	2015	2014
LEVEL OF EDUCATION							
Master's degree (%)	24	23	29	29	29	28	28
– of which doctorates (PhD)	1	1	2	2	2	1	1
Bachelor's degree (%)	31	30	36	35	35	37	36
Technicians (%)	9	7	12	12	12	15	14
Production workers (%)	14	16	11	11	11	11	11
Other (%)	21	21	11	13	13	10	11
NUMBER OF EMPLOYEES							
Number of employees, total	10 689	10 793	6 842	6 830	7 159	7 688	7 726
Number of full-time equivalents (FTEs)	10 565	10 704	6 771	6 728	7 027	7 571	-
Number of full-time employees	10 252	10 488	6 674	6 636	6 963	7 364	7 470
Number of part-time employees	437	305	168	194	196	324	256
AGE							
Average age	43.2	44	43	43	42	41	41
Employees under age 30 (%)	12	12	13	14	15	19	21
Employees between ages 30 and 50 (%)	59	58	59	57	58	56	55
Employees over age 50 (%)	29	30	28	29	27	25	24
PERCENTAGE OF WOMEN							
Women as a % of the number of employees	20.1	19.5	21.8	21.5	21.2	21.0	20.9
Women in managerial positions as a % of total managerial positions	19	21	20	20	19	18	18
Shareholder-elected women on the Board (%)	40	40	60	60	40	40	40
TURNOVER							
Turnover (employees who have resigned)	388	809	465	357	477	430	516
Turnover (%)	3.6	7.5	6.8	5.2	6.7	5.6	6.7
– Men	2.8	5.1	5.6	4.2	6	4.2	5.5
– Turnover men, of total men	3.5	6.6	7.1	5.4	7.6	5.4	6.9
– Women	0.9	2.4	1.2	1	0.7	1.4	1.2
– Turnover women, of total women	4.2	13.1	5.6	4.7	3.3	6.4	5.8

HEALTH AND SAFETY

	2020	2019	2018	2017	2016	2015	2014
Sick leave as a % of hours worked	2.9	2.6	2.6	2.3	2.5	2.6	2.6
Sick leave for the Norwegian companies	3.2	3.1	3.0	2.8	2.8	2.8	3.0
Number of reported injuries per million hours worked (TRI)[1]	1.7	2.3	1.6	3.2	3.5	4.1	4.7
Number of lost time days per million hours worked (ISR)	21.2	31.4	17.6	16.2	32.0	14.2	45.3
Number of reported injuries leading to absence among employees	26	30	13	31	40	20	34
Total number of injuries among employees[2]	103	111	71	129	176	196	240
Total number of near-accidents among employees	684	387	379	232	183	140	140
Registered work-related fatalities	0	0	0	0	0	0	0

1) Includes lost time injuries and injuries involving medical treatment.
2) Includes lost time injuries, injuries involving medical treatment and injuries treated with first-aid.

CLIMATE AND ENVIRONMENT

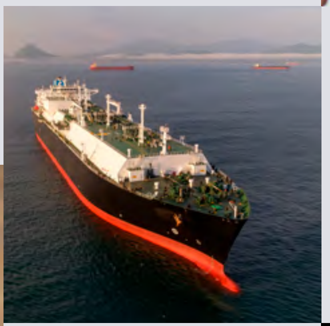
	2020[2)]	*2019*[2)]	*2018*	*2017*	*2016*
CO_2 EMISSIONS					
CO_2 emissions (metric tonnes)[3)]	23 098	49 705	27 920	23 342	23 229
CO_2 emissions from transport (metric tonnes) (first reported in 2015)[4)]	17 590	24 409	7 546	9 175	10 235
Total CO_2 emissions (metric tonnes)[4)]	**40 619**	**74 114**	**35 466**	**32 517**	**33 464**
CO_2 emissions relative to sales (metric tonnes/MNOK)[4)]	1.6	3.1	2.5	2.2	2.1
CO_2 emissions relative to man-years of labour (metric tonnes/ man-years of labour)[4)]	3.8	6.9	5.2	4.7	4.8
ENERGY USE					
Electricity (MWh)	122 510	134 027	102 071	92 795	96 734
Gas/oil (MWh)	6 195	6 277	4 095	5 397	3 471
Heat recovery (MWh)[1) 4)]	38 359	38 060	25 004	26 208	22 591
Energy consumption (MWh) per employee	15.6	15.3	19.2	18.2	17.2
Energy consumption (MWh/MNOK)[4)]	6.5	7.4	9.1	8.6	7.7
WASTE (METRIC TONNES)					
Waste for recycling	5 422	5 712	937	866	1 016
Residual waste	1 029	1 080	549	665	583
Hazardous waste	969	1 038	402	353	387

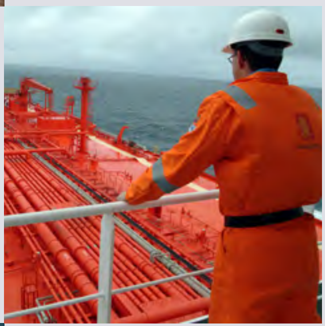
1) Energy recovery at Kongsberg Technology Park, as well as purchased district heating and remote cooling from external companies.
2) The figures for 2019 include acquired companies. The figures for 2020 are exclusive the disposed subsidiary Hydroid.
3) CO_2 emissions (metric tonnes) for KONGSBERG. Emissions from the consumption of fossil fuels for the production of district heating supplied by Kongsberg Technology Park are included in direct emissions. Indirect emissions include the consumption of electricity, district heating and cooling from external suppliers within the business areas, as well as the consumption of electricity for the production of district heating and cooling in Kongsberg Technology Park.
4) Figures for 2019 have been corrected.

FOCUS AREAS 2020–2021

Our focus areas describe key sustainability and corporate social responsibility areas and are an integral part of our business strategy.

Ethics, integrity and compliance	54
Sustainable innovation	60
Health, Safety and the Environment & People	64
Human rights	71
Security in KONGSBERG	75
Sustainability and Corporate Social Responsibility in the supply chain	77
Corporate Social Responsibility	81





Ethics, integrity and compliance

"For KONGSBERG, maintaining a high ethical standard in our daily operations is very important. We experience a constantly changing world, with an increased focus on compliance with laws, rules and sanctions. This places great demands on an international business. We work systematically on improvements to our processes and routines so that they meet applicable requirements; to ensure our "licence to operate". We ensure implementation of our processes through training and we follow up through reporting and audits to make sure we comply with applicable requirements."

Geir Håøy, President and CEO

Our position

Business Ethics

Our Code of Ethics and Business Conduct is regularly updated in line with national and international developments. It expresses our basic attitudes and indicates how we shall relate to colleagues, customers, shareholders and society in general.

Tone at the top

The Board of Directors and management of KONGSBERG set requirements for periodic external evaluation of the compliance programme. They assess and approve risk assessments and actions plans for Responsible Business Conduct on yearly basis. The Chief Compliance Officer reports status every quarter to the Corporate Management, the Audit Committee and the Board.

Anti-corruption

KONGSBERG has zero tolerance for corruption. By that, we mean that we will never permit sales to be achieved through corruption. Meanwhile, we recognise that doing business in vulnerable parts of the world may involve greater risks for corruption. For our business partners, zero tolerance in practice means requiring that any historical situations are regularised, that an approved anti-corruption programme is implemented and complied with, and that corruption is clearly denounced through words and actions. Our attitude is expressed explicit through our Code of Ethics and Business Conduct, and our endorsement of the UN Global Compact, the OECD's Guidelines for Multinational Enterprises and our membership of Transparency International, The International Forum on Business Ethical Conduct (IFBEC) and Maritime Anti-Corruption Network (MACN). The Board and Corporate Management Team devote considerable attention to this work.

Our Code of Ethics and Business Conduct is 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 Code is communicated and implemented to ensure a clear understanding throughout the Group, and as such shall contribute to a strong business culture, working in a preventive manner against the occurrence of errors and irregularities. Well-integrated values and the Code of Ethics and Business Conduct make up an important element of our risk management.

Before we enter into an agreement with a business partner (customer, supplier, market representative, joint venture partner, other collaboration partner, recipient of sponsorship or charitable contributions), we must be certain that the business partner has satisfactory ethical standards in place. We use a risk-based approach, which includes compliance Due Diligence investigations.

We carry out compliance Due Diligence investigations in accordance with internationally recognised standards. The level at which these investigations are conducted depends on the business partner and the risks concerned, and we carry out screening using recognised screening tools. The risk assessments are regularly revised and updated. We have incorporated requirements regarding ethics and corporate social responsibility into our standard agreements with business partners and carry out risk-based audits.

We perform annually a comprehensive compliance and risk assessment for the entire Group, including all subsidiaries and partly owned companies and partnerships.

Notification of alleged misconduct

The Group has procedures for notification of any breach of the Code of Ethics and Business Conduct. Employees will always have the right to issue alerts about circumstances worthy of criticism and are under a duty to do so if there is a question of a violation of laws, rules or our Code of Ethics and Business Conduct. KONGSBERG will not tolerate a whistleblower being subject to reprisals or negative reactions. The Group has two ombudsmen who can provide advice and receive alerts from employees. Internal and external questions about ethics, whistleblowing, etc., can be directed to the Chief Compliance Officer by sending an

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KONGSBERG is committed to complying with all applicable laws regarding exports, imports, transit and trade in all countries in which we operate.

e-mail to: ethics@kongsberg.com or to our global web-based notification channel. Our notification channel ensures that everyone can report concerns and ensure that this is treated in a confidential manner and in line with applicable laws.

Our notification procedures have been updated in 2020 to ensure compliance with the new changes to the Working Environment Act (Norway).

In 2020 we have processed 29 cases internally, mainly concerning the work environment and financial irregularities of a personal character. All issues are considered in accordance with our procedures, and the majority of these issues were closed during 2020.

Exports and sanctions
KONGSBERG is committed to complying with all applicable laws regarding exports, imports, transit and trade in all countries in which we operate. These include laws on export bans, sanctions, customs, product/country of origin labelling and anti-boycotts.

There is a particular focus on the export of defence systems and other military equipment, along with associated technology and services. In Norway, and in most countries, KONGSBERG operates in, services and technology subject to export controls can only be exported subject to an export licence from the authorities. Sanctions may apply regardless of export classification. Customers and parties involved in the transactions must be checked with respect to sanctions and export bans. Customers and parties involved in the transactions must be checked with respect to sanctions and export bans. We have also invested in new tools to ensure compliance with the regulations.

KONGSBERG has a comprehensive programme for internal control and training in connection with our export activities. Several employees are "Certified Export Control Managers" for both defence materials and dual use goods. This practise will be continued in 2021 to build further expertise.

In 2019, a Trade Compliance project was established in collaboration with Patria. The main objective for the project is to improve processes and routines, interaction and competence building. We have conducted extensive internal audits in 2020 to map and focus on this. This work will continue in 2021.

The UN and the EU are the two most important international institutions making decisions on the imposing or lifting of sanctions. Decisions of the UN and EU largely determine which sanctions Norway implements. In addition, countries such as the USA have imposed further sanctions against countries and

Training in our Code of Ethics and Business Conduct is the backbone for how we conduct our operations.

parties that are more comprehensive than those of the UN or EU. KONGSBERG has guidelines and procedures which are regularly updated in order to address this.

Data privacy at KONGSBERG

The EU General Data Protection Regulation (GDPR) came into effect from May 2018. Over the last years, KONGSBERG has undertaken work on data privacy in order to comply with the new requirements in the regulation. KONGSBERG had its Binding Corporate Rules (BCR) approved in February 2018 (updated in 2019). This is the legal basis for the processing of personal data within the Group. This framework forms the basis for how KONGSBERG shall ensure that the personal data of our employees, customers and partners is treated in accordance with these requirements.

A separate privacy organisation has been set up in the Group and in the business areas with overall responsibility for ensuring and coordinating the establishment of internal processes and procedures, to ensure compliance. KONGSBERG has focus on IT security, and it is an important part of securing personal data processed in the company for our own employees, customers and other partners. In 2020, efforts have been done to improve processes for dealing with potential data protection law violations.

KONGSBERG has not identified leakages, thefts or loss of customer data. Neither have we received any substantive complaints about breaches of data privacy from outside parties or from regulatory bodies.

We participate in a network with focus on privacy with other large Norwegian companies, with purpose to share experiences and best practices. The status of privacy is reported annually as part of the overall compliance report to the Group Management and the Board.

Our privacy statement is available on kongsberg.com/privacy, together with a public version of our BCR as well as an overview of the companies which are part of it.

In-house training

All our new employees go through a training programme that deals with the Group's Code of Ethics and Business Conduct. The programme is updated regularly, and consists of e-learning courses and classroom courses for new employees and managers. In addition, a complex training programme has been further developed in the field of ethics, business-related behaviour and special topics for exposed target groups, including a general introduction to our notification rules.

Our challenges

We perform risk assessments in all our business areas and facilitate action plans to reduce identified risk. 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 market representatives. The use of third-parties is generally known to imply a high risk of corruption, so we pay particular attention to that aspect of our anti-corruption programme. We have drawn up and implemented comprehensive internal regulations for signing, auditing 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 industry, country and company, and approval procedures have been introduced for the use of standard terms of business and verification of payments, as well as for follow-up during the agreement period and including training and external audits.

We carry out periodic evaluation of our compliance and anti-corruption programme

In 2020, we conducted an external audit of our anti-corruption programme by an internationally recognized law firm in the United States, against the FCPA regulation, with very good results. In 2017, we conducted an external evaluation of our anti-corruption compliance system against ISO 37001 "Anti-bribery Management Systems".

Law violations in 2020

None of the companies in KONGSBERG were sanctioned due to law violations related to business ethics in 2020.

Organisation

KONGSBERG strengthened our compliance organisation through the addition of three new employees in 2020. At the beginning of 2021 it makes a total of 12 people spread across the Group and business areas. Chief Compliance Officer reports direct to the CEO and Audit Comitee as well as administratively to the CFO.

GOALS AND ACTIVITIES

Goals:
Every aspect of our business activities shall be conducted in an ethical and responsible manner

Goals for 2020 – what did we say?	Status for 2020 – what did we do?	Goals for 2021 – 1 year	Goals for 2021–2025 – 5 years
• Auditing the anti-corruption programme against local and international regulations.	• We conducted an external audit of our anti-corruption programme by an internationally recognized law firm in the United States, with very good results • Transparency International conducted a benchmark of the anti-corruption programme for the defense part of our company and classified us in Band C.	• Continuous updating of our governance documents, including the implementation of a conflict of interest directive.	• Our compliance programme shall satisfy Norwegian and relevant international regulations and be aligned with best practice. In order to verify this, an external evaluation shall ne conducted each third year.
• Implementation of revised governance documents. • Develop and maintain internal governance documents.	• Revised a number of governance documents including directives for Due Diligence, follow-up and auditing of third parties, and the guidelines for Whistleblowing.	• Continue and further develop the audit programme for third parties. • Review and implementing new governance documents.	• Continue and further develop the audit programme for third parties. • Continually evaluate auditing and the need to establish new governing documents.
• Carry out risk analyses, internal controls and audits to confirm compliance with legislation, rules and internal procedures. • Implement risk reduction measures as needed. • Reinforce internal control function in our compliance department.	• Prepared and implemented audit programme for auditing of 19 third parties (financial and non-financial compliance issues). • Implemented risk assessment for all business areas as well as for the Group through a detailed review and assessment of all compliance risks in the Group with accompanying action plan. • Completed audit programme for export control, and completed audit in the defence part of the company.	• Conduct and further develop our IDD programme for business partners. • Conduct audits for third-parties. • Conduct audit programme for export control in the maritime part of the Group, as well as some selected subsidiaries.	• Continue and further develop our IDD programme for business partners. • Continue the ongoing audit programme for third-parties. • Conduct audit programme for export control.

Goals for 2020 – what did we say?	Status for 2020 – what did we do?	Goals for 2021 – 1 year	Goals for 2021–2025 – 5 years
• Further develop and carry out continuous training.	• Completed training: e-learning distributed to all new employees, classroom training for risk-based training for third-parties and sales-personnel, relevant persons have completed export control training, designed training for management and new board members. • Developed new e-learning modules for anti-corruption and dedicated e-learning for third parties.	• Implementation of training plan based on needs and risk assess-ments. • Make an update of the e-learning platform for compliance.	• Continue ongoing training based on needs and risks.
• Maintain and further develop good forms of cooperation with business partners and other external.	• Membership in Ifbec, Transparency Int, MACN, FSI's interest groups for export control and anti-corruption. • Cooperation and networks with other companies in data privacy and anti-corruption.	• Maintain and further develop good forms of cooperation with business partners and other external parties. • Cooperation and networks with other companies in data privacy and anti-corruption.	• Develop, maintain and further develop good forms of cooperation with business partners and other external parties. • Develop, cooperation and networks with other companies in data privacy and anti-corruption.
• Develop incentives and KPIs for ethics, as well as internal rules and procedures for reactions and sanctions for undesirable business conduct.	• Ethics and integrity are part of our management evaluation systems.	• Develop incentives and KPIs for ethics, as well as internal rules and procedures for reactions and sanctions for undesirable business conduct.	• Develop, and further develop incentives and KPIs for ethics as well as internal rules and procedures for reactions and sanctions for undesirable business conduct.
• Communicate a clear and distinct "Tone at the Top" to all managers at all levels.	• Ethics and compliance is an important part of management meetings and presentations. • Clearly stated zero-tolerance for corruption. • Ethical Council has responsibility for assess-ment and evaluation of KONGSBERG's values and ethical guidelines.	• Communicate a clear and distinct "Tone at the Top" to all managers at all levels, with a special focus on middle management.	• Continue to communicate a clear and distinct "Tone at the Top" to all managers at all levels.

WE SUPPORT SUSTAINABLE INDUSTRIAL TRANSFORMATION

Sustainable innovation

With our significant research and development investments in sustainable innovation, KONGSBERG demonstrates our long-term commitment to the environmental sustainability agenda. Our most important environmental contribution is to use our technology, capabilities and expertise to develop ever more climate friendly solutions for our customers, with focus on industrial efficiency while strengthening the safety, security and reliability of their operations.

In addition to our investments in sustainable R&D, KONGSBERG invests heavily in marketing our innovative green solutions and in supporting our customers in the green transition to integrate more eco-friendly products and solutions. Our proactive end-to-end approach is made to ensure these sustainable options are not only available but are implemented so they can deliver their positive environmental contribution as soon as possible.

Research and Development

KONGSBERG is investing heavily in the upgrading of our existing product portfolio and the development of new products. The upgrades and improvements to the product portfolio are focused on ensuring that our customers have access to new versions and improvements where required. It is also important to invest in existing products to ensure that they can continue to be produced and maintained throughout their lifecycle.

In recent years, KONGSBERG have spent between a third and half of its R&D investments on the development and innovation of new products and services, and in 2020 this amounted to around MNOK 1,350 (950). A significant portion of this, around MNOK 400 (350), was spent on what we categorize as sustainable innovation. We continue this strategic initiative, alongside to developing our methods for categorizing economic activities according to the EU Taxonomy, both as a driver of technology development, and to prepare for new reporting requirements.

Sustainable innovation for the Shipping sector

The shipping industry contributes over 3 per cent of the global carbon footprint, being responsible for broader environmental impact due to for example transporting sea life to places where they could displace local fauna and flora. KONGSBERG aim to find innovative, greener and disruptive solutions leveraging our extensive maritime experience and the strength of strategic partnerships. An example of this is the HullSkater project: Kongsberg Maritime and Jotun have launched their new remotely operated Jotun HullSkater – a revolutionary robotics-based solution for proactive hull cleaning, with the potential to reduce CO_2 emissions by 10 million tonnes annually if just 25 per cent of ships in challenging operations converts to this solution by 2030. In addition, Hullskater can reduce pollution from micro plastic and poisonous chemicals from ship-bottom paint, and mitigate the risk of transmitting unwanted organisms.

Increased safety and security at sea

The Vanguard vessel is designed for the the needs of coastal nations for both military and civilian operations, such as search & rescue, harbor and assets protection, subsea survey, exercising authority and sovereignty, anti-access/area-denial, anti-submarine warfare and mine clearance, and detection and disposal. Vanguard, by design, is highly adaptable, with modules based on commercially available technology enabling use of unmanned vehicles for different operational roles. This will reduce both costs and environmental footprint compared to bespoke navy vessels available today.

Moving towards zero emission transport

We deliver systems for integrated maritime automation and navigation, cargo management

Kongsberg Maritime and Jotun have launched a revolutionary robotics-based solution for cleaning of ship's hull.

Kongsberg Maritime and Massterly will equip and operate two zero-emission autonomous vessels for ASKO.

and level sensors, temperature sensors and pressure transmitters to the merchant marine and passenger market. Our bridge systems ensure safe and efficient passage for vessels around the world. Our control and monitoring technology continue to introduce new efficiencies for ships, enabling smarter, more profitable operation through fuel reduction, hybrid solutions and process automation. An example of this is the ASKO project, where Kongsberg Maritime and Massterly will equip and operate two zero-emission autonomous vessels for ASKO. These vessels will replace 2 million kilometres of truck transport, saving 5,000 tonnes of CO_2 annually.

Sustainable management of the oceans

Food and life under water are key elements in the UN's sustainable development goals. Technology companies such as KONGSBERG are important for the resource utilisation of the oceans in a sustainable way, and we see great opportunities and have clear ambitions that the "ocean space expert" KONGSBERG will be an important partner in exploiting this potential. We are investing in solutions for offshore aquaculture, which will enable the development of solutions to move fish farms further away from the coast, where local pollution and fish health are less challenging. KONGSBERG is also perfecting solutions to increase our knowledge of developments in fishery resources in the ocean, which will in turn help to combat overfishing. We are a world-leading manufacturer of scientific instruments for research on fisheries. Single beam and multibeam echosounders and sonars are used on research vessels globally, where scientists rely on our technology and precise measurements.

Through the partnership in the UN Global Compact – Action Platform for Sustainable Ocean Business, we have participated in the development of the principles of sustainable oceans with the aim of providing a framework for responsible business practices across sectors and geographical areas. We are also an adviser to the UN High-Level Panel for Sustainable Oceans. Read more about this on the UN website www.unglobalcompact.org/take-action/action-platforms/ocean.

Space surveillance to monitor the health of the planet

KONGSBERG have an extensive space product and services portfolio, from satellite payload and launcher platform products, to antennas and ground services. Many of our solutions are routinely being used for Earth monitoring and surveillance, from oil spill detection, illegal fisheries tracking, to ice monitoring. As an example, our partly owned company KONGSBERG Satelitte Services, will together with partners Planet and Airbus deliver satellite-based optical imagery for deforestation monitoring and control to Norway's International Climate and Forest Initiative (NICFI).

Making the Energy industry greener

KONGSBERG has extensive experience in automation, analysis and sensors. This is how we can provide the energy industry with applications and features for smart data and decision support. We also continuously develop our capabilities and products within digital solutions aim to increase the operational efficiency, safety and reliability of energy assets.

SUSTAINABLE INNOVATION

EU's research programme Horizon 2020 – KONGSBERG's contribution in flagship programmes

KONGSBERG has participated in a series of environmental research projects during 2020, with focus on safe and sustainable sea transport. We are a highly relevant partner for these important research projects, due to our unique position in maritime system integration and automation.

HYSEAS - The world's first sea-going hydrogen-powered RoPax ferry and a business model for European islands

The project is constructing and testing the vessel hybrid fuel cell power system at full scale and producing the final specification for the vessel fuelling infrastructure that will influence the transition to zero-carbon marine transport. Total funding for the project is MEUR 12.3.

AUTOSHIP – Autonomous Shipping Initiative for European Waters

The project responds to EU's need to increase multimodal transport and relieve road congestion. It will develop, equip and run full scale operational demonstrations of autonomous functionality for two vessels and related shore control infrastructure, accelerating the future adoption and commercialization of autonomous shipping. Total funding for the project is MEUR 20.1.

NEXUS – Greener offshore wind operations

The main objective of the NEXUS project is to develop new Service Operation Vessel (SOV) designs and business concepts to meet the urgent and growing needs of the offshore wind operations and industry. The project aims to reduce the costs of maintaining wind farms and thus securing the growth of offshore wind energy sector. New designs will contribute to a 30 per cent reduction in CO_2 emissions compared to existing vessels. Total funding for the project is MEUR 3.3.

SAFETY, DIVERSITY AND COMPETENCE

Health, Safety and the Environment & Our Employees

KONGSBERG is an enterprise based on knowledge and expertise, where the greatest asset is our employees. In order to secure the broad expertise we require and manage it in relation to our international operations, our aim is to offer a secure, attractive and stimulating workplace.

Our position

KONGSBERG has a unique and strong corporate culture that has been developed over many years. The company's values were revitalised in 2020 as part of our ongoing improvement work. This was done to meet growing demand amongst our stakeholders for sustainable solutions and responsible business practice.

KONGSBERG has welcomed many new colleagues across the world in recent years. We are entering new markets and facing stronger competition. One of our

KONGSBERG's vision for Health, Safety and the Environment (HSE) is zero incidents, accidents or fatal injuries involving our employees, visitors, customers and partners in our global operations.

most important resources in such a situation is the strength that lies in our clear group identity, our vision and our values. Therefore, we launched a process to revitalise our values at the company's annual strategy meeting in 2020.

KONGSBERG's vision for Health, Safety and the Environment (HSE) is zero incidents, accidents or fatal injuries involving our employees, visitors, customers and partners in our global operations. In order to achieve this vision, KONGSBERG never stops working to build a strong HSE culture.

Safety must always come first, and our employees and partners are instructed to stop work if a safety risk arises. We all have a personal responsibility for making our joint HSE efforts preventive.

We place emphasis on the increased reporting of near-accidents and HSE observations, and these measures will contribute to reducing the number of injuries and accidents. HSE data is collected from all companies in the Group and reported to the Corporate Executive Management and the Board each quarter.

Work has been ongoing throughout the COVID-19 pandemic to protect lives and health in the Group. The central crisis team and the crisis teams in the business areas have worked closely together, with a tightly knit team of around 20 dedicated employees working on analyses, risk assessments and measures. The main focus has been on creating the right conditions to ensure appropriate operations in the Group. The crisis team has continually prepared status reports and recommendations for the Corporate Executive Management.

A global HSE campaign was rolled out in 2020 to strengthen the focus on mental health and well-being via the year's "Global HSE day". During the year, various training initiatives and campaigns were carried out which, based on risk analyses and incidents that have occurred, are helping to prevent further incidents and promote a strong HSE culture. Extensive use of home offices has meant various digital learning platforms have been used to provide training at times when attending the workplace in person has not been possible.

We are committed to preventing both discrimination and harassment. In this year's global employee survey, not one employee reported that they had been discriminated against or had experienced harassment. The survey also confirms that our staff are familiar with our whistle-blower system. We also perform follow-up work, with regular surveys of the general working environment. We have zero tolerance for unacceptable behaviour and motivate our employees to report such incidents.

We support and respect international human rights and labour rights that are set out in the UN's Universal Declaration of Human Rights, the UN Convention on the Rights of the Child, ILO Core Conventions (International Labour Organisation) and the OECD Guidelines for Multinational Enterprises.

Leadership in KONGSBERG is about creating value and achieving results through people. The key to success lies in the combination of good management and dedicated employees. Managers shall exercise their leadership based on our values, the Corporate Code of Ethics and management principles. Our managers shall create an environment in which our employees are able to prosper and succeed in meeting our strategic priorities. On the basis of this, we have implemented a management development programme, known as Leadership@KONGSBERG, that will help to clarify and quality-assure processes for goal setting, follow-up and evaluation of all of our employees. In 2020, a high proportion of our employees worked from home due to COVID-19, and we have therefore prioritised the close follow-up of employees and clear leadership.

A key prerequisite for long-term success is that KONGSBERG properly manages employee competencies. 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 places emphasis on strengthening competences and is continuously working to

In KONGSBERG we are focusing on competence development, with the aim to continuously developing our employees.

develop its employees. Individuals and teams who comply with our values and demonstrate desirable conduct are to be valued. This culture will help us to attract people with the right skills and behaviour to address the technical challenges of tomorrow in a sustainable manner. Every other year, a global job satisfaction survey is conducted to provide feedback on how employees experience working conditions and the working environment.

KONGSBERG will reward its employees both for results achieved and desirable conduct. We will be competitive, but not salary leaders. KONGSBERG ensures that the salaries and conditions of all employees are in accordance with local legislation, agreements and guidelines. The principles and systems for remuneration of executive management are determined by the Board. The Board has a separate Compensation Committee which deals with all significant matters related to wages and other remuneration to senior executives prior to formal discussion and decision by the Board.

Diversity and gender equality create value and make us more competitive. They expand the mindset and have a positive influence on the company's strategy and management. The importance of this work is reflected in our HR strategy and by the Corporate Executive Management and the Board, and the work is monitored by the Compensation Committee. We work systematically and purposefully to recruit and develop people of different age groups, ethnicity and gender. Our focus on diversity is reflected in promotion, recruitment and leadership development, and is monitored with periodic surveys and follow-up work.

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.

The 2020 goal was to increase the share of women in management roles, with a focus on operational positions and international operations. The percentage of female managers in KONGSBERG has risen in recent years, and 23 per cent of our managers at level 1–3 are now women. There are a number of reasons behind this increase, but a key factor has been awareness when hiring new managers. One of our initiatives to motivate women to apply for management roles has been the Female Forum. The purpose of the forum is to give female managers an opportunity to meet and use the network as a tool. It is also important to have goals and targets, and then measure the results driving behavioural change. The HR strategy includes several concrete measures supporting these targets. We have also been successful in increasing the share of women through recruitment, and in 2020, this was 27 per cent.

Our challenges

We operate in about 40 countries, and security and emergency preparedness for our personnel is our top priority. Our ethical guidelines provide a clear framework for how we work, regardless of country and region. They give us licence to operate and are essential for our existence and reputation. Our international growth involves new partners and supplier chains, which means increased focus on matters related to both human and labour rights.

A world of instability and multiple threats require a higher degree of security for our information and intellectual property rights. We rely on having loyal employees who follow our standards of confidentiality and integrity. Risk management and vulnerability analysis are tools for applying the right level of security.

Due to digitalisation and accelerating technological development, our employees need to upgrade their skills continuously. Moreover, this will lead to new knowledge requirements in the future. KONGSBERG is a global company with employees located throughout the world. This leads to major variations within language, culture and ethnicity, and requires good and effective leadership. Knowledge sharing and collaboration through networks across the established structures provides added value for the company and is expected to become a more usual working method.

We must communicate effectively and through appropriate channels both internally and externally. Both our social media profile and our employees should reflect this in relation to the outside world.

KONGSBERG wants to motivate more women to pursue their studies in technology-based subjects.

GOALS AND ACTIVITIES

Goals:
We shall further develop our global organisation and actively pursue diversity to foster an environment and a culture where everyone feels included

Goals for 2020 – what did we say?	Status for 2020 – what did we do?	Goals for 2021 – 1 year	Goals for 2021–2025 – 5 years
VALUES • Invite all employees to tell us what they think about our values in an electronic survey. • Revitalise our values in order to face up to changes in society and the expectations of our employees.	• All employees were invited to tell us what they think about our values in an electronic survey. • All divisions in the Group have held workshops.	• Further follow-up of discussions with associated actions from workshops in 2020 at division level. • All employees will receive an electronic survey on the effect of the workshops in 2020. • Continually review the need for training new employees in 2021.	• Continually review the need for training and a focus on our values. • Actively use the values in our management evaluation tool. • Actively use the values in promotion and recruitment.
DIVERSITY AND EQUALITY • KONGSBERG aims to promote inclusion in working life. Our goal is to have a minimum of 20 people in occupational training. • The target for the percentage of nationalities other than Norwegian in our management teams is 14 per cent. • The target for the percentage of female managers is 22 per cent, and 15 per cent for female operational management.	• Because of COVID-19, the opportunity to have people in occupational training was reduced. We had 8 people in occupational training in 2020. • We had 27 per cent other nationalities in management teams at levels 1–3. • The percentage of female managers is 23 per cent at levels 1–3, and 16 per cent amongst the operational management.	• Our target for the proportion of women in the overall workforce is a minimum of 21 per cent. • Our target for the proportion of female managers at level 1–3 is a minimum of 22 per cent. • The target for the percentage of nationalities other than Norwegian in our management teams at levels 1–3 is 27 per cent. • Our target is to have a minimum of 20 people in occupational training. • Our target is to have 100 per cent equal pay between genders. We will analyse and report on equal pay from 2021.	• We shall work systematically and purposefully to recruit, develop and retain people of different age groups, ethnicity and gender. Our focus on diversity is reflected in promotion, recruitment and leadership development, and is monitored through periodic surveys and follow-up.

Goals for 2020 – what did we say?	Status for 2020 – what did we do?	Goals for 2021 – 1 year	Goals for 2021–2025 – 5 years
HSE ▪ Contribute to ongoing improvements in HSE by sharing experiences and cooperation across the Group. ▪ Improve HSE KPI goals relative to the results achieved in 2019. ▪ Further improvement and increased efficiency of reporting process.	▪ The COVID-19 pandemic has been analysed and managed on an ongoing basis to protect lives and health in 2020. A central crisis team and individual crisis teams amongst the various business areas have been established to ensure the optimal exchange of experiences, risk assessment and cooperation throughout the Group. ▪ We have improved our HSE KPIs relative to the figures for 2019, with a decrease in the number of absences due to injuries of 13 per cent and a decline in the number of TRI of 27 per cent. Increased focus and campaigns aimed at proactive reporting have contributed to an increase in HSE reporting by 76 per cent. ▪ We have established and rolled out a global HSE campaign to strengthen the focus on mental health and well-being.	▪ Contribute to ongoing improvements in HSE by sharing experiences and cooperation across the Group. ▪ Improve HSE KPI goals relative to the results achieved in 2020. ▪ Update global HSE guidelines in line with the development of the Group. ▪ Further improvement and increased efficiency of the reporting process by defining "one" global HSE reporting system/ process.	▪ Continually perform improvement work to achieve our goals and KPIs for the HSE area.
DEVELOP THE ORGANISATION ▪ Minimum 90 per cent completion rate for appraisal interviews. ▪ Implement process for strategic planning of the workforce and competence requirements for Group.	▪ We had a completion rate of 91 per cent for appraisal interviews. ▪ We started the work for the strategic planning of the workforce and competence requirements in 2020 and will continue the goal into 2021.	▪ Minimum 90 per cent completion rate for appraisal interviews. ▪ Prepare a plan for future technical and behavioural competence requirements.	▪ Establish and implement a strategy for continuous competence-building among our employees, with a focus on strategic competence, digitalisation and increased globalisation.

HEALTH, SAFETY AND THE ENVIRONMENT

Handling of the COVID-19 pandemic at KONGSBERG

Throughout the COVID-19 pandemic, we have continuously worked to protect the lives and health of all our employees around the world, and to help maintain the Group's business operations. We realised early on that this could become a very serious situation that could impact on our business and therefore immediately established emergency preparedness measures as news came in about virus outbreaks in Asia in February 2020. To ensure the best possible performance and cooperation within the Group, a central crisis team was established, supplemented by local crisis teams in our business areas. The crisis teams have cooperated closely and continuously over the course of the pandemic to ensure that the need for essential measures, capacity, communication, training on infection control and resources for critical operations and projects was mapped out at all times. The work done to manage the crisis has taught us important lessons for dealing with other crises that may arise in the future.

We have introduced infection control measures at all our locations and arranged for employees to work from home as much as possible. This has resulted in us having very few infection outbreaks at our workplaces. This has been especially important in countries with high infection rates and poorly developed local infection control. Parts of our business are defined as socially critical activities. As a result of this, the part of the workforce unable to carry out tasks from home has largely been able to go to work in order to perform their duties more or less as normal, provided the necessary measures are maintained.

We have developed a strong digital meeting culture. Our managers have been trained in "digital management", and we have followed up our employees tight during the pandemic. We have not received any signals through our reporting procedures or alert systems regarding negative events or challenges concerning human rights from any of our companies.

We have had to temporarily lay off a small number of staff, especially at the start of the pandemic before we got a full overview of the situation. KONGSBERG has at most temporarily laid off around 750 employees as a result of COVID-19. By the end of 2020, most of these employees were back at work.

In addition to protecting lives and health, we have continuously assessed risks and measures for carrying out critical operations and projects, including IT systems and data security in all countries in which the Group operates. Collectively, the measures have safeguarded the working environment and sustained business throughout the pandemic without significant negative consequences for our customers or partners.

BUSINESS AND RESPONS-IBILITY

Human rights

KONGSBERG respects all internationally recognised human rights, as set out in our Code of Ethics and Business Conduct. Violations of human rights shall not occur at KONGSBERG.

Our position

Our requirements for our business operations and our supply chain are established in our Code of Ethics and Business Conduct approved by our Board of Directors, together with our Supplier Conduct Principles and our governing documents for risk assessment and risk mitigating measures in our own operations, which have been adopted by our Group Management.

KONGSBERG endorses and will strive to comply with the intentions laid down in:

- The UN Universal Declaration of Human Rights
- The UN Convention on the Rights of the Child
- The ILO conventions
- The UN Guiding Principles on Business and Human Rights (UNGP).
- The OECD Guidelines for Multinational Enterprises

We acknowledge that we have an independent responsibility to respect human rights and that this applies regardless of where we are operating; it is particularly important in states which do not safeguard human rights.

- The UN Global Compact
- Reporting requirements according to Global Reporting Initiative (GRI)

UNGP is a prevailing international standard concerning how businesses should approach human rights. KONGSBERG will strive to comply with UNGP and is committed to continuous improvement of our human rights risk assessment and reporting. We acknowledge that we have an independent responsibility to respect human rights and that this applies regardless of where we are operating; it is particularly important in states which do not safeguard human rights.

KONGSBERG complies to the UNGP by:

- Comply to applicable laws and regulations in the countries we have operations.
- Be familiar with and use UNGP and OECD's guidelines in development of strategies for responsible business conduct, when relevant.
- Conduct risk assessment for Human Rights adapted to our operations.
- Follow the principle for ”follow or explain” and principle of materiality.

KONGSBERG has identified the following areas that need special focus with regards to Human Rights:

- A good, safe and secure working environment.
- Avoidance of child labour and compulsory labour.
- Non-discrimination based on gender, ethnicity, religion, sexual orientation etc.
- Acceptable working hours and wage conditions.
- Freedom of association and the right to collective bargaining, or the freedom to elect their representatives.
- Respect for human rights in the communities in which we operate. This entails respecting the human rights of people outside of our organisation, that might be affected by our business activity.

Under these areas, KONGSBERG will identify the Salient Human Rights Issues, which will be at the core of our annual Human Rights assessments and -reporting.

KONGSBERG will continually carry out risk assessments relating to human rights, and implement preventive or risk-mitigating measures to avoid causing or contributing to serious human rights violations.

The occurrence of a Severe Human Rights Impact, or the finding of a high risk of such impact, shall be reported to Line Management and to the Business Area's Compliance Officer, and handled on a case-by-case basis.

KONGSBERG will report annually on Human Rights, as part of our Sustainability reporting. Reporting will include:

- A statement of KONGSBERG's Salient Human Rights Issues.
- Reporting on Severe Human Rights Impacts related to the salient issues, in own business units and in the supply chain.
- Actions taken to prevent or mitigate potential impacts related to each salient issue.

Governance

KONGSBERG's governance system is designed to capture a broad range of risks related to our business, including risks related to political and military instability, as well as conditions that deviate from our Code of Ethics and Business Conduct.

Corporate approval of significant offers, contracts and framework contracts

All bids entailing risks as described above will undergo extensive risk assessment, including an independent assessment of Human Rights risks by the compliance organisation, and require approval by the Executive Steering Group of the Business Area. Bids that have material risks associated with compliance will also need approval by the Corporate Board of Directors.

Supply Chain

We expect our suppliers to keep the same standard as us, and have implemented our requirements in our "Supplier Conduct Principles" which are part of our supplier agreements. We conduct audits in our supply chain that also include human rights. We have been paying attention to the risk of human rights violations in our supply chain during 2020 due to the COVID-19 situation, no discrepancies or incidents have been reported.

Communication with our stakeholders
We have had meetings with some of our major financial partners in 2020, with focus on human rights. We have annual meeting with our major owner, the Ministry of Trade, Industry and Fisheries, with sustainability and ESG issues on the agenda, including human rights. We have engaged with the Coalition for Responsible Business (KAN) which is a broad association of business, trade union, civil society and other movements that support a Norwegian Human Rights Act for business.

Our business is diverse and dynamic, and so are the associated risks. KONGSBERG will work continuously to identify and mitigate emerging risks and is committed to preventing risks of illicit practices related to our products.

Our subsidiaries and employees engage locally where we operate, e.g. in India where a CSR committee is established for support and contribution to local initiatives and organizations for education, to end poverty, and projects with a particular focus on education for girls.

Our challenges

Product risk
KONGSBERG delivers a broad spectre of world leading technology, including marine robotics and seaborne transportation, complex integrated defence- and communication systems, space and surveillance technology and digital ecosystems. Our business is diverse and dynamic, and so are the associated risks. KONGSBERG will work continuously to identify and mitigate emerging risks and is committed to preventing risks of illicit practices related to our products.

Compliance with trade and export regulations
KONGSBERG's defence systems and military equipment are included under the Norwegian export control regime, meaning they are subject to strict regulations by the Norwegian government. The Ministry of Foreign Affairs (MFA) include the following considerations when granting export licenses[1)]:

- The risk of military equipment being used for internal oppression.
- The risk that export could provoke, prolong or aggravate existing armed conflicts.
- Knowledge that the military equipment could be used to commit genocide, crime against humanity or other war crimes.
- High probability that the military equipment will lead to breach of international provisions on terrorism or transnational organised crime.
- Risk of the military technology or equipment being sold illegally in the buying country.
- Risk of the export contributing to serious gender-based violence or other violence against women and children.

KONGSBERG considers the Norwegian export control regime an integrated part of our Human Rights Risk Assessment. Compliance with Norwegian, as well as international, export regulations are considered top priority. KONGSBERG has established specific routines and control mechanisms in this regard and will work continuously to build and maintain a culture of export compliance across the organisation.

We will follow up the Norwegian government's proposed new legislation, which aims to ensure that Norway can implement the EU's restrictive measures in Norwegian law. This includes the EU's new sanctions regime against serious human rights abuses.

1) Guidelines for the Ministry of Foreign Affairs' processing applications for export and defense equipment, as well as technology and services for military purposes (22 February 1992; reviewed 28 November 2014)

GOALS AND ACTIVITIES

Goal:
No breaches of human rights shall occur in our operations

Goals for 2020 – what did we say?	Status for 2020 – what did we do?	Goals for 2021 – 1 year	Goals for 2021–2025 – 5 years
▪ KONGSBERG shall have a framework for human rights in accordance with the laws and guidelines in force at all times. ▪ KONGSBERG will reduce the risk of human rights breaches within its own organisation and in our supply chain by: 1. Conduct risk assessments regarding human rights within our own organisation and implement mitigation measures as and when necessary. 2. Carry out Due Diligence regarding suppliers. 3. Monitor our suppliers in accordance. 4. Monitor and ensure that our acquired companies integrate our requirements and procedures. 5. Carry out targeted skills development and training of personnel.	▪ We have revised our internal risk assessment and reporting guidelines on human rights. ▪ Risk assessments regarding human rights and labour rights are a part of our internal reporting routines. Due to the COVID-19 pandemic in 2020 the on-site reviews have been restricted, and this has been compensated by extended Due Diligence. ▪ Harmonisation projects has been carried out for acquired companies in 2020 with respect to management systems and routines. ▪ We have distributed e-learning to our suppliers where a lesson in particular focused on human and labour rights. ▪ We have arranged training of own employees in the purchasing organization. ▪ Training of employees within the HR organisation is continued as a target for 2021.	KONGSBERG will reduce the risk of human rights breaches within its own organisation and in our supply chain by implementing our guidelines regarding human rights: 1. Conduct risk assessments regarding human rights within our own organisation and implement mitigation measures as and when necessary. 2. Carry out Due Diligence regarding suppliers. 3. Monitor our suppliers in accordance. 4. Monitor and ensure that our acquired companies integrate our requirements and procedures. 5. Carry out targeted skills development and training of personnel.	▪ KONGSBERG shall have a framework for human rights in accordance with the laws and guidelines in force at all times. ▪ KONGSBERG shall minimise the risk of human rights breaches within its own operations and the supply chain. This means that we will: 1. Continue to implement our guidelines to monitor human rights. 2. Further develop and distribute a training programme for our employees and suppliers.

Security in KONGSBERG

Security is important for KONGSBERG and concerns the protection of information, personnel and physical assets. To ensure that the securityrelated work is both practical and effective, this is a part of KONGSBERG's governance model and business strategies and is integrated in relevant business processes.

Cybersecurity
Cybersecurity or digital security includes managing the risks and security challenges posed by the use of information technology. It includes both hardware, software, services, communication between them, and not least structured work processes.

About our defence against cyber threats

- Our services are carefully monitored and protected by layered security architecture including extensive logging and monitoring.
- We conduct security training and awareness programmes.

- We carry out risk management to balance business goals, efficiency and the right level of safety.
- We continuously improve our processes.

Collaboration in the cyber security

- KONGSBERG is dependent on the trust of its owners, customers and business partners.
- We have close cooperation with governmental bodies within the cyber security domain.
- We have active collaboration and interaction with special interest groups and leading authorities on information security and risk management.
- We have established KONGSBERG Cyber Security Center as a dedicated, common resource center focusing on security.

Development of secure solutions for our customers

- KONGSBERG has a long tradition for delivering mission critical solutions, rooted in the defence and aerospace industry, the hightech industrial environments of the maritime sector and the oil and gas industry.
- We use privacy by design as a fundamental principle in software development.
- We have structured processes for lifecycle management. This allows us to deliver high quality services and meet security requirements.
- We have internationally acknowledged standards fully included as a part of our strategy and operations.

Information security

Information security consist of work processes and procedures based on ISO27001 and shall ensure an adequate level of security with regard to confidentiality, integrity or availability.

Information represents very important assets and values for KONGSBERG. We ensure these values with structured and robust information security processes. We make use of all the safety perspectives set out in ISO 27001. This has been implemented in all our business areas through policies, processes and procedures, which together meet all information security requirements that the business faces. Compliance is ensured through extensive audit programs and monitoring.

Personnel security

Personnel security shall address both the intentional and unintentional risk of people misusing their legitimate access to KONGSBERG's property for unauthorised purposes.

Personnel safety in KONGSBERG is maintained by robust processes throughout the employment or engagement at KONGSBERG. This includes everything from selection process, agreements, training, access control and processes for termination.

Physical security

Physical security shall protect personnel, assets and property from damage, theft or destruction.

In KONGSBERG, we achieve good physical safety through a combination of secure areas that are physically shielded for access for unauthorized persons, access control systems in all locations, zone divisions and strict physical safety requirements around IT services. These are requirements that our suppliers and partners also must comply to.

> We have established KONGSBERG Cyber Security Center as a dedicated, common resource center focusing on Information and Cyber security.

QUALITY AND SAFETY THROUGHOUT

Sustainability and Corporate Social Responsibility in the supply chain

Sustainability and corporate social responsibility in the supply chain covers suppliers' relationships with ethical guidelines, human rights, workers' rights, anti-corruption, the climate and the environment. Systematic and good collaboration on corporate social responsibility in the supply chain is part of our strategy for responsible business operations. This contributes to reduce risk and increase quality in the value chain.

Our position

KONGSBERG has more than 9,000 suppliers globally, with about half of them being Norwegian. This means we help to safeguard jobs and build competence, not only where we have operations, but also to a large extent where we use suppliers. The suppliers are an

We follow up our responsibilities through clear requirements in our agreements with suppliers as well as risk-based follow-up and audits.

important part of our value creation, at the same time as we are important and, in many cases, essential to their value creation. We want to work with suppliers that share our values and requirements regarding responsible business conduct. This is specified in our "Supplier Conduct Principles", which is part of our supplier agreements.

Our starting point is that we have an ethical responsibility to ensure that the entire value chain associated with our products, meets our sustainability and corporate social responsibility requirements, while the legal responsibility lies with the individual supplier.

Our challenges and opportunities

It is a challenge to ensure that all subcontractors, throughout the value chain, comply with our requirements. We follow up our responsibilities through clear requirements in our agreements with suppliers as well as risk-based follow-up and audits. Our suppliers are committed to making similar requirements to their sub suppliers.

COVID-19 and the supply chain

When the COVID-19 situation arised in February 2020, we established a preparedness for our global supply chain, with measures to deal with the escalating pandemic; such as monitoring demand, continuous risk assessments, communication with suppliers and enabling rapid response and sharing of information. We have not experienced significant delays in our value chain, and together with our suppliers we have managed to maintain our production and deliveries to our customers.

KONGSBERG has a wide range of subcontractors, who we work with to create the very best technological products.

We have focused on that new risks may arise during such a crisis related to both the delivery aspect and the importance of securing various options for critical procurement, as well as the human side considering that HSE and human rights can be put to the test in such a situation. We have gained useful experiences and learning, and increased use of digital communication platforms throughout this crisis. This structure was maintained when the pandemic spread globally, and is still in place. The same approach will be utilised for potential negative effects as a consequence of Brexit.

A significant area of potential risk during this period has been the impact on logistics and transport of products across national borders. We have worked closely with our major freight suppliers, to identify and reduce risk and minimise negative impacts on the business, with measures such as early booking and flexible use of transport. In addition, buffer storage was established for some critical components to ensure deliveries.

Our focus during the period has been to monitor potential supplier risk and minimize any disruption to deliveries. We have been working with local authorities in countries that have been under lock-down to ensure that suppliers could operate during this period. Our supplier audit programme and self-assessments for corporate social responsibility have continued as far as possible during the pandemic, with ”desk-top” audits where travel has not been possible.

We have introduced access control, in cases where suppliers with confirmed access to our facilities have been required to comply with the respective country's guidelines and recommendations for hand hygiene, keep social distance etc., and ensure that their employees are trained and followed this by working for us. We have required all external visitors to fill out a COVID-19 visitor declaration form before entering our premises.

Risk profile and risik assessments

Our 50 largest suppliers make up approximately 64 per cent of our total purchases of goods and services.

Of our 50 largest suppliers, European suppliers amount to approximately 77 per cent, of these the part of Norwegian suppliers make up about 44 per cent.

Our business areas have established processes and systems for carrying out risk assessing of our suppliers. We divide our total supplier portfolio into different risk classes where, among other things, volume of purchases, countries, and the extent to which we are dependent on the goods and services we purchase, constitutes assessment factors. The risk assessment includes existing and new suppliers and includes assessments of environmental conditions, human and workers' rights, HSE, business ethics and anti-corruption. Based on the result of the initial risk assessment, the suppliers are followed up with further assessments and mitigating actions and audit visits. Suppliers who, due to initial risk assessments, were followed up more closely in 2020 accounted for about 15 per cent of our total supplier portfolio. All identified conditions that were categorized with high risk were clarified and concluded within given deadlines.

In 2020, five audits of our suppliers were carried out, this was fewer than planned due to the COVID-19 situation. For 2021 we have planned with 17 audits. We will continuously assess the development of the COVID-19 pandemic, and adapt the implementation to the situation.

- We have over 9,000 suppliers globally.
- Our 50 largest suppliers make up approximately 64 per cent of ourtotal purchases of goods and services.
- Of our 50 largest suppliers, European suppliers amount to approximately 77 per cent, of these the part of Norwegian suppliers make up about 44 per cent.

GOALS AND ACTIVITIES

Goal:
Securing a responsible supply chain, especially regarding environment, climate and human rights.

Goals for 2020 – what did we say?	Status for 2020 – what did we do?	Goals for 2021 – 1 year	Goals for 2021–2025 – 5 years
• Distribute e-learning to our suppliers, with particular emphasis on the environment, climate and human rights. • Arrange supplier conferences for our largest suppliers. • Conduct internal training for purchasing organisations.	• We have developed and started distribution of e-communication with three lessons to our suppliers. These emphasis on our requirements for responsible business operations in general, as well as specifically about the environment, climate and human and workers' rights. • We have carried out digital supplier conferences for parts of our supplier portfolio with sustainability and ESG on the agenda. • We have conducted internal training for parts of the purchasing organization.	• Complete distribution of e-communication to our suppliers, with a particular emphasis on environment, climate and human rights. • Arrange supplier conferences for the rest of the our largest suppliers. • Carry out internal training for purchasing organisations.	• Continuously assess the need to update governance documents, methodologies, tools and training for our own employees and suppliers. • Evaluate and further develop work with a sustainable value chain.
• Establish specific criteria for environment and climate requirements in the selection and renewal of suppliers.	• We have worked to set goals and KPIs for specific environmental and climate requirements for our suppliers. We have completed a pilot project for Science Based Target and has started up a project for Life Cycle Product-level assessment. The result of the projects will be used in our further work to set specific requirements and prioritise where in our value chain we most effectively can reduce environmental and climate-damaging emissions.	• Establish specific criteria for environment and climate requirements in the selection and renewal of suppliers.	• Make effective follow-up of the supply chain through the development and automisation of administration and by setting effective KPIs.

SUPPORTING CHILDREN, YOUNG PEOPLE AND THE LOCAL COMMUNITY

Corporate social responsibility

KONGSBERG contributes to value creation and economic development in the communities where we operate. As an international technology group, KONGSBERG has major corporate social responsibility, and we have a particular focus on nurturing children's and young people's interests and skills in the natural sciences. We invest in the local communities wherever we have a presence, and in our employees and their families by supporting cultural, social and sporting activities.

We aim to motivate students to complete courses of study on which they have embarked

In engineering studies, drop-out rates have been high among first and second year students on certain courses. KONGSBERG has been working closely for several years with a number of colleges and universities, including NTNU and the University of South-Eastern Norway. Established

Every year, Kongsberg Aviation Maintenance Services (KAMS) accepts new apprentices who work with maintenance of aircraft and helicopters.

partnerships between industry and educational institutes ensure that the changes taking place in industry are rapidly transferred to the education sector, thereby ensuring that studies remain relevant. Similarly, the knowledge and skills developed in educational institutes will also engender innovation and change in industry. We have rolled out several initiatives to motivate students to complete their degrees. One of these is the YOUR EXTREME competition for students at NTNU. This competition, which we have been running since 2013, is a 48-hour case competition in which groups of 2–5 students work on solving a hypothetical future scenario where sustainability and technology are at the core of the problem. The aim of the competition is to relate students' theoretical knowledge to solving practical problems they may encounter in working life. Due to COVID-19, the competition was not arranged in the usual way in the autumn of 2020.

As well as the student competition, KONGSBERG is the main sponsor for three multidisciplinary student projects at NTNU where students get to put theory into practice. Since 2014, KONGSBERG has been the main sponsor of Revolve NTNU, in which a new team of students develops, designs and builds a racing car to use in competition. NTNU's Ascend project participates in the annual International Aerial Robotics competition, where the goal is to push the limits of capability of autonomous drones.

In NTNU's Propulse project, students design, develop and build a rocket to use in the Spaceport America Cup, the biggest student rocket competition in the world.

From theory to practice – the summer job programme

Every year, KONGSBERG takes on a large number of students who work in different departments and summer projects throughout

We host the annual student competition YOUR EXTREME which is a 48 hour case, where groups of 2–5 students solve a future scenario, where sustainability and technology shall be at the heart of the issue.

the company. The projects are very popular, and many have been extended for several years. Due to COVID-19, the summer projects was not carried out in 2020. Through the summer jobs, students get to see what opportunities are available when they graduate, and we want this to motivate them to study harder and complete their degrees. At the same time, it is a good recruitment arena for us where we get to know the students better.

We aim to raise the percentage of women involved in technology

KONGSBERG is working systematically to increase the percentage of women studying technology. In 2020, the percentage of women in technology careers was only 23 per cent. One of the steps KONGSBERG has taken to address this is its sponsorship of the Girl-project ADA. The aim of the project is to foster satisfaction and motivation in girls while they are studying, to provide a careers network and inform students of job opportunities. A goal for the summer student programme is to have at least 45 per cent women participating.

We support children and young people to raise interest in the natural sciences

The natural sciences are essential to solving some of the challenges the world is facing. Therefore, we want to motivate children and young people to study physics, maths and natural sciences through a variety of measures, all the way from kindergarten to college.

Thus we support the science centre "Vitensenteret i Norge", which is free to schools and kindergartens. Children are introduced to the natural sciences through play and experiments, as well as teaching modules in subject areas such as energy, mechanics, mathematics, technology and animation, with more for the older ones. We collaborate with a number of secondary schools, colleges and universities in Norway. Here we hold motivational lectures, invite people to visit the company, participate in career days and take on students for work placement. We support selected student projects where the students wish to write their master's degree in collaboration with KONGSBERG.

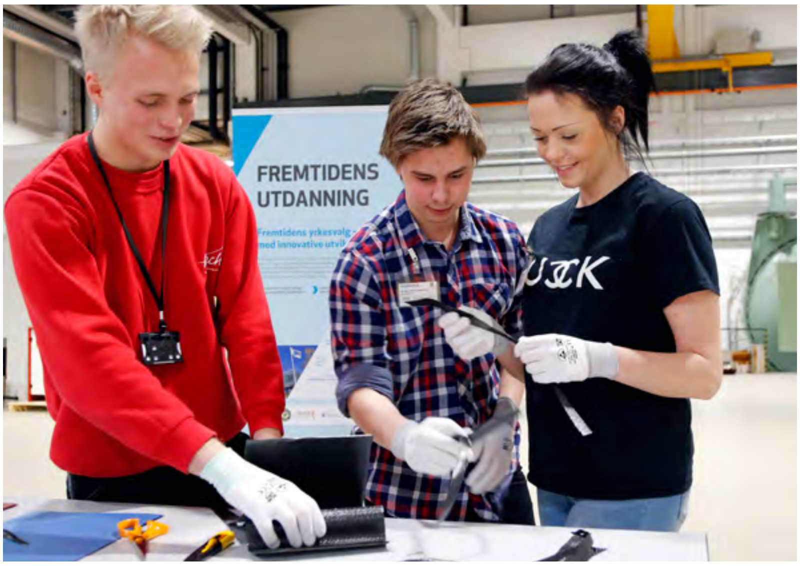
KONGSBERG has a strong focus on vocational education and we offer, along with other companies in the town of Kongsberg, a unique training programme for apprentices through the K-Tech training centre. An apprenticeship certificate programme in polymer composites has also been established at the composite factory in Kongsberg. During 2020, there were 154 apprentices in total.

At KONGSBERG Innovation Center, our employees can bring their children and experiment with drones, robots and visualisation. The Center also hosts visits from local schools and educational institutions, and is used by students working with us.

Inclusion at work

Far too many people are currently excluded from work. An inclusive workplace is important for everyone – from people needing jobs, to companies needing workers. It is also important for the community, because it supports our welfare state. In 2020, KONGSBERG focused on improving its organisation to ensure that more people were able to come to

KONGSBERG has one of Norway's largest software houses with over 1,000 employees in the field.



We aim to motivate young people to increase their interest for scientific subjects by supporting real-life projects.

work. Due to COVID-19 access to people in work training was restricted, and eight people have had working practices in the Group in 2020. We want to focus on this also in the future, and increase the number as soon as the situation allows this again.

Contributions to sports, culture and social activities

KONGSBERG's sponsor strategy focuses on activities and projects in Norway and internationally within the following areas:

- Sports – in particular local sports activities for young people in the local communities in which KONGSBERG operates.
- Culture – in particular local communities in which KONGSBERG operates.
- Social, humanitarian and/or environmental activities – locally, nationally and internationally – that aim at sustainability.

In Norway, we have concentrated on supporting organisations in the local communities where we are represented. KONGSBERG has chosen to support many different sports, especially for children and young people, and we always sponsor teams as opposed to individuals. In 2020, our two biggest cultural sponsorships were with the Kongsberg Jazz Festival and Glogerfestpillene (classical music festival). Both festivals enjoy a very high professional level and have their own programmes for developing young talents. Our subsidiaries and employees support various local incentives. An example is our employees in Lynnwood, Washington who supports the local charity Beautiful Soles. The organization is working to support local families with low income and homeless people in the area. In addition to providing shoes and socks, they help homeless families by providing food, diapers and accommodation at motels to keep these families safe and warm.

We will continue our focus on working practices and facilitate the inclusion of more people in the working life.

CORPORATE SOCIAL RESPONSIBILITY

Girls and technology

Norwegian businesses are reporting strong demand for technologists. Technically skilled workers, engineers and scientists are especially sought after. These are fields with a very low proportion of women. KONGSBERG is working systematically to increase the proportion of women studying technology. The measures we are implementing include sponsoring projects that aim to increase the proportion of women in this field, as well as offering a career network and providing information about job opportunities. A goal for the summer student programme is to have at least 45 per cent women participating.

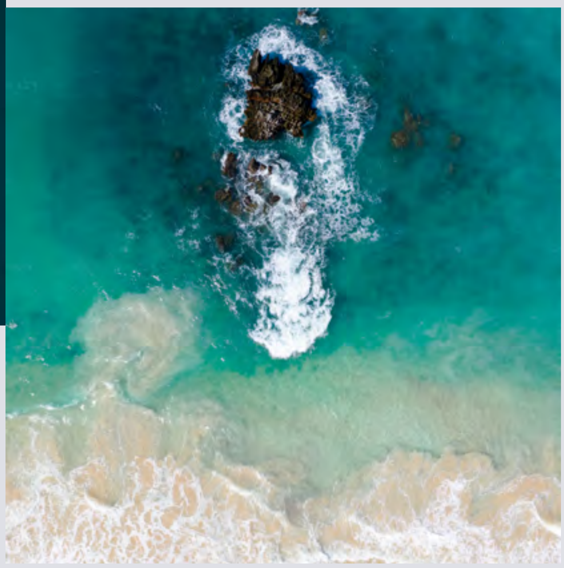
2020 was a challenging year for recruitment in schools and on campuses. The pandemic made it difficult to meet up with people, and in-person events were cancelled. One of the measures KONGSBERG implemented in response to these challenges was the YouTube series 'Åse blir kjent med'. The purpose of the series was to inform, inspire and motivate young people and students to take technical subjects, and to give viewers a unique insight into the company's production facilities. We have also participated in a number of digital courses, conferences and networking meetings led by Girl Project Ada, in Trondheim, Ålesund and Gjøvik.

During the recording of the programme, KONGSBERG was invited to Svalbard by the Girls and Technology project - a collaborative project run by the Confederation of Norwegian Enterprise, the Norwegian Society of Engineers and Technologists and the National Centre for Science Recruitment. The purpose of the Svalbard trip was to increase the involvement and visibility of women in technology. Among the participants on the trip were the new role models for Girls and Technology, who arranged a digital Norwegian tour in Autumn 2020 to inspire girls at secondary and upper secondary schools to choose technology education.

In the series "Åse learns more about", the viewers get a unique insight into the company's production facilities.

CLIMATE AND THE ENVIRONMENT

This chapter explains our work relating to climate and the environment, climate risk and climate accounts.



Climate and the environment

We aim to ensure competitive, long-term value creation - in balance with the Paris Agreement. We will do this by using our technology and expertise for innovative, competitive, profitable and climate-friendly solutions for our customers and partners. At the same time, we will reduce the negative climate from our own operations and from our value chain.

KONGSBERG will in 2021 develop a new climate plan in line with the goals of the Paris Agreement and Norway's climate plan. We will focus on the reduction of carbon intensity in our own business, increase the use of environmentally friendly transport, reduce our own travel, increase the amount of waste recycling, optimize material management and implement a greater degree of circular economy. We will also further develop our analysis and reporting of climate risks and opportunities, based on the Task Force for Climate-related Financial Disclosures (TCFD), read more about a specific chapter.

Our aim for the period 2015–2020 was to reduce CO_2 emissions by 20 per cent by the end of 2020, based on figures for 2015. 2020 ended up being a significantly different year than we planned, especially due to the COVID-19 pandemic. This will also show in the climate accounts. The trend from previous years showed a relatively flat development for our greenhouse gas emissions. 2020 has shown that we have moved in the right direction, by achieving a significant reduction in emissions measured relative to turnover, by 33 per cent from the base year 2015, and a 28 per cent reduction relative to the number of full-time equivalents. Our emissions in absolute figures for 2020 are on par with 2015. However, it seems correct to conclude that the target of reduction has been achieved by the end of 2020. Read more about this in the chapter Climate and environmental accounts for 2020.

We are monitoring our own production facilities and preparing climate and environmental accounts which give an overview of our energy consumption, CO_2 emissions and waste management. Read more about the climate and environmental accounts that cover all Norwegian units, all production units and major offices abroad. The key figures also include a presentation of the results within the fields of value creation, employee relations and health and safety, in addition to climate and the environment.

All our business areas are certified in accordance with ISO 14001 Environmental Management, and we are continuing the work of developing a circular economy in our operations. One example is the circular economy in our division for land-based systems in Kongsberg Defence & Aerospace, which offers solutions and services throughout the life-cycle of its products, ensuring they have a longer lifespan and giving customers the opportunity to return products when they have finished using them. Kongsberg Maritime offers to take products back after the end of their life. With these initiatives, we are helping to reduce waste when systems become outdated and making it possible to secure components for reuse and resale.

We will continue our efforts to enhance internal expertise, tools and processes for analysis and reporting. For 2020 we reported to the Carbon Disclosure Project (CDP), achieving Category B. Read our CDP report here:

CDP
DISCLOSURE INSIGHT ACTION

In February 2020, Kongsberg Gruppen and ZERO, a Norwegian Environmental NGO, signed a three-year collaboration agreement. The main intentions for the collaboration are to increase the shift to renewable and emission-free solutions.

ZERO

Climate risk

The climate is continously changing. The risk that the world will not succeed in reducing its greenhouse gas emissions sufficiently to limit temperature rises in line with the Paris Agreement, bring risks and challenges also to businesses.

The Group Management and Board design our business strategy, where sustainability and climate issues are fundamental components. Our overall risk assessments involve a range of scenarios including geopolitical conditions, climate-related conditions, market conditions, etc. In general, we evaluate opportunities and risks on the basis of what we regard as the most probable scenarios.

KONGSBERG has conducted a mapping and identified improvement plans for our internal risk process for climate assessments according to the Task Force for Climate-related Financial Disclosures (TCFD). On this basis, we will further develop our risk process to include climate risk to a greater extent in 2021.

Our risk assessments are that physical risk resulting from climate change, in the form of costs caused by physical damage such as floods, hurricanes, drought, fires, etc., is relatively low in our operations. We have thoroughly surveyed production sites and offices and have relevant safety measures in place for the locations that could be affected by incidents such as flooding.

We have ascertained that transition risk, which is the financial risk associated with the transition to a zero emission society, is low to moderate for KONGSBERG. At the same time, it may involve a risk to us that the maritime sector is generally exposed to market and transition risk, especially related to oil and gas business, which in turn may impact on demand for our products and services. New technology could also lead to disruptive market changes.

Changes in climate policy could result in changes to constraints, such as more stringent legislation or an increase in carbon pricing with the aim of reducing emissions. This can give negative effects, particularly in oil & gas sector, and for specific segments as cruise ships. KONGSBERG is exposed to these markets but has over the last ten years significantly expanded our supply scope, both in terms of the markets we supply to and the products and systems delivered. Kongsberg Maritime's products and systems contribute greatly to more energy efficient utilisation of the device on which it is installed. KONGSBERG has made a significant effort, and will also, as a leading technology company, have considerable opportunities to develop competitive technology which responds to the market's changing demand for low-emission products and services. We invest significantly in research and development for innovative and sustainable solutions for our customers to meet this risk.

We do not have energy-intensive production and have low internal emissions. We focus on environmentally friendly transport methods, and are in process of further developing circular economy, both in our internal operations and from a delivery perspective.

KONGSBERG has assessed that liability risk, in the form of claims for damages linked to decisions or the lack of decisions which can in any way be connected to climate policy or climate change, is low. This also applies to reputational risk, which can affect companies who are considered to have contributed to climate change or have not done enough to limit the effects of climate change. Our assessment is that our technology is part of the solution and is helping towards the transition to a zero emission society.

#	TCFD recommendation	Status and management response
	GOVERNANCE Disclose the organisation's governance around climate-related risks and opportunities	
1	**Describe the Board's oversight of climate-related risks and opportunities.**	The board is presented with an annual risk review, which includes climate-related risks. The board is frequently provided with information concerning climate-related opportunities.
2	**Describe management's role in assessing and managing climate-related risks and opportunities.**	Concrete risks are identified bottom-up (from business areas) and managed through the Group's risk management system. These risks are reported quarterly to the management team (or needs-basis). Ongoing Management level reviews to develop further assessment of physical climate-related risks (including emergency preparedness). Systematic and regular process to be further developed. Transition risks/ opportunities to be systematically reviewed.
	STRATEGY Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	
3	**Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.**	Risks and opportunities are identified at business area levels, with various timing and systematic approach in the Business Areas. Physical risks are acknowledged by all business areas; mostly considered manageable. Discussions on transition risks mainly revolved around potential changes stemming from the shift to a low-carbon economy, and associated changes in customer demand and requirements. Several climate-related business opportunities are identified. This includes diversification into other industries and segments as well as development of new products and services within existing business areas. Processes to further develop risk and opportunity assessment will be implemented.
4	**Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.**	A new sustainability strategy and climate ambitions are to be developed in 2021. Climate ambitions for the period 2015–2020 was to reduce emissions of CO_2 by 20 per cent by the end of 2020, based on figures for 2015. We achieved 33 per cent reduction of emissions measured in relation to turnover, and 28 per cent relative to man-years of labour. Our discharge in absolute figures for emissions for 2020 are on par with 2015.
5	**Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios.**	Stress-testing of current strategy, products and services against a 2-degree scenario will be developed and implemented.

#	TCFD recommendation	Status and management response
	RISK MANAGEMENT Disclose how the organisation identifies, assesses, and manages climate-related risks	
6	Describe the organization's processes for identifying and assessing climate-related risks.	Group-level approach to climate related risk management to be implemented.
7	Describe the organization's processes for managing climate-related risks.	All Business Areas assess and has risk-mitigating measures implemented. Systematic management of climate-related risks at group level to be further developed.
8	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Annual risk review includes climate-related risks.
	METRICS AND TARGETS Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	
9	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Metric tonnes CO_2 for carbon emissions.
10	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Scope 1: 1,229 metric tonnes CO_2 (2020) [2)] Scope 2: 13,891 metric tonnes CO_2 (2020) Scope 3: 7,979 metric tonnes CO_2 (2020) (limited to air travel, does not include tarnsport and freight.)
11	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	A new sustainability strategy and climate ambitions are to be developed in 2021. Climate ambitions for the period 2015–2020 was to reduce emissions of CO_2 by 20 per cent by the end of 2020, based on figures for 2015. We achieved 33 per cent reduction of emissions measured in relation to turnover, and 28 per cent relative to man-years of labour. Our discharge in absolute figures for emissions for 2020 are on par with 2015.

2) See Climate and Environmental Accounts for 2020, page 93.

Climate and Environmental Accounts for 2020

The Group adopted in 2016 a target of reducing CO_2 greenhouse gas emissions by 20 per cent relative to turnover or in absolute figures by the end of 2020, with the baseline in figures from 2015. During these five years, the company has undergone major changes and experienced strong growth, both organically and by acquisition. In 2020, the business has been influenced by the COVID-19 pandemic, which has resulted in reduced travel, while we have increased our turnover.

2020 ended up being a significantly different year than we planned, especially due to the COVID-19 pandemic. This will also show in the climate accounts. The trend from previous years showed a relatively flat development for our greenhouse gas emissions. 2020 has shown that we have moved in the right direction, by achieving a significant reduction in emissions measured relative to turnover, by 33 per cent from the base year 2015, and a 28 per cent reduction relative to the number of full-time equivalents.

The data quality and scope of the figures for the climate accounts have also been significantly improved in the period 2015–2020, which has resulted in higher figures for emissions, especially related to air flights and freight. This means that early-period figures can be said to be imprecise and might be too low, compared to figures from the end of the period, given the improvement in the measurement method we have experienced.

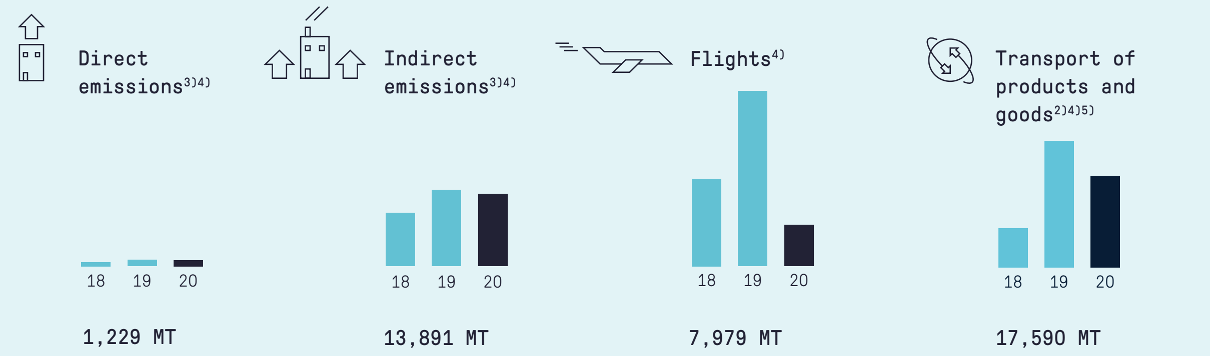
We are continuously working on improvements and will establish a new climate strategy effective from 2021 with a new baseline and new climate targets.

	2015	*2020*	*Change*
Total emissions CO_2 (tonn)	39 268	40 619	+3.4%
Revenues (MNOK)	17 032	25 612	+50%
CO_2 emissions relative to sales (metric tonnes / MNOK)	2.4	1.6	-33%
CO_2 emissions relative to man-years of labour (metric tonnes/ man-years of labour)	5.3	3.8	-28%

CO_2 emissions

Total 40,619 MT

(+3.4% from 2015 (baseline year))



Our direct and indirect emissions relative to energy consumption indicate a reduction, the same applies to emissions relative to flights and transport of goods, compared to 2019. This is primarily due to effects from the COVID-19 pandemic. See the ratios in the tables for CO_2 emissions, energy consumption and waste.

1) Source: 2015 data from the Department for Environment, Food & Rural Affairs, UK. www.ukconversionfactorscarbonsmart.co.uk.
For Norway, a location-based factor of 50t CO2/GWh has been used (this emission factor for Norway has also been used in previous reporting years).
2) CO_2 emissions from transport are limited to import, export and domestic transport, payable in Norway.
3) CO_2 emissions (metric tonnes) for KONGSBERG. Emissions from the consumption of fossil fuels for the production of district heating supplied by Kongsberg Technology Park are included in direct emissions. Indirect emissions include the consumption of electricity, district heating and cooling from external suppliers within the business areas, as well as the consumption of electricity for the production of district heating and cooling in Kongsberg Technology Park.
4) The figures for 2019 include acquired companies. The figures for 2020 are exclusive the disposed subsidiary Hydroid.
5) The figures for 2019 are corrected for changes in reporting format for freight.

CO_2 EMISSIONS

Metric tonnes	*Changes in the last year*	*2020[4)]*	*2019[4)]*	*2018*
Scope 1 (Direct emissions)[3)]	-2%	**1 229**	**1 251**	**830**
Oil and gas (business area)		1 188	1 210	631
Oil and gas (Kongsberg Technology Park)		40	41	199
Scope 2 (Indirect emissions)[3)]	-5%	**13 891**	**14 672**	**10 290**
Electricity (business area)		11 104	11 912	8 521
Electricity (Kongsberg Technology Park)		1 359	1 670	1 766
District heating from external suppliers		1 410	1 081	3
District cooling from external suppliers		18	9	0
Scope 3 (Other emissions)	-76%	**7 979**	**33 782**	**16 800**
Flights purchased in Norway		6 051	23 885	10 224
Flights purchased abroad		1 928	9 897	6 576
Total without shipping	-54%	**23 098**	**49 705**	**27 920**
Transport of goods and products paid for in Norway	-28%	17 590	24 409[5)]	7 546
Total including shipping	-45%	**40 619**	**74 114**	**35 466**

The environmental accounts includes the following sources of CO_2 emissions:

- **Direct emissions (Scope 1):** Emissions from the use of fuel oil and gas for heating and processes, as well as from the production of district heating at Kongsberg Technology Park.
- **Indirect emissions from electricity (Scope 2):** Emissions from electricity consumption and district heating or cooling from external suppliers. The CO_2 emission factors used for electricity are location-based and in accordance with GHG Protocol Scope 2 Guidance [1)].
- **Emissions from flights and the transport of goods and products (Scope 3):** Emissions from flights and emissions associated with the transport of goods and merchandise [2)].

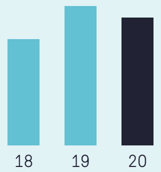
1) Source: 2015 data from the Department for Environment, Food & Rural Affairs, UK. www.ukconversionfactorscarbonsmart.co.uk.
For Norway, a location-based factor of 50t CO2/GWh has been used (this emission factor for Norway has also been used in previous reporting years).
2) CO_2 emissions from transport are limited to import, export and domestic transport, payable in Norway.
3) CO_2 emissions (metric tonnes) for KONGSBERG. Emissions from the consumption of fossil fuels for the production of district heating supplied by Kongsberg Technology Park are included in direct emissions. Indirect emissions include the consumption of electricity, district heating and cooling from external suppliers within the business areas, as well as the consumption of electricity for the production of district heating and cooling in Kongsberg Technology Park.
4) The figures for 2019 include acquired companies. The figures for 2020 are exclusive the disposed subsidiary Hydroid.
5) The figures for 2019 are corrected for changes in reporting format for freight.

Energy consumption

Total 167.06 GWh

(-6% from 2019)

Electricity



122.51 GWh

Heat recovery, district heating and district cooling

38.36 GWh

Oil and gas

6.20 GWh

Graphs: The energy consumption for 2019 include aquired companies. The figures for 2020 are exclusive the disposed subsidiary Hydroid. The figures include electricity, oil and gas, as well as recycled energy used by Kongsberg Technology Park for the production of district heating, district cooling and compressed air also supplied to non-KONGSBERG companies. See the ratios in the tables for CO_2 emissions, energy consumption and waste.

KONGSBERG uses energy in the form of electricity, district heating, district cooling, gas and heating oil in its operations. Kongsberg Technology Park produces district heating, district cooling and compressed air for businesses based in the technology parks in Kongsberg. Approximately half is supplied to other businesses in the technology park. District heating and district cooling are produced using electricity, heating oil, gas and heat recovery. Efficient technology makes it possible to recover in the range of 20-26 GWh heat at the facility at Kongsberg Technology Park. The use of as much recovered heat as possible in the facility is desirable, as this helps reduce a similar consumption of oil, gas and electricity. In 2020, 26 GWh was recovered at the facility.

Waste

Total 7,420 MT
(-5% from 2019)

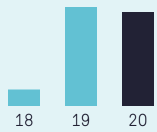
Residual waste

1,029 MT

Hazardous waste

969 MT

Recycled waste



5,422 MT

Graphs: The energy consumption for 2019 include aquired companies. The figures for 2020 are exclusive the disposed subsidiary Hydroid. See the ratios in the tables for CO_2 emissions, energy consumption and waste.

Waste volumes are included in KONGSBERG's internal environmental reporting, where waste generated is divided into waste categories and waste for recycling divided into recycling fractions.

AUDITOR'S REPORT, SUSTAINABILITY

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To the Management of Kongsberg Gruppen ASA

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON KONGSBERG'S SUSTAINABILITY REPORT 2020

We have been engaged by the Management of Kongsberg Gruppen (KONGSBERG) to provide limited assurance in respect of the information presented in the Sustainability Report section ("the Report"), included in the KONGSBERG – Annual and Sustainability Report 2020. Our responsibility is to provide a limited level of assurance on the subject matters concluded on below.

Management responsibilities

The Management of KONGSBERG is responsible for the preparation and presentation of the Report and that it has been prepared in accordance with the reporting criteria described in the Report, including the GRI Standards, level Core. The Management is also responsible for establishing such internal controls that they determine are necessary to ensure that the information is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on the information in the Report. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

Deloitte AS is subject to International Standard on Quality Control 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Considering the risk of material misstatement, our work included analytical procedures and interviews with management and individuals responsible for the preparation of the Report and for sustainability management at corporate level, as well as a review on a sample basis of evidence supporting the information in the Report.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters.

Conclusions

Based on our work, nothing has come to our attention causing us not to believe that:

- KONGSBERG has applied procedures to identify, collect, compile and validate Sustainability information for 2020 to be included in the Report, as described in the Report.
- Sustainability information presented for 2020 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- The Report fulfils the content requirements for reporting in regards to sustainability as stated in the Norwegian Accounting Act, § 3-3c, article one.
- KONGSBERG applies a reporting practice for its sustainability reporting aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfils level Core according to the GRI Standards. The GRI Index referred to from the Report appropriately reflects where information on each of the reported standard and specific disclosures of the GRI Standards are presented.

Oslo, March 16, 2021
Deloitte AS

Eivind Skaug
State Authorised Public Accountant

Frank Dahl
Sustainability expert

Note: This translation from Norwegian has been prepared for information purposes only

04

CORPORATE GOVERNANCE

The Board's Report on Corporate Governance

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

Good corporate governance and corporate management will reduce business-related risk, while the company's resources will be utilised in an effective and sustainable manner. The Group will achieve its goals through further development of first-class competency centres, deliveries of market-leading systems, products and services in its international market segments, and 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

Corporate governance deals with issues and principles associated with the allocation 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.

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

Treatment of the topic in 2020

The topic of corporate governance is subject to annual evaluation and discussion by the Group Board. Amongst other things, the Group's management documents are reviewed and revised periodically.

KONGSBERG'S MODEL FOR CORPORATE GOVERNANCE

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

The Board decides in all significant matters and has overall responsibility for the strategy and management of the company. It provides advice and monitors management.

Strategy and operational management.

Policy

Kongsberg Gruppen

KONGSBERG is subject to reporting requirements regarding corporate governance according to the Norwegian Accounting Act section 3-3b and "The Norwegian Code of Practice for Corporate Governance", see ongoing obligations for stock exchange listed companies point no. 7. The Norwegian Accounting Act is available on www.lovdata.no. "The Norwegian Code of Practice for Corporate Governance", most recently revised on 17 October 2018, is available at www.nues.no.

In compliance with Section 5-6 of the Public Limited Liability Companies Act, this report will be dealt with at KONGSBERG's Annual General Meeting on 6 May 2021. The Group's compliance with and any deviations from the Code of Practice will be commented on and made available to the Group's stakeholders.

The Norwegian state, which owns 50.004 per cent of the Group, also assumes that all companies in which the State has a stake will comply with the "Norwegian recommendation for corporate governance".

As the Norwegian state holds an ownership share of 50.004 per cent, the Group also conducts its activities in accordance with the Storting White Paper no. 8 (2019-2020) – "The Norwegian State's direct ownership of companies – Sustainable value creation" and White Paper no. 27 (2013–2014) – "A diverse and value-creating ownership", the Norwegian government's 10 ownership principles for good corporate governance and the OECD guidelines regarding state ownership and corporate governance. The policy was adopted by the corporate Board.

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 shall be autonomous and independent of the Group's management.
- Emphasis will be placed on avoiding conflicts of interest between the owners, the Board and the management.
- KONGSBERG will have a clear division of responsibilities between the Board and management.
- All shareholders will be treated equally.

The Group's corporate social responsibility work is considered as an integral part of the principles of good corporate governance. This is in accordance with the government's view, as expressed in the 'Ownership Report'.

Articles of Association

Kongsberg Gruppen ASA

Last revised at the extraordinary general meeting on 2 November 2018.

§ 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 224,987,581.25, divided among 179,990,065 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 five to eight members (Directors). Up to five Directors and up to two Deputy Directors shall be elected at the Annual General Meeting. According to regulations laid down pursuant to the provisions of the Norwegian Companies Act regarding employee representation on the Board 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.
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 Chair of the Board, or if he/she is absent, by the Deputy Chair. If they both are absent, the General Meeting elects a Chair.

§ 9 The Nominating Committee shall consist of three or four members who shall be shareholders or representatives of the shareholders. The members of the Nominating Committee, including the Chair, shall be elected by the General Meeting. The term of the Nominating Committee members is two years. If the Chair of the Nominating Committee resigns in an election period, the Nominating Committee can elect a new leader among the Nominating Committee members for the remaining portion of the new leader's term. The Nominating Committee shall present to the Annual General Meeting its recommendations for the election of and remuneration of the Directors and Deputy Directors on the Board and the Nominating Committee.

The General Meeting shall determine the guidelines for the Nominating Committee for the Election Committee.

Board of Directors

Kongsberg Gruppen ASA

EIVIND REITEN

Chairman

ANNE-GRETE STRØM-ERICHSEN

Deputy chair

MARTHA KOLD BAKKEVIG

Director

PER A. SØRLIE

Director

MORTEN HENRIKSEN

Director

ELISABETH FOSSAN

Director
(employee elected)

SIGMUND IVAR BAKKE

Director
(employee elected)

HELGE LINTVEDT

Director
(employee elected)

The Board's Report relating to "The Norwegian Code of Practice for Corporate Governance"

The KONGSBERG ASA Board 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.

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 17 October 2018.

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:

a) "a statement of the recommendations and regulations concerning corporate governance that the Group is subject to or otherwise chooses to comply with": "KONGSBERG Policy" section in the report. The introductory section "Deviations from the code of practice" justifies such deviations.
b) "information on where the recommendations and regulations mentioned in (a) are available to the public": "KONGSBERG Policy" section in the report
c) "a description of the main elements of the Group 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": Report, section 10, "Risk management and internal control"
d) "articles of association that completely or partially extend or depart from provisions stipulated in Chapter 5 of the Public Limited Companies Act": Report, section 6, "Annual General Meeting"
e) "the composition of the Board, 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": Report, section 8, "The Board, its composition and independence" and section 9, "The Board's work"
f) "articles of association that regulate the appointment and replacement of directors": Report, section 8, "The Board, its composition and independence"
g) "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": Report, section 3, "Share capital and dividends"

For the complete overview of the Code with comments, see the Oslo Stock Exchange website at www.euronext.com/oslo or the NUES (the Norwegian Corporate Governance Committee) at www.nues.no.

DEVIATIONS FROM THE CODE OF PRACTICE

According to the Group's own evaluation, KONGSBERG deviates from the code of practice on one major point:

Item 6 – General Meeting
There are two deviations on this point:

i. The entire Board has not usually attended the General Meeting. Thus far, the items on the agenda of the General Meeting have not required this. One or more Board representatives are always present to respond to questions. Other Board members participate on an ad hoc basis. From the Group's perspective, this is considered to be sufficient.

ii. Article 8 of the Articles of Association 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 internal Procedures", is not covered by the recommendation. It has nonetheless been included because the Group considers it to be crucial to KONGSBERG's discussion of corporate governance.

KONGSBERG seeks to comply with international best practice standards when drawing up governance documents. The Group argue that there is a close correlation between high-quality systems of governance and value creation in the company.

The topic of corporate governance is subject to annual evaluation and discussion by the Board. This report was adopted at the Board meeting on 16 March 2021.

2 OPERATIONS

Articles of association
Kongsberg Gruppen ASA is a company whose objective 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 above-mentioned is stated in Section 3 of KONGSBERG's Articles of Association. The Articles of Association are available on the Group's website and on page 101 of this report.

Objectives, strategy and risk
Kongsberg Gruppen ASA aims to be an international technology company based in Norway. KONGSBERG's objective is to secure and increase stakeholder value through profitable and growth-oriented industrial development with a long-term, sustainable and international perspective. Its shareholders' assets are protected and managed through utilisation of the Group's high level of expertise in order to develop attractive solutions for the market, meet important needs for a sustainable society, and focus on continually improving our operations.

KONGSBERG must consolidate its competitiveness and at the same time lay the foundations for sustainable and profitable growth. Growth will come through a combination of organic growth and acquisitions.

To achieve the ambitions, the Board and management have prepared strategies, targets and priorities for the Group and each individual business area. The targets include market work, acquisitions, expertise, corporate social responsibility and sustainability, technology and finance, including capital structure. These targets, our main strategies and risk are covered in more detail in the Directors' report, Chapter 5 of this annual report. The Group's risk management is described in more detail in Item 10. Strategy, objectives and risk profile are subject to annual review and revision by the Board, and are also monitored continuously throughout the year.

Sustainability and corporate social responsibility

The Group's policy for sustainability and corporate social responsibility forms part of our governance model, which is adopted by the Board. Sustainability and corporate social responsibility is an integral part of the Group's strategic processes and is described in more detail in the Group's Annual and Sustainability Report and on the Group's website.

3 SHARE CAPITAL AND DIVIDENDS

Equity

On 31 December 2020, the Group's equity came to MNOK 13,301 (MNOK 12,810), which is equivalent to 33.9 (32.5) per cent of the total assets.

Net interest-bearing debt as of 31 December 2020 was MNOK -3,949 (MNOK -1,565). Of this, cash and cash equivalents represented MNOK 7,420 (MNOK 5,654). Working capital as of 31 December 2020 was MNOK -458 (MNOK 17).

Total assets at 31 December 2020 was MNOK 39,230 (MNOK 39,422). The Board considers the company's capital structure to be 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 company updated its dividend policy, decided by the Board of Directors in 2020:

"KONGSBERG's ambition is to pay an ordinary dividend per share that is stable or growing from one year to the next. Additional dividends and/or buy-back of own shares may be used as a supplement to ordinary dividends. All payments to shareholders will be subject to the company's assessment of future capital requirements."

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. For the accounting year 2019, a dividend of NOK 2.50 per share was paid.

The General Meeting also authorized the Board to pay an additional dividend of up to MNOK 1,800, equivalent to NOK 10.00 per share, which was paid to shareholders in November 2020.

The Board proposes to the General Meeting to pay a dividend for the 2020 financial year of NOK 8.00 per share (totaling MNOK 1.440), whereof NOK 5.00 is on top of the dividend policy. The Board will also ask the General Meeting for authorisation to acquire own shares for deletion, for up to MNOK 400.

Board authorisations

Capital increase

The Board has not been authorised to issue shares.

Purchase of treasury shares

The General Meeting can, according to the Public Limited Companies Act § 9-4, authorise the Board to repurchase their own shares if the total holding of treasury shares does not exceed 10 per cent of the share capital (Public Limited Companies Act § 9-2).

At the Annual General Meeting on 14 May 2020, the Board was given authorisation to acquire treasury shares up to a maximum nominal value of MNOK 9.7, which is equivalent to 4.3 per cent of the share capital. The authorisation may be used several times and applies up until the next Annual General Meeting, but not later than 30 June 2021. The Board's acquisition of treasury shares pursuant to this authorisation can be exercised only between a minimum price of NOK 25 and a maximum of NOK 300 per share. As of 31 December 2020, the Group owned a total of 191,387 (16,779) treasury shares. Of these, 188,015 shares are related to the buy-back programme which was decided by the Board after proxy from the annual general meeting in 2020.

The remaining shares were purchased for the share purchase programme for all employees, and in connection with the company's long-term incentive programme (LTI). Shares can also be used as full or partial payment in connection with business acquisitions, or they can be sold on the market. The shares included in the Group's employee share program are offered to all employees at a discount, and are subject to a one-year lock-in period from the date of acquisition. The LTI scheme is discussed in the annual financial statements Note 29 and section 12 of this report.

Purchase of treasury shares for deletion

At the annual General Meeting on 14 May 2020, the Board was given authorisation to acquire own shares for up to a maximum nominal amount of MNOK 10, which amounts to 4.4 per cent of the share capital. The authorisation may be used several times and is valid until the next annual general meeting, but no later than 30 June 2021. The Board's acquisition of own shares may, can be exercised only between a minimum price of NOK 25 and a highest price of NOK 300 per share.

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 treasury shares is based on the assumption that acquisitions will take place in the market. Acquired shares will be disposed of in the market, as payment for acquisitions, and through share purchase programmes for the Group's employees and the LTI scheme.

Transactions with related parties

The Board is not aware of any transactions in 2020 between the company and shareholders, directors, executive personnel or parties closely related to such individuals that could be described as major transactions. If such a situation were to arise, the Board would ensure that an independent valuation was made by a third party. For further information, see Note 29 and Note 33 of the annual financial statements for 2020.

The Norwegian Government as customer and shareholder

The Norwegian Government, represented by the Ministry of Trade, Industry and Fisheries (NFD), has a shareholding of 50.004 per cent in KONGSBERG. The Government is also a major customer, 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 holds quarterly meetings with the NFD. 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-to-one" meetings with the NFD 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 the 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 authorisation from the Storting (Norwegian parliament), from time to time it will be necessary to give the NFD insider information. In such cases, the NFD is subject to the general rules for dealing with such information.

5 SHARES AND NEGOTIABILITY

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

6 ANNUAL GENERAL MEETING

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 five per cent of the shares can call for an Extraordinary General Meeting.

In 2020, the Annual General Meeting was held on 14 May and 68.79 per cent (69.88) of the aggregate share capital was represented. A total of 190 (112) shareholders were present or represented by proxies.

Notification

The Annual General Meeting is ordinarily held by 1 June each year. In 2021, the date is set for 6 May.

- Notification is usually distributed 21 days in advance of the Annual General Meeting at the latest. The relevant documents, including the Nominating Committee's approved list of nominees, are available 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 Annual 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 both via a stock exchange announcement and on the Group's website.

Registration and proxies

Registration can be done by written notice in letters, e-mails or online. The Board would like to make it possible for as many shareholders as possible to participate. Shareholders who are unable to attend the meeting will be encouraged to authorise a proxy. A special proxy form has been drawn up to facilitate the use of proxies for each individual item on the agenda. One 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.

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 and other members of the corporate management board review the status of the Group.

All shareholders are entitled to have their cases dealt with at the General Meeting. Cases 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. The reason for wanting to have the case added to the agenda should also be specified. The minutes from the General Meeting will be posted on the Group's website.

KONGSBERG has identified two deviations from the recommendation regarding section 6 – General Meeting. These concern the full Board's participation at the General Meeting, and an independent chair. The deviations are described in more detail in the introduction to this chapter.

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 9 May 2016.

The main task is to make recommendations to the Company's General Meeting regarding the election of shareholder-elected Board members. The nominations shall be substantiated 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 to four 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 a list of Committee nominees to the General Meeting. The Nominating Committee's remuneration is approved by the General Meeting based on the Nominating Committee's recommendation.

PARTICIPATION IN BOARD AND COMMITTEE MEETINGS IN 2020

Participation in meetings	*Board*	*Audit Committee*	*Compensation Committee*
Eivind K. Reiten	13		4
Anne-Grete Strøm-Erichsen	12		4
Morten Henriksen	12	5	
Martha Kold Bakkevig	13	5	
Per Arthur Sørlie	13	5	
Elisabeth Fossan	13		4
Helge Lintvedt	13	5	
Sigmund Ivar Bakke	13		

Composition

The current Committee was elected by the Annual General Meeting of 14 May 2020 and consists of:

- Vigdis M. Almestad, senior portfolio manager in ODIN Forvaltning AS
- Morten Strømgren, department director in the Ministry of Trade, Industry and Fisheries
- Karl C. W. Mathisen, portfolio manager in Folketrygdfondet
- Erik Must, investor, chairman of the Board i Must Holding AS, Fondsfinans AS et al.

Almestad was elected Chair of the Committee. The Nominating Committee is elected for a period of two years, and the next election will be held at the Annual General Meeting in 2022.

None of the Committee's members represents KONGSBERG's management or Board. The members are considered to be independent of the daily management and Board. Morten Strømgren is employed by the Ministry of Trade, Industry and Fisheries which, as of 31 December 2020, had a shareholding of 50.004 per cent in KONGSBERG. Vigdis M. Almestad is employed by ODIN Forvaltning AS which, through its funds, had a 1.318 per cent share in KONGSBERG at 31 December 2020. Karl C. W. Mathisen is employed by Folketrygdfondet, which as of 31 December 2020 together had a 7.503 per cent stake in KONGSBERG. As of 31 December 2020, Erik Must had a 2.407 per cent interest through his company Must Invest AS and a 0.105 per cent interest in personal ownership.

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 form for nominating candidates for the Board/Nominating Committee and the deadlines are available on the Group's website.

8 THE BOARD, ITS COMPOSITION AND INDEPENDENCE

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

The Board consists of eight members and currently has the following composition:
Eivind K. Reiten (chair), Anne-Grete Strøm-Erichsen (deputy chair), Morten Henriksen, Martha Kold Bakkevig and Per A. Sørlie. Elisabeth Fossan, Helge Lintvedt and Sigmund Ivar Bakke are Board members elected by and among the employees. Detailed information on the individual directors can be found on the Group's website.

The Board held 13 meetings in total in 2020, eight as ordinary board meetings, four as extraordinary, and one as Board deliberation without a meeting. All board meetings after 12 March 2020 have been conducted digitally on the basis of the temporary exemptions from requirements for physical board meetings, set out in regulations pursuant to Section 2 of the Coronary Act.

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 Board member.

In electing the Board of Directors, the Nominating Committee presents its proposals for Board representatives and Chair to the shareholder-elected Board representatives to the General Meeting. The Board and Chair are selected by the General Meeting for a two-year period. Eivind K. Reiten was elected Chair of the Board. All Board members will be up for election in 2021.

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. The Election Committee for the election of employee representatives to the Board complies with the Representation Ordinance and ensures that the recommendation of independence is addressed through nominations and elections. It is important that there are 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

The General Meeting elects the five shareholder-elected representatives to the Board. Board members are elected by a simple majority. The Nominating Committee prepares a recommendation for shareholder-elected representatives ahead of the general meeting. The recommendations will be available to the shareholders contemporaneous with notification of the General Meeting. The Norwegian state owns 50.004 per cent of the shares in KONGSBERG and could, in principle, exercise control over the election of the shareholders' directors. The directors are elected for two-year terms and are eligible for re-election.

Three of the directors are elected by, and from the Group's employees. The election of employee representatives in 2019 was cancelled and a new election for the employees' representatives was initiated shortly after New Year 2020. Due to the COVID-19 situation that arose in March, the Nominating committee had to postpone this election. The new, ordinary election of the employees' representatives to Kongsberg Gruppen's Board of directors was announced in December 2020 with election day 24 March 2021.

The directors' shareholdings

Directors are encouraged to own shares in the company, but this is not a requirement. As of 31 December 2020, the shareholder-elected directors held the following portfolios of shares in the Group:

- Eivind K. Reiten owns 2,850 (2,850) shares through his 100 per cent-owned company Mocca Invest AS.
- Anne-Grete Strøm-Erichsen owns 2,000 (2,000) shares through her 50 per cent-owned company AGSE Consulting.
- Morten Henriksen owns 3,027 (3,027) shares.
- Martha Kold Bakkevig owns 2,119 (2,119) shares through her 50 per cent-owned company Kold Invest AS.
- Per A. Sørlie owns 3,400 (1,400) shares.

The employee-elected board members hold the following portfolios of shares in KONGSBERG as of 31 December 2020:

- Elisabeth Fossan owns 5,489 (5,209) shares.
- Helge Lintvedt owns 0 (0) shares.
- Sigmund Ivar Bakke owns 3,663 (3,383) shares.

9 THE BOARD'S WORK

The Board's responsibilities

The Board 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 ensuring that the Group operates 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 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. Furthermore, the Board is to participate in the framing and adoption of the Group's strategy, exercising the requisite control functions and ensuring that the Group is managed and organized 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 and/or financial importance to the Group.

In important cases where the Chair or other Board members have been actively engaged, this will be disclosed in the proceedings and managed by the Board on a case-by-case basis. These tasks are not constant and the focus will depend on the Group's needs at any given time. The Board appoints the CEO, defines their work instructions and authority, and determines their wages.

Board instructions

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 2019. 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 take-over, confidentiality and professional secrecy and relations to legislation, the Articles of Association and instructions. Rules of procedure for the Board of directors can be read on the Group's website.

The Board may decide to deviate 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 ensuring that the Board's work is 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 a separate instruction for the CEO. The instruction will be reviewed by the Board every second year and will be revised as required. The current instructions were presented and revised by the Board in February 2019.

Financial reporting

The Board receives financial reports twelve times per year where the Group's economic and financial status is described. The reports are financial presentations that describe what has happened in the Group's operative and administrative functions during the reporting period. The financial report forms the basis for internal control and communication on status and necessary measures. Quarterly financial reports are compiled that form the basis for the external financial report. This report is dealt with in the Group's audit committee before being submitted to and reviewed by the Board. The report is made public after approval from the Board.

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. The Board held 13 Board meetings (17) in 2020. The Board meetings had 98 (96) per cent attendance in 2020. All board meetings after 12 March 2020 have been conducted digitally on the basis of the temporary exemptions from requirements for physical board meetings, set out in regulations pursuant to Section 2 of the Coronary Act.

All directors receive regular information about the Group's operational and financial progress well in advance of the scheduled Board meetings. 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 convened in on an ad hoc basis.

The Board adopts decisions of material importance to the Group. This involves, amongst other things, the approval of the annual and quarterly accounts, strategies and strategic plans, the approval of investments, contracts, as well as acquisitions and divestitures of businesses where the Group's authority matrix or the Group's directive concerning significant offers, contracts or framework agreements require this.

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.

Competence

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 and CEO cannot discuss cases in which they have a significant special interest and are 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.

Guidelines for directors and executives

The Corporate Code of Ethics and Business Conduct discusses this topic under conflicts of interest under Item 5.10. The same applies to the instructions to the Board. 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 remuneration from the company other than their directors' fee and remuneration for work on Board committees. Any deviation 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 of any relationships with KONGSBERG's significant business associates or interests in its transactions.
- The directors' 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.

Use of board committees

The Board has two subcommittees: an Audit Committee and a Compensation Committee. Both committees act as preparatory bodies for the Board; they are accountable only to the assembled Board and have only recommending authority. In addition, special committees are formed as needed, such as appointment committees.

The Board's Audit Committee

The Audit Committee shall support the Board in its responsibilities related to financial reporting, audits, internal control and overall risk management. The Audit Committee is also a preparatory body in terms of non-financial policy and control. The Committee previously consisted of two shareholder-elected directors and one employee-elected director. After the General Meeting in 2019, the Audit Committee was expanded with one more shareholder-elected board member. The Committee now consists of four members. The Group's CFO and its elected auditor normally participate in the meetings. The CEO and the other directors are entitled to attend if they so desire. Five (six) meetings were held in 2020, of which one was extraordinary. Members: Morten Henriksen (chair), Martha Kold Bakkevig, Per A. Sørlie and Helge Lintvedt. The instructions for the Audit Committee are published on the Group's website.

The Board's Compensation Committee

The committee shall prepare issues for Board discussion related to remuneration, management development and diversity. This includes, among others, discussion of issues associated with the remuneration for the CEO, and questions of principle relating to salary levels, bonus systems, pension schemes/terms, employment contracts, etc. for leading employees. The committee also prepares issues regarding other conditions associated with remuneration that the committee considers of particular significance to the company's competitive position, profile, recruitment ability, reputation, etc. In addition, the committee prepares for discussion of the Group's management development plans, performance reviews and succession plans for managers, with particular emphasis on ensuring diversity.

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 they so desire, except when their own situation is under discussion. Four (four) meetings were held in 2020.

Members: Eivind K. Reiten (chair), Anne-Grete Strøm-Erichsen and Elisabeth Fossan. The instructions for the Compensation Committee are published on the Group's website.

The Board's own 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. The Board's evaluation is made available to the Nominating Committee. 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 COSO framework.

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. Corporate executive management and the individual technological fields are responsible for ensuring that the business areas have implemented the appropriate internal controls.

Ten times per year, the management prepares operating reports including risk analyses, and these are sent to the directors. In addition, quarterly financial reports are published for the financial market. The Audit Committee reviews the Group's quarterly report ahead of 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 as otherwise required.

Follow-up by the Board

The Board follows up risk management and internal controls through its annual plan and agenda. This includes a quarterly review of strategic and operational risks, central discretionary items related to financial reporting and non-financial compliance. The Board processes and approves major customer quotations according to the Group's authority matrix. The Board is also involved in the Group's strategy processes on an ongoing basis.

The Group's financial position and risks are thoroughly described in the Directors' Report.

The Board conducts an annual review of the Group's key governance documents to ensure that these are updated and cover the relevant topics.

Compliance with values, ethics and corporate social responsibilities

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

In 2020, KONGSBERG continued its work on systematic development and follow-up of important areas for compliance with regulations, rules and internal guidelines. The Group has focus on the anti-corruption programme, where employee training, cooperation with business partners on anti-corruption measures as well as training and review of market representatives have been the key elements. We also have a particular focus on export control and sanctions, along with robust processes to ensure compliance with Data Privacy regulations. The Group has compliance functions at both a corporate level and in the business areas who are working closely. Furthermore, it is established is internal control function at the corporate level to strengthen the work of follow-up and monitoring of third parties. 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 guidelines were updated in 2020 to ensure compliance with the new rules of the Working Environment Act (Norway). The Group has a whistleblower system with a web-based notification channel available to all employees globally, providing the opportunity for external notifications and anonymity for whistleblowers.

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

The Annual General Meeting approves the remuneration paid to the Board each year. The proposal for remuneration is made by the Nominating Committee. From the Annual General Meeting in 2020 until the next Annual General Meeting, the total remuneration to the Board members will amount to NOK 2,473,000 (NOK 2,473,000).

The remuneration breaks down as follows:

- Board Chairperson NOK 544,000 (NOK 544,000)
- Deputy Chair NOK 291,000 (NOK 291,000)
- Other Board members NOK 273,000 (NOK 273,000)

In addition, the members of the Audit Committee 75,000 per year. (changed from NOK 10,400 per meeting, and a maximum of NOK 101,000 for 2019.) The Committee's chair receives NOK 100,000 per year, (changed from NOK 12,700 per meeting, and a maximum of NOK 121,000 per year.)

The members of the Compensation Committee receive NOK 47,000 per year (changed from NOK 9,400 per meeting, and a maximum of NOK 47,000 per year.) The Committee's chair receives NOK 70,000 per year (changed from NOK 11,700 per meeting, and a maximum of NOK 58,500 per year.)

The directors' fees are not contingent on financial performance, option programmes or the like. No remuneration has been paid in allowances, apart from normal Board fees. 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

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 the 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, long-term incentives (LTI), severance arrangements and other benefits in kind.

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

Performance-based part of salary

In 2006, the Board introduced a new bonus system for executive management. The scheme was adjusted slightly in 2016 and further adjusted in 2019. Performance-based compensation is linked to improved EBIT and ROACE, increased operating revenues and individual targets. The payment of performance-based salary has a ceiling of 50 per cent of the basic salary. A more detailed description of the scheme is given in Note 29, "Declaration regarding the determination of salaries and other remuneration to senior executives" in the Annual Report for 2020. In 2020, the Group had about 200 (150) managers who were covered by an incentive plan that included an individual performance element.

The performance-based part of salary meets guidelines for salaries and other remuneration to senior employees of enterprises and companies with a state shareholding. In 2019, the performance-based part of salary consisted of direct payments and payments from previous bonus banks. The bonus bank scheme was discontinued in 2019.

Long-term incentive (LTI)

In 2012, the Board decided to introduce a (LTI) scheme as part of the regular remuneration for the CEO and other members of corporate executive management. The LTI scheme was changed to a variable performance system in 2016. As of 2018, the LTI scheme was further expanded to include management groups in the business areas, as well as key positions. The LTI scheme represents a maximum of 30 per cent of the fixed salary for the CEO and 25 per cent for the rest of the Group Management, 15 per cent for the management groups in the business areas and 10 per cent for key positions. The rationale is to be competitive with comparable companies. A more detailed description of the scheme is provided in Note 29 of the annual financial statements for 2020.

Conditions

Remuneration to corporate executive management and the Board is described in Notes 29 and 30 to the consolidated financial statements for 2020.

13 INFORMATION AND COMMUNICATION

Annual Report and Directors' Report – interim reporting

The Group usually presents preliminary annual accounts in February. "The Annual Report and Sustainability Report" are sent to shareholders and other stakeholders in March/April. Beyond this, the Group presents its accounts on a quarterly basis. Other information linked to sustainability and corporate social responsibility can be found on the Group's website. The Group's Financial Calendar is published via a stock exchange announcement, on the Group's website and in the Annual Report.

Other market information

Open investor presentations are conducted in connection with the Group's annual and quarterly reports. Here the CEO, assisted by the CFO, reviews the results and comments on markets and future prospects. Other members of the Group's management participate as needed. An annual Capital Markets Day is usually held where business area directors will participate. The entire Group Management is normally present at this Capital Markets Day.

The annual and quarterly reports will be available on www.newsweb.no (Oslo Stock Exchange) and on the Group's website, along with presentation of the results. The annual and quarterly results are also available via video transmission. 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 directives concerning communication with the investor market and handling of insider information. Emphasis is given to equal treatment of all shareholders.

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 50.004 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 shall react in the event of any take-over bid. The Board is responsible for ensuring that KONGSBERG's shareholders are treated equally and that operations are not disrupted unnecessarily.

If a bid is made for the entirety or parts of the company, the Board shall draw up a statement containing a well-founded 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 annual accounts. At that meeting, the Board is briefed on the financial statements and any other issues of particular concern to the auditor, including any points of disagreement between the auditor and management. The auditor normally also participates in the Audit Committee's meetings.

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 has presented a written declaration to the Board concerning the fulfilment of fixed independence requirements between the auditor and the Group pursuant to the Accountancy Act. The Board has dealt with the guidelines for the business relationship between the auditor and the Group.

Ernst & Young AS is the Group auditor. Some smaller companies within the Group use other audit firms. Some foreign companies do not have auditors as this is not a part of the local requirements. In addition to ordinary auditing, the auditing company has provided consultancy services related to accounting. For further information, see Note 31 of the Group's financial statements.

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

16 MANAGEMENT AND INTERNAL PROCEDURES

The Group's subsidiaries have their own Boards, which are comprised of internal managers and employees. The managing director of the holding company or a person authorised by the managing director will chair the Board of the subsidiaries. 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 settled internal guidelines, aimed primarily at the company's primary insiders, 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 guidelines require primary insiders to secure internal clearance from the CEO before KONGSBERG shares are bought or sold.

05

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Directors' Report 2020

Kongsberg Gruppen (KONGSBERG) is an international technology group that delivers advanced and reliable solutions that improve safety, security and performance in complex operations and under extreme conditions. KONGSBERG has customers in the global defence, maritime, oil and gas, fisheries and aerospace sectors.

Sustainable innovation is an integrated part of KONGSBERG's business strategy. Our most significant contribution to achieving the sustainability goals is the supply of high-tech products and services, which reduce our customers' emissions of harmful greenhouse gases.

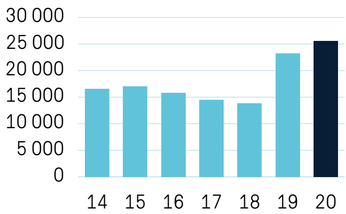
2020 was a different year than we had planned for, as large parts of the world practically shut down in Q1 as a result of COVID-19. KONGSBERG took immediate action to safeguard its employees' health and safety, to maintain operations at as normal a level as possible, as well as measures to ensure value and results for the company. Despite the uncertainty and challenges posed by the pandemic, the company has seen satisfactory operations and the ability to deliver to its customers, secured significant order intake, and completed a number of business transactions. Kongsberg Maritime has been successful with the integration of Commercial Marine, where significant synergies have been realised, and sold the subsidiary Hydroid Inc. with a significant profit. Kongsberg Defence & Aerospace increased its operating revenues by 17 per cent, and a record order backlog provides a good foundation for continued growth. Kongsberg Digital has consolidated its leading position in the dynamic digital twin market with a framework agreement for the digitisation of Shell's global portfolio of installations. Overall, KONGSBERG has performed well throughout an exceptional year, entering 2021 with a record high order backlog and even stronger positions in comparison with the start of 2020.

KONGSBERG

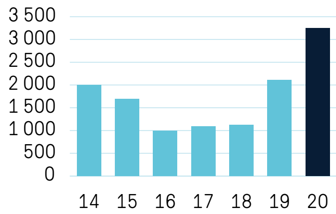
Headquarter	Kongsberg
Number of employees	10 689
Share of employees outside Norway	38%
Number of countries with presence	37
Share of revenues outside Norway	80%

Operating revenues rose by 10 per cent to MNOK 25,612 compared to 2019. Kongsberg Maritime (KM) had operating revenues of MNOK 16,319 and Kongsberg Defence & Aerospace (KDA) had operating revenues of MNOK 8,503. The Group's order backlog increased from MNOK 32,347 at the end of 2019 to MNOK 35,947 at the end of 2020. The KM order backlog stayed at the same level as last year, while KDA increased its order backlog by more than MNOK 3,000. In total, the Group's order intake ended at MNOK 28,818 down from MNOK 31,413 in 2019. The book-to-bill ratio was 1.13. EBITDA increased by MNOK 1,137 to MNOK 3,250 in 2020. EBITDA increased for both KM and KDA. For KM, cost reductions achieved through the integration of Commercial Marine (CM) contributed to improved profitability. Good project composition

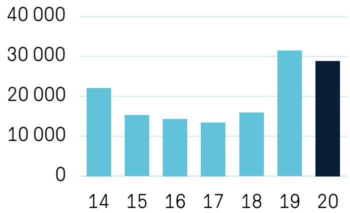
Operating revenues[1)]
MNOK



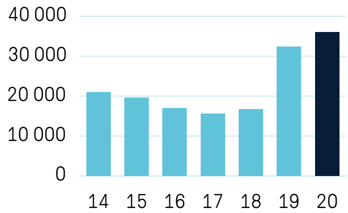
EBITDA[1)2)]
MNOK



New orders[1)]
MNOK



Backlog of orders[1)]
MNOK



1) Figures in the income statement, orderintake and order backlog for 2019 and 2018 are adjusted for discontinued operations. Comparable figures earlier years are not adjusted.
2) Profit share from joint ventures are no longer included in EBITDA and EBIT. Compareable figures are adjusted.

and implementation have contributed to good profitability at KDA.

Profit for the year after tax amounted to MNOK 2,932 (MNOK 717), corresponding to NOK 16.08 per share (NOK 3.89). Profits from continuing operations after tax were MNOK 1,481 (MNOK 596), corresponding to NOK 8.01 (NOK 3.22) per share. The Group had a positive cash flow of MNOK 1,766 in 2020 (negative MNOK 4,384) and had net interest-bearing debt of MNOK -3,949 (MNOK -1,565) at the end of the year. At the end of the year, Group equity was MNOK 13,301 (MNOK 12,810).

KONGSBERG is in a solid financial position and based on this, the Board will propose to the general meeting on 6 May 2021 a dividend for the 2020 financial year of NOK 8.00 per share (totaling MNOK 1,440), whereof NOK 5.00 is on top of the dividend policy. In addition, a buy-back programme of shares for cancellation, of up to MNOK 400, will be proposed. Total remuneration to shareholders will then amount to approximately MNOK 1,840, which corresponds to just over NOK 10 per share. In comparison, in 2020 an ordinary dividend of NOK 2.50 per share, and an additional dividend of NOK 10.00 per share, a total of MNOK 2,250 was paid out. A buy-back programme for treasury shares for cancellation was also initiated, for up to MNOK 200.

SUCCESSFUL INTEGRATION OF ACQUIRED COMPANIES AND SALE OF HYDROID INC.

Integration of Commercial Marine

On 6 July 2018, KONGSBERG signed an agreement with Rolls-Royce Plc. for the acquisition of Rolls-Royce Commercial Marine (CM). The acquisition was completed on 1 April 2019. The final payment for the company, exclusive cash, was MNOK 4,865. As part of the purchase of CM, a comprehensive integration and cost reduction programme was implemented. At the end of 2020, annual savings of MNOK 640 had been achieved through the programme. The savings come from a wide range of initiatives. The original plan for cost savings was MNOK 500 in annual savings by the end of 2022. The programme was completed two years ahead of schedule and with savings of MNOK 140 over the original target. The programme in its original form is complete, but experiences from the programme will continue to contribute to future efficiency processes.

Sale of the American subsidiary Hydroid Inc.

On 4 February 2020, KONGSBERG signed an agreement to sell the underwater technology company Hydroid Inc. in the USA for MUSD 350 to Huntington Ingalls Industries (HII). The parties also entered into a strategic cooperation agreement for underwater technology and maritime solutions. The sale was completed on 26 March 2020. KONGSBERG bought Hydroid for MUSD 80 in 2007. Hydroid Inc. supplies autonomous underwater vessels for both the military and commercial markets, with the U.S. Navy being the largest customer. At the end of 2019, Hydroid had an order backlog of MNOK 813. In 2019, the company had MNOK 836 in revenue, with an EBITDA of MNOK 145. The sale of the company is shown in the accounts as a discontinued business, with a profit of MNOK 1,451 after tax, of which the actual gain totalled MNOK 1,431.

BUSINESS AREAS

Kongsberg Defence & Aerospace

MNOK	*2020*	*2019*
Operating revenues	8 503	7 245
EBITDA	1 656	1 123
EBITDA margin	19.5%	15.5%
Order intake	11 891	16 060
Order backlog	23 477	20 146

KDA had operating revenues of MNOK 8,503 in 2020, which is MNOK 1,258 greater than in 2019. The Missile Systems, Aerostructures, Land Systems and Integrated Defence Systems divisions all showed good growth in 2020. The EBITDA margin ended at 19.5 per cent, compared to 15.5 per cent in 2019. All divisions improved their EBITDA. The order backlog increased from MNOK 20,146 at the end of 2019 to MNOK 23,477 at the end of 2020, with an export share of over 90 per cent. This provides a good basis for continued growth in operating revenues in the future.

The Missile Systems division increased its operating revenues in 2020. This is the result of the increase in activity linked to both the Naval Strike Missile (NSM) and the Joint Strike Missile (JSM), which are the division's main products. These long-range high-precision missiles are world-leading with their 5th generation low-signature design. The largest ongoing projects are the contract with Malaysia, the American "Over the Horizon" programme, and JSM. In December, the division signed a second follow-up contract for the delivery of JSM to Japan, worth MNOK 820. Japan was the first country to order the missile. Over the coming years, further increases in activity levels are anticipated linked to both JSM and NSM as a result of demand for this type of capacity from many countries.

The Land Systems division, which delivers remote weapon stations and communications equipment, also showed good growth in 2020. The business area's largest customer is the U.S. Army, which placed a number of orders for new remote weapon stations over the year. The framework agreement these were ordered under is now complete and KONGSBERG and the U.S. Army are negotiating an extension. The book-to-bill ratio for the division was 1.40, and order intake was at the same level as last year. The number of nations using remote weapon stations across the world increased to 25 during 2020.

In 2008, KONGSBERG opened a new factory for production of advanced composite and titanium parts for the new F-35 combat aircraft. Since opening, delivery volumes have continued to increase every year. From producing a few parts kits during the early years, production amounted to around 170 parts kits in 2020 and is now running at full capacity. A key objective for KONGSBERG is to deliver on time without any quality deviations in the F-35 programme. This puts us in a strong position on a programme that will generate revenues for the Group over the next 20–30 years. In 2020, the Aerostructures division recorded operating revenues in excess of MNOK 2 billion. Kongsberg Aviation Maintenance Services

KDA had operating revenues of MNOK 8,503 in 2020, which is MNOK 1,258 greater than in 2019.

(KAMS), formerly AIM Norway, is now also part of the Aerostructures division. The company was taken over and integrated in 2019. KAMS is currently undergoing a total restructuring process where major structural changes, staffing adjustments, changes in skills profiles and significant cost-saving measures have been made. This will increase competitiveness and create opportunities in the market. KAMS completed construction of a workshop in Rygge and in 2020 signed the first agreement for maintenance deliveries for the F135 engine (the engine for the F-35). This project is proceeding according to plan and is set for a significant increase in activity in the coming years. KAMS is further developing its strategic cooperation with the Norwegian Armed Forces and is well-positioned for continued growth in the years to come.

Amongst other things, the Integrated Defence Systems area supplies the NASAMS air defence system, combat systems for submarines and digital solutions for vehicles used by the Army. Operating revenues for the division increased to just under MNOK 2,500 in 2020. The increase in turnover was driven by strong order intake in recent years and an increase in ongoing deliveries to Lithuania, Indonesia, Australia and Qatar. In addition, the division signed a new contract for NASAMS with Hungary in 2020, worth MEUR 410. Hungary became the 12th country to acquire NASAMS.

Through its Space & Surveillance division and the Kongsberg Satellite Services (KSAT) joint venture, KONGSBERG is the Nordic region's largest supplier of equipment and services to the aerospace industry. The division saw slightly reduced operating revenues in 2020, but activity in KSAT increased. KSAT is a world leader in the download and distribution of satellite data. KSAT also provides services within areas including environmental, security and climate monitoring and in 2020 signed a contract worth MNOK 405 with the Norwegian International Climate and Forest Initiative for the monitoring and control of global deforestation.

KDA has a high proportion of exports but the majority of the operations are in Norway. Defence operations have only experienced disruptions as a result of COVID-19 to a lesser extent. Individual contract negotiations were somewhat more time-consuming due to travel restrictions and there have been certain challenges with the supply chain. KDA and KSAT have been classed as socially critical companies. As a result of this, the part of the workforce unable to carry out tasks from home has largely been able to go to work to perform its duties more or less as normal, but with the necessary infection measures in place. In addition, shift systems and other precautionary measures were introduced into production to make the environment less exposed to infection transmission. Progress in projects has not seen major impact from the COVID-19 situation. KDA also saw that many of its customers were extremely adaptable in their use of digital platforms, where collaboration was previously based on physical meetings.

KDA is dependent on several hundred subcontractors, both in Norway and abroad, being able to deliver. Additional resources were deployed to ensure the flow of goods, shipments and, where necessary, alternative subcontractors in the event of production stoppages.

KDA has extensive operations in Johnstown, USA. These operations were defined as socially critical by U.S. authorities and were not affected by the

Progress in projects has not seen major impact from the COVID-19 situation.

COVID-19 restrictions in the U.S. in 2020. Arsenalet, the factory in Kongsberg which, among other things, supplies critical components for the F-35 fighter aircraft, has so far not experienced any delays in production.

The current worldwide COVID-19 situation may delay expected order intake somewhat in the future, and at worst may result in programmes KDA is positioned for being scaled down or cancelled. However, there are no signs of this yet.

Investing in defence programmes is an extensive and time-consuming process. The customers for large defence systems are national authorities in the respective countries. These customers consider national security and domestic economic development as significant factors, in addition to price and performance, when purchasing defence equipment. National budgets and policies will therefore have a strong impact on whether and when any contract can be entered into with KONGSBERG. The market is not subject to international free trade agreements and is often characterised more by national protectionism than is seen in most other industries. Predictability in the export regulations with respect to defence material and the application of the regulations is therefore an important framework condition for KONGSBERG.

It is important for the Norwegian defence industry that the Norwegian authorities' emphasis is on repurchase agreements and agreements that secure market access in connection with purchase of defence equipment from abroad. When the Norwegian Armed Forces make significant investments through foreign suppliers, this often ties up a significant proportion of the defence budget.
To ensure that military supplies are well adapted to Norwegian conditions and to guarantee a sustainable and competitive Norwegian defence industry, we emphasise the importance of Norwegian participation in such programmes. 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. 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 forms the platform for the development of leading products that are essential for any modern defence system. This also means increased activity for many of the business area's approximately 1,500 Norwegian subcontractors, based all over the country.

Kongsberg Maritime

MNOK	*2020*	*2019*
Operating revenues	16 319	15 198
EBITDA	1 532	1 005
EBITDA margin	9.4%	6.6%
Order intake	15 925	14 427
Order backlog	11 386	11 311

Operating revenues in 2020 were MNOK 16,319, up from MNOK 15,198 in 2019. In 2019 CM was only included for the last three quarters. EBITDA in 2020 amounted to MNOK 1,532, while the EBITDA margin was 9.4 per cent compared with MNOK 1,005 (6.6 per cent) in 2019. In 2020, a total of MNOK 86 in integration and restructuring costs was recognised linked to the integration of CM. In 2019, a gain of MNOK 107 was recorded related

As part of the acquisition of CM, a comprehensive profitability improvement programme was implemented. By the end of 2020, the programme had achieved MNOK 640 in annual savings. KONGSBERG's original aim was annual savings of MNOK 500 from 2022.

KM has a well-established aftermarket network supporting more than 30,000 vessels fitted with KM equipment. The aftermarket accounts for almost half of KM's revenues.

to the sale of Kongsberg Evotec, while MNOK 416 was recorded for total integration and restructuring costs. Risk reduction measures were implemented at an early stage to reduce the financial and operational effects of COVID-19. Furthermore, costs related to, among other things, travel and consultants have been minimal since the pandemic occurred. Some of the savings are directly related to COVID-19 and only in the short term, while other efficiency gains will be lasting.

As part of the acquisition of CM, a comprehensive profitability improvement programme was implemented. By the end of 2020, the programme had achieved MNOK 640 in annual savings. KONGSBERG's original target was annual savings of MNOK 500 from 2022. This means MNOK 140 of additional annual savings in half of the original time. The programme in its original form is complete, but methods and experiences from the programme will continue to contribute to future efficiency processes. The increased savings compared to the original target stem from additional identified measures as well as faster-than-anticipated realisation. The savings will be made through a raft of measures, relating to both organisation and efficiency, including the restructuring of loss-making entities, the merging of locations, consolidation of delivery functions, optimisation of product portfolios and technological initiatives, as well as reductions in overheads.

In February 2020, KONGSBERG announced that Hydroid Inc. would be sold to U.S. company Huntington Ingalls Industries for MUSD 350 on a cash- and debt-free basis. The sale was completed at the end of March with a recognized accounting gain of MNOK 1,431 after tax. In 2019, Hydroid had operating revenues of MNOK 836 and an EBITDA of MNOK 145 in the Sensors & Robotics division.

Order intake during 2020 amounted to MNOK 15,925, equivalent to a book-to-bill ratio of 0.98. Order intake is up by MNOK 1,498 from 2019, but in 2019 CM was only included in the last three quarters. The good order intake and profitability level in 2020 confirm once more that KM is able to adjust to demanding market conditions. KM has diversified exposure and delivers equipment and solutions for most maritime vessel segments, such as traditional transport vessels, offshore, fishing, research, passenger ships and marine robotics. This makes the business area less vulnerable to fluctuations in individual segments.

KM has a well-established aftermarket network supporting more than 30,000 vessels fitted with KM equipment. The aftermarket accounts for almost half of KM's revenues. KM's aftermarket revenues are largely excluded from the order backlog. There was good activity in this market in 2020 given the circumstances, but at the same time the COVID-19 situation has affected volumes and therefore made it more challenging to complete certain assignments, partly due to travel restrictions.

Contracting of new vessels has been slow in recent years and in 2020 was at a historically low level. This is also apparent within KM, and the order intake from the new-build market was sluggish in most segments in 2020.

KM has extensive international operations and is directly affected by the downturn in the world economy. From Q2 2020, the business area has experienced a decline in activity in the aftermarket and also in individual segments such as cruises and fishing. General uncertainty as a result of the pandemic, along with uncertainty surrounding the development of oil prices has also meant that planned contracts for new vessels and upgrades have been delayed or cancelled.

Due to the spread of COVID-19, a number of measures were quickly implemented to limit infection, maintain as normal a level of operations as possible and ensure that cost levels were adapted to the level of activity. The measures included extensive use of digital solutions for customer support, furloughs and other cost-saving measures, along with significant infection control measures, including the extensive use of working from home. At most, KM had about 750 employees on leave. By the end of 2020, most of these employees had returned to work. Travel restrictions in various countries have particularly affected aspects of service and the aftermarket.

In August 2020, KDI entered into a new strategic agreement with Shell for the delivery of dynamic digital twins for the company's global portfolio of installations.

The aftermarket for KM mainly consists of three areas: parts sales, projects and service. Out of these, the pure service elements have been the most affected. Service accounts for about half of KM's aftermarket operations. With offices and service facilities in 34 countries, project deliveries and major aspects of service assignments are performed locally, which has reduced the consequences of the travel restrictions.

Despite the pandemic, KM delivered solid results in 2020. This would not have been possible without the measures that were implemented. The order intake in certain areas, particularly related to new vessels and the aftermarket, is uncertain. There is therefore still uncertainty regarding the future impact on order intake, operating income and profits.

With new regulations related to IMO2020 (International Maritime Organization's regulation on maximum sulphur content in maritime fuel globally) and a significantly greater focus on sustainability in the market in general, the demand for environmentally friendly solutions is increasing. KM's system and propulsion deliveries largely comprise systems which contribute to safer and more efficient operations. This reduces both emissions and risk. KM has also noted increased interest in solutions within concepts for, among other things, offshore wind.

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

Kongsberg Digital

KDI was established in 2016 as an important step for development of the next generation of digitalised products and services within our core areas. Since its establishment, KDI has taken important steps and had a major breakthrough with its dynamic digital twin Kognitwin® in the autumn of 2019, with the agreement for the Shell Nyhamna process plant. The system was developed and delivered in less than 100 days and has been in operation and continuous development since January 2020. After one year of operation, the preliminary cost savings to the customer have been realised in work process improvements, reduced costs, increased efficiency in the execution of work and energy optimisation. In August 2020, KDI entered into a new strategic agreement with Shell for the delivery of dynamic digital twins for the company's global portfolio of installations.

There has been a negative effect on demand for traditional maritime simulators in today's market, but at the same time there was increasing interest in the digital distance learning solution K-Sim® Connect throughout 2020. The software service Sitecom, which is used to obtain real-time data from drilling operations, also showed positive developments in 2020. KDI sees a number of interesting opportunities to further develop an already strong market position.

Investment levels at energy companies are lower, both due to the ongoing COVID-19 situation and uncertainty surrounding oil prices. However, there are great opportunities for solutions contributing to more efficient and sustainable operations. This may affect KDI's growth. The current situation shows the need for and strength of KONGSBERG's digital and remote controlled solutions, and in 2021 KONGSBERG will further intensify its efforts.

COMMENTS TO THE FINANCIAL STATEMENTS

Operating revenues

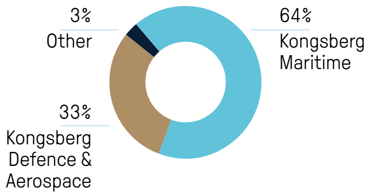
The Group's operating revenues in 2020 amounted to MNOK 25,612, up 10 per cent from MNOK 23,245 in 2019. KM recorded operating revenues of MNOK 16,319, while KDA recorded corresponding revenues of NOK 8,503 in 2020.

EBITDA development

EBITDA totalled MNOK 3,250 against MNOK 2,113 in 2019, resulting in an EBITDA margin of 12.7 per cent. EBITDA was affected by MNOK 86 in integration and restructuring costs linked to the acquisition of

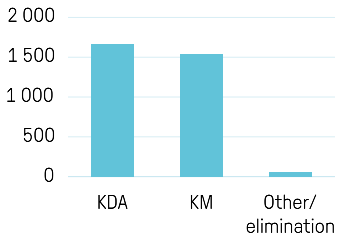
Distribution of revenue

Per cent



Distribution of EBITDA

MNOK



Rolls-Royce Commercial Marine (RRCM). Correspondingly, EBITDA in 2019 was affected by MNOK 416 in integration and restructuring costs as well as a profit of MNOK 107 related to the sale of Kongsberg Evotec. KDA increased its EBITDA from MNOK 1,123 to MNOK 1,656 between 2019 and 2020, while KM increased its EBITDA from MNOK 1,005 to MNOK 1,532.

Profit

Earnings before tax were MNOK 1,855, compared with MNOK 833 in 2019. Profit from continuing operations after tax was MNOK 1,481, corresponding to NOK 8.01 per share in 2020, against MNOK 596 in 2019. Profit after tax, including divested operations, was MNOK 2,932 in 2020, corresponding to NOK 16.08 per share, against MNOK 717 in 2019. Return on average capital employed (ROACE) was 20.8 per cent in 2020 (10.0 per cent in 2019).

The board will propose to the general meeting on 6 May 2021 a dividend for the 2020 financial year of NOK 8.00 per share (totaling MNOK 1.440), whereof NOK 5.00 is on top of the dividend policy. In addition, a repurchase programme of shares for cancellation, of a total of MNOK 400, will be proposed. Total remuneration to shareholders will then amount to approximately MNOK 1,840, which corresponds to just over NOK 10 per share. In comparison, in 2020 an ordinary dividend of NOK 2.50 per share and an additional dividend of NOK 10.00 per share, a total of MNOK 2,250, was paid. A buy-back programme for treasury shares for cancellation was also initiated, for up to MNOK 200. As of 31 December 2020, 188,015 of these shares had been bought back for a total of MNOK 32. The number of outstanding shares, including shares owned by KONGSBERG, was 179,990,065 as of 31 December 2020.

Cash flow

KONGSBERG had a positive cash flow from operational activities of MNOK 2,808 (MNOK 1,883) in 2020. This mainly consists of EBITDA of MNOK 3,250, adjusted for changes in current assets and other operating items as well as EBITDA from divested operations.

In 2020, there was a positive cash flow related to investment activities of MNOK 2,392

MNOK		*KONGSBERG consolidated*[1]	*Kongsberg Defence & Aerospace*	*Kongsberg Maritime*[1]	*Other/ eliminations*
Operating revenues	2020	25 612	8 503	16 319	790
	2019	23 245	7 245	15 198	802
EBITDA[2]	2020	3 250	1 656	1 532	62
	2019	2 113	1 123	1 005	(16)
EBITDA margin[2]	2020	12.7%	19.5%	9.4%	7.8%
	2019	9.1%	15.5%	6.6%	(2.0%)
New orders	2020	28 818	11 891	15 925	1 002
	2019	31 413	16 060	14 427	926

1) Figures in the income statement, orderintake and order backlog for 2019 and 2018 are adjusted for discontinued operations. Comparable figures earlier years are not adjusted.

2) Profit share from joint ventures are no longer included in EBITDA and EBIT. Compareable figures are adjusted.

(negative MNOK 5,051). Out off this, the sale of the American subsidiary Hydroid Inc contributed MNOK 3,040. The largest outgoing cash flows related to investment activities are MNOK 506 related to the purchase/sale of property, plant and equipment, and MNOK 224 related to capitalised development. In 2019, cash flow from investment activities was affected by MNOK 4,464 related to the acquisition and sale of business, mainly settlement for Rolls-Royce Commercial Marine. Cash flow from financing activities was negative by MNOK 3,531 (MNOK 1,258), mainly related to dividends paid, debt repayments and interest expenses.

Net change in cash and cash equivalents, after the effect of exchange rate changes, was MNOK 1,766 (MNOK -4,384).

Capital structure

The most important priority for capital allocation for KONGSBERG is having a healthy balance through ensuring that net debt is on a par with EBITDA as a long-term mean, subject to the condition that net debt does not exceed twice the EBITDA. This ensures a balance between creditor and shareholder, and offers security for KONGSBERG's suppliers and customers. This is important because KONGSBERG is involved in deliveries which extend over many years.

The priorities as regards capital allocation also take into account the company's dividend policy and are explained in more detail in Note 5 in the annual report. As of 31 December 2020, KONGSBERG's ratio for net debt/ EBITDA was -1.22 (including IFRS 16 effects).

The Group's equity as of 31 December 2020 was MNOK 13,301, which represents 33.9 per cent of total assets. The Group's net interest-bearing debt (cash less interest-bearing debt) was MNOK -3,949. At the year-end, long-term interest-bearing debt mainly consisted of three long-term bonds totalling MNOK 1,950. In addition, the Group had two bonds, KOG08 of MNOK 1,000 maturing in June 2021 and KOG12 of MNOK 500 maturing in December 2021. As of 2020, the Group's revolving credit facility of MNOK 2,300 was unused.

KONGSBERG has historically experienced substantial fluctuations in working capital due to different payment structures for major projects in KDA. This situation is expected to continue.

KONGSBERG has a solid balance sheet and an order backlog of MNOK 35,947.

Foreign currency

The Group's financial policy stipulates that contracts over a certain size must be hedged upon establishment, and these are largely hedged using currency forward exchange contracts (fair value hedges). In special cases, the Group uses forward contracts as cash flow hedges, e.g. in the case of large tenders where there is a high probability of winning the contract. The Group uses hedge accounting for established forward contracts, which means that changes in the value of hedging instruments and objects are capitalised.

At the end of 2020, the balance of forward contracts related to fair value hedges was MNOK 17,904 measured at the agreed rates. These forward contracts had a net fair value of MNOK 629. In addition, the Group had net purchases of currency equivalent to MNOK 722 as cash flow hedges measured at agreed exchange rates, consisting of forward contracts. At the year-end, these forward contracts had a net positive fair value of MNOK 78.

OUTLOOK FOR 2021

KONGSBERG has a solid balance sheet and an order backlog of MNOK 35,947. The COVID-19 pandemic continues to affect the world, and there is still uncertainty in a number of the markets in which we operate. At the same time, we see a great degree of adaptability. The development in oil prices, combined with the transition to more sustainable solutions and energy sources, will affect investment levels in a number of segments. The development towards more sustainable solutions provides opportunities, KONGSBERG's focus is to ensure increased competitiveness, while also laying the foundations for sustainable and profitable growth. Growth will come through a combination of organic growth and acquisitions.

both in markets where we already have strong positions, but also in new markets where KONGSBERG technology will be part of the solution.

When the pandemic hit at the start of the year, all parts of the organisation had both their systems and their abilities tested. New working methods and solutions have been established, including the increased digitisation of day-to-day life. Throughout 2020, the company has demonstrated its adaptability, which is important when both the world in general and our markets in particular are unpredictable. The experience gained through the integration of acquired companies forms the basis for further efficiency improvements. This means that the company enters 2021 with ever-ambitious targets.

KDA has maintained operations at an almost normal level, but we are prepared for delays. For KM, large aspects of the market have been challenging for a long time, with a low level of vessel contracting in general. This trend is also expected to continue into 2021. At the same time, we are experiencing an increased willingness to invest in new sustainable vessel solutions and new segments such as offshore wind. KM also has a high exposure to markets that are not directly affected by the new contracting of vessels. This applies, among other things, to the area of Sensors & Robotics and the aftermarket, where KM supports more than 30,000 vessels. The company's global presence and digital solutions for remote services enable us to perform service assignments for our customers to a great extent despite the situation.

In recent years, Kongsberg Digital has made significant investments in the establishment of new digital products and services, and improved positions related to the digitisation of existing businesses. The agreement with Shell, signed in 2020, confirms our leading position in the market for dynamic digital twins. Investment levels at energy companies are lower, both due to the ongoing COVID-19 situation and uncertainty surrounding oil prices. However, there are great opportunities for solutions contributing to more efficient and sustainable operations. This may affect KDI's growth. The current situation shows the need for and strength of KONGSBERG's digital and remote controlled solutions.

Out of the solid order backlog, approximately NOK 17,900 is expected to be delivered in 2021. The majority of our order intake from the aftermarket, as well as order intake for associates and from framework agreements, is not part of the order backlog. In 2021, it is expected that the growth at KDA will contribute to continued growth for the Group as a whole. For KDI, some growth is expected, while KM expects an activity level approximately on a par with 2020.

FUTURE STRATEGY AND PRIORITIES IN 2021

KONGSBERG is a global technology company that supplies systems and solutions with extreme performance for extreme conditions. KONGSBERG's deliveries are of strategic importance for our customers and contribute to the satisfaction of important societal needs and development trends within sectors such as safety, energy, transport and climate. Our technology makes critical operations for sustainable future solutions possible.

KONGSBERG's focus is to ensure increased competitiveness, while also laying the foundations for sustainable and profitable growth. Growth will come through a combination of organic growth and acquisitions. Organic growth is based on development and expansion of existing products, services and market positions as well as developing or putting together new products for new markets. KONGSBERG is continually investing in product and system development and aims to maintain a leading position with regard to innovation and technology development within the Group's core areas.

KONGSBERG's strategy has been consistent throughout 2020, despite significant market changes during the COVID-19 pandemic. The company has stuck to its strategic priorities, ambitions and targets throughout the year, and the organisation showed great adaptability in the face of changing conditions and delivered good results in a year of great challenges.

KONGSBERG has world-leading products and systems for the international defence market. The main focus for KDA is to secure strategically important contracts and achieve growth in selected geographical areas, both through our own activities and in collaboration with partners. KONGSBERG is aiming to continue to be a strategic partner for Norway, to become a leading defence supplier in Northern Europe and to strengthen our position in the USA. Through strong alliances with partners in the U.S., KONGSBERG has made important breakthroughs with, among other things, missiles and air defence systems in the U.S. market and internationally. It is important to secure and develop these alliances further. KONGSBERG has a good and long-lasting cooperation with the Norwegian Armed Forces, which is important for continued international success.

KONGSBERG has leading positions in the marine market. KM has delivered on all its synergy targets relating to the integration with Rolls-Royce Commercial Marine in 2020, and the "value capture" programme announced when the company was acquired was completed two years earlier than originally planned. KM has delivered good results in a demanding maritime market and utilised its international sales and service apparatus

THE BUSINESS AREAS' PRIORITIES IN 2021

Kongsberg Defence & Aerospace

- Ensure good implementation of the major ongoing defence programmes.
- Take up a leading position as a defence supplier in Northern Europe.
- Further strengthen existing positions in the USA.
- Consolidate strategically important contracts.
- Further develop cooperation with Patria, and together with KAMS develop into a strong, international player within military maintenance.
- Expand our deliveries within aerospace operations (Space), for both the commercial and defence markets.
- Ensure international market opportunities and industrial co-operation related to Norwegian defence investments.
- Increased focus on efficiency measures.

Kongsberg Maritime

- Take advantage of our bridge-to-propeller portfolio and sales and service set-up to maintain our position as a leading supplier to the maritime industry.
- Continue work on harmonising our product portfolio.
- Continue with product innovation along with the development of revolutionary concepts in digitisation, autonomy and green shipping.
- Improve profitability with an increased focus on efficiency measures.

Kongsberg Digital

- Continue to invest in digitisation of the maritime market through "Vessel Insight".
- Ensure further development of KDI through order intake from priority areas such as "Dynamic Digital Twin".
- Contribute to innovation and digital transformation of the cloud-based platform "Kognifai" through collaboration with partners.
- Ensure that KDI has the necessary resources at its disposal to take up strong positions within priority sectors.

to exploit business opportunities for additional sales within our leading portfolio of integrated solutions and products from bridge to propeller. KM has identified important focus areas within green shipping and intelligent vessels, where our technologies are global leaders and contribute to more efficient and sustainable solutions for the maritime sector. KM also has a strong focus on efficiency measures to increase profitability and improve ESG indicators for the industry in the coming years.

KDI is well-positioned to become a key player within the digital transformation. In 2020, KDI improved its market positions and entered into important agreements such as the framework agreement with Shell for Kognitwin. KDI has also increased its Vessel Insight customer base with strategic partner agreements with MAN and ABB Turbocharger, and completed the successful acquisition of Coach Solutions. Despite a generally challenging market in maritime simulation, KDI has seen positive developments in innovative digital products for distance learning.

An important area of focus for KONGSBERG in the future is to ensure that KDI has the necessary resources and capacity to further scale up and improve positions within these key sectors.

KONGSBERG SHARES AND SHAREHOLDERS

KONGSBERG shall provide the equity market with relevant, comprehensive information as the basis for a balanced, correct valuation of the shares. The Group emphasises maintaining an open dialogue with the equity market and media.

By the end of 2020, the price of KONGSBERG shares had gone up from NOK 138.00 at the end of 2019 to NOK 176.20. This gives a market value at the end of 2020 of MNOK 31,714. Including a dividend of NOK 12.50 per share, the return in 2020 amounted to 36.7 per cent. The benchmark index on the Oslo Stock Exchange (OSEBX) rose by 1.8 per cent during the same period. As of 31 December 2020, KONGSBERG had 14,683 shareholders (12,680). The Group had 916 (895) foreign shareholders, who collectively owned 17.76 per cent (19.78 per cent) of the shares. The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, is the largest shareholder with 50.004 per cent of the shares. At the end of the year, the 10 largest shareholders held a total of 71.99 per cent (70.79) of the shares. The number of shares outstanding is 179.99 million, each with a nominal value of NOK 1.25. By the end of 2020, KONGSBERG held a total of 191,387 (16,779) treasury shares. Of these, 188,015 shares were related to a buy-back programme of up to MNOK 200, half of which were repurchased in the market. The remaining shares, up to MNOK 100, will be purchased from the State from the Ministry of Trade, Industry and Fisheries, in accordance with an agreement between KONGSBERG and the Ministry. The shares were repurchased under the authorisation given to the Board by KONGSBERG's annual general meeting on 14 May 2020. KONGSBERG will ask the Annual General Meeting in 2021 for approval to cancellation shares repurchased under this programme.

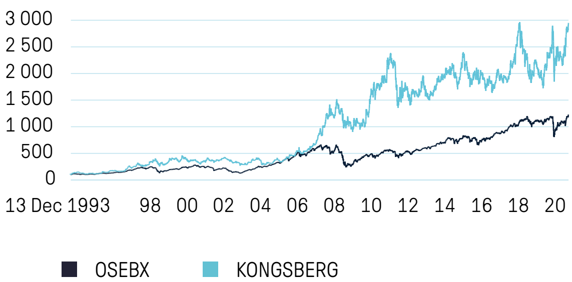
KONGSBERG has paid dividends to its shareholders every year since the company was listed in 1993, except for in 2000 and 2001. The company's dividend policy was changed in 2020. The new dividend policy reads: "KONGSBERG's aim is to pay an ordinary dividend per share that is stable or growing from one year to the next.

Share price development in 2020

NOK (Indexed at NOK 100 per 1 January 2020)

Share price development since listing on the Oslo Stock Exchange

NOK (Indexed at NOK 100 – 31 December 1993)



The effects of the pandemic have affected business areas to varying degrees. KM has seen a more uncertain market and reduced activity in a number of areas, while KDA has been less affected.
In particular, KDI has seen a decline in the area of Maritime Simulation.

Additional dividends and/or repurchases of own shares can be used to supplement ordinary dividends. All payments to shareholders will be subject to the company's assessment of future capital requirements."

In 2020, a total of 66.4 million (30.3 million) KONGSBERG shares were traded in 185,702 (146,762) 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. In 2020, this activity was largely digital. The goal for 2021 is to maintain the high activity against the investor market. Investor presentations are held in connection with each quarterly report.

The Board believes that employee share ownership is positive. Employees can buy shares in the company through the annual share programme. During the spring of 2020, the Group's annual share programme for employees was carried out for the 24th time. Shares were sold to employees with a 20 per cent discount on the market price.

In 2020, employees were offered shares for up to NOK 29,764 after discount. A total of 1,021,326 (875,151) shares were sold at a price of NOK 106.30 (20 per cent discount on the market price). 3,982 (3,225) employees took advantage of the offer.

RISK FACTORS AND RISK MANAGEMENT

KONGSBERG is exposed to various forms of risk, which the Board monitors by considering individual matters and reporting risk to the Board. The Board 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 considered by the Board. The administration conducts risk analyses in connection with major investments and customer contacts, strategic initiatives and acquisitions and sales of activity. The Audit Committee is a preparatory body for the Board, dealing with the financial statements and relevant assessment issues, compliance issues, and the evaluation of internal control 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 within the maritime and defence markets. Market risk could therefore vary somewhat within these different segments. A strong international presence and global dependency mean the Group is vulnerable to factors which impact on international trade, currency and the global economy generally.

The COVID-19 outbreak brings great uncertainty for the entire value chain going forward, given travel restrictions, quarantine regulations and other infection control considerations. The effects of the pandemic have affected business areas to varying extent. KM has seen a more uncertain market and reduced activity in a number of areas, while KDA has been less affected. In particular, KDI has seen a decline in the area of Maritime Simulation. There is a more detailed description of this in the sections on the business areas above. As long as the pandemic is ongoing, we must expect continued uncertainty in some markets, and that a resurgence of infection could adversely affect activity levels. A major outbreak at KONGSBERG could also lead to periods of lower activity and delays in deliveries to customers. The Group has implemented and will continue to implement new preventive measures in accordance with the relevant authorities' applicable guidelines. This is to protect our own employees and business connections and, as far as possible, ensure normal operations.

At KDI, the Maritime Simulation area in particular has been affected due to a drop in demand in the market. This is expected to last as long as the pandemic continues.

When preparing the annual accounts, assessments have been made in relation to possible

COVID-19 impacts on the accounting items. Lower activity among customers and suppliers, travel restrictions and an increased risk of delays to projects as a result of temporary closures and a lack of inputs are expected to affect sales, profits and order intake. In addition, there is a greater risk of the cancellation of customer contracts and late or non-payments as a result of large parts of the customer base being affected, which could lead to the increased risk of losses on accounts receivable, goods, project assets and currency futures. In 2020, the Group has had only limited losses and write-downs.

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. Investment levels can also vary between the various geographical areas depending on, for example, oil reserves and the level of exploration and production activities. Despite strong development in individual segments such as LNG, there has generally been a negative trend in the oil and gas and offshore markets in recent years. A persistently sluggish environment, in which markets that have been strong over the past year are also being affected, will increase the Group's risk and may impact on its activity levels. The uncertainty surrounding future developments in oil prices affects investment levels in several segments, while at the same time providing opportunities in other segments where KONGSBERG's technology can make a difference. Throughout 2020, there has also been a further increase in the focus on sustainability. This affects investors and lenders in their assessments and could further affect KONGSBERG and our customers' and suppliers' activities and priorities in the future.

The merchant marine market includes all types of vessels from 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 with the expected development in transport demand. Global economy development influences the demand for water transport of people, energy, raw materials and manufactured products. The type of ship and geographical areas also influence the market. Within a number of segments, the market for new-build vessels is at a low level compared with previous years, and there is considerable uncertainty linked to further development in the short- to mid-term.

Lower shipbuilding activity has led to increased competition. More challenging oil and gas fields, increased sustainability requirements and significant focus on costs in the industry in general create new opportunities in the market, which in turn creates the need for new technological solutions. Through the acquisition and integration of RRCM, the Group has expanded KM's delivery scope, thus reducing the risk of marginalisation and strengthened its market position.

The acquisition of RRCM in 2019 was a significant transaction for the Group, and it has been crucial to integrate the business into KM successfully and quickly. KONGSBERG has achieved this and we are ahead of schedule as regards the integration and restructuring of the company. In the opinion of the Board, the risks arising from the acquisition have been well-managed.

Products and systems are delivered for land-, air- 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 home country. There is a significant degree of protectionism in Europe and the U.S. as well as for the defence market in general. However, there are still opportunities through long-term relationships and niche products, and this is partially safeguarded through KONGSBERG's relationships with a number of major foreign defence companies.

KONGSBERGs business is mainly towards markets that to a large degree is influenced by technological developments, ones that may affect KONGSBERG's leading position with regards to technology. Every year, the Group invests significant funds in developing new and existing products to win new business and maintain our market position. Cyclical fluctuations will also influence the markets to various degrees and at different points in time. Export control regulations and sanctions may result in uncertainty about market opportunities. In 2020, we have seen an increased attention on the restriction of exports of technology products through export control regulations, and combined with the ongoing trade war between the U.S. and China, the risk linked to restrictions on market access and sanctions is somewhat higher than before.

KONGSBERG delivers systems and solutions of high technological complexity, and the deliveries are typically organised as projects. Effective project management is therefore a key success factor in reducing operating risk. KONGSBERG has established project management goals based on internal and external "best practices", and project managers attend training programmes. The projects' revenues are largely based on contracts, and the uncertainty is largely related to estimating the remaining costs and determining the percentage of completion, but also counterparty risk and warranty obligations. The Group has established principles for categorising projects in terms of technological complexity and development content. This forms the basis for an assessment of implementation risk and recognition of revenue in the projects.

KONGSBERG is exposed to financial uncertainty through currency risk, interest risk, credit risk and liquidity risk. The aim is to reduce financial risk and through this, improve predictability within the Group. KONGSBERG's financial risk is managed centrally by guidelines for financial risk management adopted by the Board and included in the Group's financial policy. The Group's financial risk management is described in Note 5 to the financial statements, "Management of capital and financial risks". The Group has a diversified customer base, mainly comprising public sector institutions and larger private companies in numerous countries. Historically, the Group has had low losses on receivables. Measures to limit the risk exposure are implemented continuously where the administration deems it necessary. The Group's liquidity risk is managed centrally through the refinancing of loans and available capital, as well as the use of liquidity prognoses.

With a high proportion of net income in currencies other than Norwegian kroner, KONGSBERG is exposed to fluctuations in the foreign exchange markets. We seek to reduce currency risk through the exercise of the Group's financial policy, which states that contracts above a certain size must be hedged upon signing. These are mainly hedged using forward contracts (fair value hedges). In special cases, the Group uses forward contracts as cash flow hedges, e.g. in the case of large tenders where there is a high probability of winning the contract.

KONGSBERG has recognised substantial book values in the balance sheet which are justified by future cash flows. Any reduction in cash flows may affect the value of the assets. In 2016, KONGSBERG purchased 49.9 per cent of the shares in the Finnish company Patria, which had a book value of MNOK 2,841 as of 31 December 2020. Patria's results were poor in the periods after the acquisition, but showed a clear improvement in 2020. A persistent deterioration in Patria's results could mean that it will be challenging to defend the book values. Deferred tax benefits have also been reported based on tax losses dependent on future tax earnings in order to be utilised.

KONGSBERG has for several years established and developed its compliance functions. Regulations, as well as monitoring and reporting systems, are established for managing risks related to areas such as anti-corruption, export controls and sanctions, supply chains and whistle-blowing. Training within the area of ethics and compliance is carried out in the entire organisation, both in Norway and abroad.

We conduct periodic evaluations of our compliance and anti-corruption programme. A new external evaluation of KONGSBERG's anti-corruption programme was carried out in 2020. The evaluation confirmed that the programme complies with national and international laws and expectations. The Board considers KONGSBERG's compliance programme to be at a very good level.

As a high-tech company, KONGSBERG is constantly exposed to threats associated with data security and is under constant pressure from different external players. In essence, it is at risk of data virus attacks, attempts at hacking, social engineering and phishing scams. Executive management prioritises and focuses on monitoring and other measures to prevent being compromised. To be as well equipped as possible against this type of threat, KONGSBERG has established the Kongsberg Cyber Security Center, and works closely with the National Security Authority and a number of leading competence environments. This, together with providing employees with information and training, helps to ensure that the Group continuously improves its ability to withstand these threats.

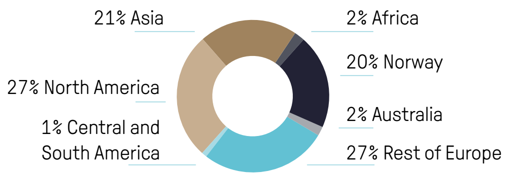
TECHNOLOGY, RESEARCH AND DEVELOPMENT

A significant portion of KONGSBERG's deliveries consist of developing high-tech solutions for domestic and international markets. KONGSBERG's technology platform has been systematically built up over many years and is an important factor for our competitiveness. There is significant technology transfer between the different parts of the Group. Future-proof technological expertise within digitalisation is being built up in KDI. We are also working with our main technology partners to further develop our technology platform. KONGSBERG continuously invests in product and system development, both internally financed and through customer-funded programmes. In total, the Group spends about ten per cent of operating revenues on product development.

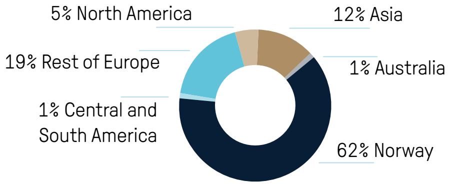
SUSTAINABILITY AND ESG

KONGSBERG shall represent sustainable development characterised by a sound balance between economic performance, value creation and environmental, social and governance (ESG) aspects. Sustainability and ESG are integrated into the Group's strategy processes. Sustainable technological innovation is a central element in contributing towards solving the major global challenges the world faces. For KONGSBERG, this means business opportunities in several markets viewed in the light of our broad technological and skills platform. We are conscious of the risk associated with our *licence to operate*, both in terms of compliance with laws and regulations, as well as development in terms of resource scarcity, world turmoil, developments in global megatrends and similar. KONGSBERG has, and will continue to have, a great focus on anti-corruption and corporate social responsibility in its supplier network, as well as on the follow-up of human and workers' rights, both in our own organisation and with our business partners. Reference is made to the chapter in the annual report on corporate responsibility for a more detailed description of the Group's corporate social responsibility efforts.

Geographical distribution of revenues



Geographical distribution of employees



Climate and environment

The climate and environmental statement provides an overview of KONGSBERG's consumption of energy, CO_2 emissions and waste processing. The Group's 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 is central to our business strategy.

A detailed overview of the climate and environmental statement for 2020 can be found in the Group's 2020 sustainability report (see the chapter on climate), pages 86–95.

The Group has had a target of reducing annual CO_2 greenhouse gas emissions by 20 per cent relative to turnover by the end of 2020, with the baseline in figures as of 31 December 2015. During these five years, the company has undergone major changes and seen strong growth, both organically and through acquisitions. In 2020, the business was affected by the COVID-19 pandemic, which led to a reduction in travel in particular, while managing to increase our turnover. The target of reduction measured in relation to turnover was achieved by the end of 2020, while the conditions described above have had a major impact on climate effects, making comparisons difficult.

We will implement a new climate strategy with effect from 2021 to 2030, with the aim of being in line with Norway's climate plan and the EU's objectives.

No serious incidents related to environmental pollution were reported in 2020.

We will implement a new climate strategy with effect from 2021 to 2030, with the aim of being in line with Norway's climate plan and the EU's objectives.

Health, safety and the environment

The Board believes that health, safety and environment must be managed in a way that promotes job satisfaction and a sound working environment. Health, safety and the environment is important for KONGSBERG and is part of our *licence to operate*. One basic principle is that HSE work should be preventive, and the importance of this was reinforced during the COVID-19 pandemic.

Work has been ongoing throughout the pandemic to protect lives and health in the Group. The central crisis team and the crisis teams in the business areas have worked closely together, with a tightly knit team of around 20 dedicated employees working on analyses, risk assessments and preventive measures. The main focus has been on creating the right conditions to ensure appropriate operations in the Group. The crisis team has continually prepared status reports and recommendations for the Corporate Executive Management.

The Board is closely monitoring the work by reviewing HSE reports quarterly.

A global HSE campaign was rolled out in 2020 to strengthen the focus on mental health and well-being via the year's "Global HSE day". During the year, various training initiatives and campaigns were carried out which, based on risk analyses and incidents that have occurred, are helping to prevent further incidents and promote a strong HSE culture. Extensive use of homeworking has meant various digital learning platforms have been used to provide training at times when attending the workplace in person has not been possible. The number of occupational incidents with and without absence ("TRI") dropped from 2.3 in 2019 to 1.67 in 2020. The number of registered incidents which resulted in absence decreased from 30 in 2019 to 26 in 2020. Total sick leave in the Group increased from 2.6 per cent in 2019 to 2.9 per cent in 2020. For companies in Norway, sickness absence is 3.2 per cent, compared with 3.1 per cent in 2019. The COVID-19 pandemic has had some effect on sick leave. This applies especially to situations where employees have been required to be quarantined without access to their own work tasks. There is systematic follow-up of employees on sick leave, with particular focus on getting long-term absentees back to work. Further details about key sustainability figures for HSE can be found in the Group's report on sustainability, page 51.

All employees in Norway have access to company health services. This varies in accordance with local practices and legislation in our foreign business activities. At the end of 2020, 38 per cent of KONGSBERG's employees were based outside Norway. This requires additional attention and insight with respect to HSE issues in the countries in which we operate.

The integration of the new companies within the Group has also been afforded considerable attention. Through the exchange of experience, good, shared knowledge has been established concerning the various HSE risk areas of the entities concerned.

Personnel and organisation

Number of employees	*31.12.20*	*31.12.19*
Kongsberg Defence & Aerospace	3 189	2 917
Kongsberg Maritime	6 815	7 212
Other	685	664
Total in the Group	**10 689**	**10 793**
Proportion outside Norway	38%	40%

KONGSBERG has a unique and strong corporate culture that has been developed over many years. We have welcomed many new colleagues across the world in recent years. We are entering new markets and facing stronger competition. One of our most important resources in such a situation is the strength that lies in our clear group identity, our vision and our values. Therefore, we launched a process to revitalise our values at the company's annual strategy meeting in January 2020.

Individuals and teams who comply with our values and demonstrate good behaviour are to be appreciated. This culture will help us to attract people with the right skills and behaviour to address the technical challenges of tomorrow in a sustainable manner.

The value of collaboration is fundamental to our business. The "Collaboration Award" is an award given to recognise groups and projects where collaboration has been crucial to successful results. In 2020, the prize was awarded for the third time, and the winner was the Counter Unmanned Aerial System (C-UAS) project. The project is a collaboration between Kongsberg Defence & Aerospace, Kongsberg Seatex and the Norwegian Defence Research Establishment. The parties developed a solution with significant market potential in both military and civilian domains. The collaboration between the parties has been outstanding on all levels, with open dialogue and exchange of information on agreements, business plans, roadmaps and technology.

Leadership in KONGSBERG is about creating value and achieving results through people. The key to success lies in the combination of good management and dedicated employees. Managers shall exercise their leadership based on our values, the Corporate Code of Ethics and management principles. Our managers must create an environment in which our employees will prosper and succeed in meeting the strategic priorities of customer satisfaction, innovation and operational excellence. On the basis of this, we have implemented a management development programme, Leadership@KONGSBERG, that will contribute to clarifying and quality-assuring processes for goal-setting, follow-up and evaluation. In 2020, a high proportion of our employees worked from home due to COVID-19, and we have therefore prioritised the close follow-up of employees and clear leadership.

An important condition for long-term success is that KONGSBERG properly manages employee competencies. 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 places emphasis on strengthening competences and is continuously working to develop its employees. 55 per cent of KONGSBERG's employees have college or university level education.

The Group educates skilled workers within several disciplines in cooperation with the education company Kongsberg Technology Training Centre AS, partly owned by KONGSBERG. For the "Collaboration Award", 30 candidates were proposed that were good examples of the exchange of skills across the Board. Another example in addition to the aforementioned C-UAS is the marine vessel concept Vanguard, where marine systems from KDA are combined with vessel systems from KM. During 2020, there were 154 apprentices in total. In addition, the company facilitates and stimulates employees to acquire apprenticeship completion certificates as private candidates, known as practice candidates.

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

Diversity

Diversity and gender equality add value and increased competitiveness. They expand the mindset and have a positive influence on the company's strategy and management. This is why we work systematically and purposefully to recruit and develop people of different ethnic backgrounds, age and gender.

A total of 2,153 (20.1 per cent) of employees are women, and two of five shareholder-elected directors on the Board are women. As of 31 December 2020, there were two women on the corporate management team. The company considers it important to promote gender equality and prevent discrimination in conflict with the Gender Equality Act. Long- and short-term goals have been established to help increase the percentage of women in the Group, both in terms of employment and in terms of management positions. As far as is possible, KONGSBERG tries to adapt working conditions so that individuals with diminished functional abilities can work for the Group. The Board Compensation Committee has a particular responsibility for follow-up on diversity. In the opinion of the Board, the Group complies with current regulations.

See page 64-70 in this report for a closer description of the company's work with regards to diversity.

Corporate governance

KONGSBERG's objective is to secure and increase stakeholder value through profitable and growth-oriented industrial development with a long-term, sustainable and international perspective. Good corporate governance and corporate management shall reduce business-related risk, while the company's resources shall be utilised in an effective and sustainable manner. Values created should benefit shareholders, employees, customers and society in general. The Board 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" (NUES).

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 in chapter 4 of the annual report is based on the latest revised version of the Norwegian Code of Practice for Corporate Governance of 17 October 2018.

REMUNERATION TO EXECUTIVE MANAGEMENT

The Board has a separate Compensation Committee which deals with all significant matters related to remuneration for Executive Management before the formal discussion and decision by the Board. In line with the Norwegian Companies Act, the Board has also prepared a statement on the remuneration of the Group CEO and Executive Management included in Note 29 to the consolidated financial statements.

PROFIT FOR THE YEAR AND ALLOCATION

The parent company Kongsberg Gruppen ASA made a net profit of MNOK 3,156 in 2020. The Board proposes the following allocation of profit for the year in Kongsberg Gruppen ASA:

Dividend	MNOK	1 440
From equity	MNOK	1 716
Total available	MNOK	3 156

The proposed dividend amounts to 49 per cent of the Group's ordinary annual profits and 97 per cent of profits from continuing operations after tax.

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, 16 March 2021

Eivind Reiten
Chairman

Per A. Sørlie
Director

Martha Kold Bakkevig
Director

Morten Henriksen
Director

Anne-Grete Strøm-Erichsen
Deputy chairman

Sigmund Ivar Bakke
Director

Elisabeth Fossan
Director

Helge Lintvedt
Director

Geir Håøy
President and CEO

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Consolidated statement of income

KONGSBERG (GROUP)

MNOK	*Note*	*2020*	*2019*
Operating revenues	8, 9	25 612	23 245
Total revenues		**25 612**	**23 245**
Material cost	11	(8 850)	(8 609)
Personnel expenses	12, 13	(9 510)	(8 591)
Other operating expenses	31	(4 001)	(3 932)
Earnings before interest tax depreciation and amortisation (EBITDA)	8, 34	**3 250**	**2 113**
Depreciation	8, 14	(481)	(427)
Depreciation, leasing assets	15	(411)	(348)
Impairment of property, plant and equipment	8, 14	(52)	(18)
Amortisation	8, 16	(339)	(290)
Impairment of intangible assets	8, 16	(60)	-
Earnings before interest and taxes (EBIT)	8, 34	**1 905**	**1 029**
Share of net income from joint arrangements and associated companies	10	186	21
Financial income	18	103	138
Financial expenses	18	(196)	(224)
Interest on leasing liabilities	18, 15	(142)	(131)
Earnings before tax from continuing operations (EBT)		**1 855**	**833**
Income tax expense	19	(374)	(237)
Earnings after tax from continuing operations		**1 481**	**596**
Earnings after tax from discontinued operations	6	1 451	121
Earnings after tax (EAT)		**2 932**	**717**
Attributable to			
Equity holders of the parent		2 891	701
Non-controlling interests		41	17
Earnings per share (EPS) / EPS diluted in NOK			
- Earnings per share from continuing operations	20	8.01	3.22
- Earnings per share from continuing operations, diluted	20	8.01	3.22
- Earnings per share	20	16.08	3.89
- Earnings per share, diluted in NOK	20	16.08	3.89

The consolidated statement of income for 2019 is adjusted for discontinued operations. In addition a reclassification between material cost, personnel expenses and other operating expenses is made on the 2019 figures.

Consolidated statement of comprehensive income

KONGSBERG (GROUP)

MNOK	*Note*	*2020*	*2019*
Earnings after tax		**2 932**	**717**
Specification of other comprehensive income for the period			
Items to be reclassified to profit or loss in subsequent periods			
Change in fair value, financial instruments:			
- Cash flow hedges, currency	23 C	(19)	(159)
- Interest rate swap /basis swap	23 C	(99)	42
Tax effect cash flow hedges (Currency futures and interest rate swaps)	19	26	26
Translation differences currency		76	108
Total items to be reclassified to profit or loss in subsequent periods		**(16)**	**17**
Items not to be reclassified to profit or loss			
Actuarial gains/losses pensions	13	(167)	(112)
Tax effect on actuarial gain/loss on pensions	19	37	15
Total items not to be reclassified to profit or loss		**(131)**	**(97)**
Other comprehensive income for the period		**(147)**	**(80)**
Comprehensive income after tax for the period		2 785	637
Attributable to			
Equity holder of the parent		2 776	620
Non-controlling interests		9	17

Consolidated statement of financial position as of 31 December

KONGSBERG (GROUP)

MNOK	*Note*	*2020*	*2019*
Assets			
Non-current assets			
Property, plant and equipment	14	3 665	3 924
Leasing assets	15	1 965	2 141
Goodwill	16, 17	3 143	4 272
Other intangible assets	16	2 053	2 215
Deferred tax asset	19	306	167
Shares in joint arrangements and associated companies	10	3 465	3 247
Other non-current assets	21	209	213
Total non-current assets		**14 808**	**16 179**
Current assets			
Inventories	11	4 132	3 964
Trade receivables	22	5 542	6 363
Customer contracts, asset	9	5 784	5 888
Derivatives	23 A	964	376
Other short-term receivables	22	580	598
Cash and cash equivalents	24	7 420	5 654
Total current assets		**24 422**	**22 843**
Total assets		**39 230**	**39 022**
Equity, liabilities and provisions			
Equity			
Issued capital		5 933	5 933
Retained earnings		6 754	6 249
Other reserves		559	571
Equity attributable to owners of the parent		**13 246**	**12 753**
Non-controlling interests		55	57
Total equity	25	**13 301**	**12 810**
Non-current liabilities and provisions			
Long-term interest-bearing loans	23 D	1 971	3 469
Long-term leasing liabilities	15	1 753	1 850
Pension liabilities	13	1 137	974
Provisions	26	117	122
Deferred tax liability	19	1 194	1 350
Other non-current liabilities		61	36
Total non-current liabilities and provisions		**6 233**	**7 801**
Current liabilities and provisions			
Customer contracts, liabilities	9	11 217	10 481
Derivatives	23 A	546	493
Provisions	26	1 608	1 513
Short-term interest-bearing loans	23 D	1 500	620
Short-term leasing liabilities	15	339	348
Other current liabilities	27	4 486	4 956
Total current liabilities and provisions		**19 696**	**18 411**
Total liabilities and provisions		**25 929**	**26 212**
Total equity, liabilities and provisions		**39 230**	**39 022**

A reclassification is made in the consolidated statement of financial position as of 31 December 2019 between other short-term receivables and other current liabilities.

Kongsberg,
16 March 2021

Eivind Reiten
Chairman

Per A. Sørlie
Director

Martha Kold Bakkevig
Director

Morten Henriksen
Director

Anne-Grete Strøm-Erichsen
Deputy chair

Sigmund Ivar Bakke
Director

Elisabeth Fossan
Director

Helge Lintvedt
Director

Geir Håøy
Chief Executive Officer

Consolidated statement of changes in equity

KONGSBERG (GROUP)

		Equity holders of parent						Non-controlling interests	Total equity
		Issued capital		Other reserves		Retained earnings	Total		
MNOK	*Note*	*Share capital*	*Other issued capital*	*Hedging reserve*	*Translation difference*				
Equity as of 1 January 2019		225	5 708	(75)	629	6 119	12 606	20	12 626
Earnings after tax						700	700	17	717
Other comprehensive income				(91)	108	(97)	(80)		(80)
Transactions with treasury shares related to employee share programme						(3)	(3)		(3)
Dividend paid	25					(450)	(450)		(450)
Purchase/sale, non-controlling interests						(20)	(20)	20	-
Equity as of 31 December 2019		225	5 708	(166)	737	6 249	12 753	57	12 810
Equity as of 1 January 2020		225	5 708	(166)	737	6 249	12 753	57	12 810
Earnings after tax		-	-	-		2 890	2 890	41	2 932
Other comprehensive income		-	-	(92)	80	(103)	(115)	(33)	(147)
Transactions with treasury shares related to employee share programme		-	-	-		(15)	(15)		(15)
Dividend paid	25	-	-	-		(450)	(450)		(450)
Additional dividend paid		-	-	-		(1 800)	(1 800)		(1 800)
Share buy-back related to share buy-back programme		-	-	-		(29)	(29)		(29)
Purchase/sale, non-controlling interests		-	-	-		11	11	(11)	-
Equity as of 31 December 2020		225	5 708	(258)	817	6 754	13 246	55	13 301

Consolidated statement of cash flow

KONGSBERG (GROUP)

MNOK	*Note*	*2020*	*2019*
Earning after tax		**2 932**	**717**
Depreciation/impairment of property, plant and equipment	14	533	458
Depreciation, leasing assets	15	411	348
Amortisation/Impairment of intangible assets	16	400	290
Share of net income from joint ventures and associated companies	10	(186)	(21)
Net finance items	18	235	216
Income taxes	19	374	250
Gains from sale of business before tax	6	(1 431)	-
Earnings after tax from discontinued operations	6	(20)	-
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**3 250**	**2 258**
Earnings before interest, taxes, depreciation and amortisation (EBITDA) from discontinued operations		**40**	**-**
Adjusted for			
Change in customer contracts, assets		(553)	(1 100)
Change in customer contracts, liabilities		1 199	4 807
Change in other current liabilities		(1 422)	(732)
Changes in inventories		(276)	(140)
Changes in trade receivables		623	(2 466)
Changes in other current receivables		301	(546)
Changes in provisions and other accruals		(189)	(39)
Income tax paid	19	(165)	(159)
Change in net current assets and other operations-related items		**(482)**	**(375)**
Net cash flows from operating activities		**2 808**	**1 883**
Cash from investing activities			
Dividends from joint ventures and associated companies	10	130	123
Proceeds from sale of property, plant and equipment	14	29	10
Purchase of property, plant and equipment	14	(535)	(544)
Capitalised internal developed intangible assets (R&D)	16	(224)	(176)
Proceeds from aquiring subsidiaries and associated companies	7	(59)	(3 625)
Repayment of debt in aqcuired business			(1 000)
Proceeds from sale of business	19, 6	3 051	161
Net cash flow from investing activities		**2 392**	**(5 051)**
Cash flow from financing activities			
Repayment of interest-bearing loans	23 D	(617)	(238)
Payment of principal portion of lease liabilities	15	(342)	(292)
Interest paid		(102)	(122)
Interest paid on leasing liabilities	15	(142)	(131)
Transactions with treasury shares		(51)	(27)
Share buy-back related to share buy-back programme		(29)	-
Dividends paid to equity holders of the parent	25	(450)	(450)
- of which dividends from treasury shares		2	2
Additional dividend		(1 800)	
Net cash flow from financing activities		**(3 531)**	**(1 258)**
Total cash flow		1 669	(4 426)
Effect of changes in exchange rates on cash and cash equivalents		**97**	**42**
Net change in cash and cash equivalents		**1 766**	**(4 384)**
Cash and cash equivalents at the beginning of the period		**5 654**	**10 038**
Cash and cash equivalents at the end of the period	24	**7 420**	**5 654**

Notes

KONGSBERG (GROUP)

1 GENERAL INFORMATION

Kongsberg Gruppen ASA is a public limited company headquartered in Kongsberg, Norway. The company's shares are traded on the Oslo Stock Exchange. The Board approved KONGSBERG's consolidated financial statements for the accounting year 2020 at its meeting on 16 March 2021. The consolidated financial statements for 2020 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 arrangements.

2 BASIS FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are presented in Norwegian kroner (NOK), and all figures have been rounded to the nearest million, except when otherwise indicated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and related interpretations, as well as the Norwegian disclosure requirements according to the Accounting Act applicable. The consolidated financial statements have been prepared on a historical cost basis except for the following assets and liabilities:

- Financial derivatives (forward exchange contracts, currency options and interest swap agreements), measured at fair value
- Certain financial 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. Situations can arise which alter the estimates and assumptions, which will affect the company's assets, liabilities, revenues and expenses. The estimates are reviewed on an ongoing basis and are recognised in the period in which they occur. In the preparation of the consolidated financial statements, management has made some significant judgements relating to the application of accounting policies.

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

- Note 9 "Revenue recognition customer contracts"
- Note 13 "Pensions"
- Note 15 "Leases"
- Note 16 "Intangible assets"
- Note 17 "Impairment testing of goodwill"
- Note 19 "Income tax"
- Note 22 "Receivables and credit risk"
- Note 23 "Financial Instruments"
- Note 26 "Provisions"

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 influence on the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

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. Added value that cannot be allocated to identified assets is recognised as goodwill. When new subsidiaries are acquired, the results, assets and liabilities are recognised in the consolidated accounts from 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 terms include approval of the Board, the General Meeting or approval from 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.

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 considerations are recognised in profit or loss. Transaction costs related to business combination are expensed as they accrue.

Subsidiaries disposed of during the year are included in the consolidated financial statement until the date on which the control ceases. Ordinarily, control will cease when all terms in the agreement are satisfied. A lack of satisfaction will result in the cancellation of the agreement. Operations disposed of during the period and which constitute independent business segments are presented as discontinued operations on a separate line on the income statement for the entire financial year and in the comparative figures.

Companies that constitute the Group are listed in Note 32 "List of Group Companies".

Joint arrangements
According to IFRS 11 investments in joint arrangements should be classified as either joint operational arrangements or joint ventures, depending on the contractual rights and obligations of each investor. KONGSBERG has assessed its joint arrangements and concluded that they are joint ventures. Joint ventures are entered in the accounts using the equity method.

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 statement includes 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 where the Group has an obligation to cover the losses.

Elimination of transactions
All purchases, sales, balances and unrealised gains arising through transactions between Group companies, associated companies and joint arrangements are eliminated upon consolidation. 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. When enterprises are acquired and there are non-controlling interests, goodwill mainly is limited to KONGSBERG's proportionate share. 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 Norwegian kroner (NOK), 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 their functional currency. Foreign currency transactions are measured in the functional currency on the date of the transaction. Customer contracts in currencies different from the functional are hedged and recognised on the basis of the hedged exchange rate. Any unhedged receivables and other liabilities in non-functional currencies are translated at the exchange rates at the balance sheet date, and currency differences are recognised in the income statement. Differences that arise at the translation of cash flow hedges, meeting the criteria for hedge accounting, are recognised as changes in fair value on cash flow hedges in the statement of other comprehensive income (OCI). The effect is reflected in the annual result upon realisation of the cash flow hedges. See also 3 J "Financial instruments".

Gains and losses related to foreign exchange items in the normal operating cycle are included in the operating profit before depreciation and amortisation. Other gains and losses related to items in non-functional currencies are classified as financial income or financial costs.

Translation of foreign subsidiaries
Assets and liabilities in foreign subsidiaries applying functional currencies other than Norwegian kroner are generally translated into NOK at the exchange rates at the balance sheet date. Revenues and expenses are translated into NOK at the average exchange rates on a

monthly basis. Translation differences are recognised in other comprehensive income. When a foreign subsidiary is disposed of with the result that KONGSBERG no longer has control, the accumulated translation differences are recognised in the income statement and at the same time reversed in other comprehensive income.

C) Revenue recognition of customer contracts

Revenue recognition of customer contracts consists of five steps that must be assessed to determine the correct revenue recognition of customer contracts.

Step 1: Identifying customer contracts
Step 2: Identifying separate performance obligations
Step 3: Determining the transaction price
Step 4: Allocating the transaction price
Step 5: Recognition when the performance obligation is fulfilled

Step 1: Identifying customer contracts
The first step in the evaluation model specifies main criteria for the existence of a customer contract. The contract must have commercial substance, and key terms of delivery must be agreed between the parties (the parties' rights and obligations, terms of payment etc.). It must also be probable that KONGSBERG will receive settlement for the delivery. In principle, a customer contract does not have to be in writing, but KONGSBERG has established this as a requirement.

Step 2: Identifying separate performance obligations
The accounting standard also requires that an assessment must be made for all goods and services that the seller is committed to by the contract, in relation to those that are processed as separate performance obligations or reported together in connection with revenue recognition. The assessments consider whether or not goods and services in the agreement are suitable for separate delivery, and whether or not the contract gives the customer a stand-alone value for individual goods and services. The latter is assessed on the basis of specific contractual conditions. A series of more or less identical deliveries in the same contract is considered as a single performance obligation.

Examples of contracts that are normally divided into parts are various products in a single contract that are used by the customer independently of one another, goods with service agreements, licences and services. Certain areas in KONGSBERG use the latter type of contract. This does not represent a significant proportion of KONGSBERG's turnover.

Kongsberg Maritime (KM) supplies integrated solutions within a single contract where the deliverable consists of a number of KM's products that must function together and be approved collectively upon handover to the customer. Through the acquisition of CM, KM also has a significant proportion of equipment deliveries. The equipment deliveries are independent and are treated as separate performance obligations.

Kongsberg Defence & Aerospace (KDA)'s deliveries are often development projects, where the end project consists of many components and sub-systems integrated into a single system. The contracts therefore typically consist of a single performance obligation, which is the integrated system approved by the customer through final testing.

KDA also has a series of identical deliveries that are covered by a single contract. These are treated as a single performance obligation.

Both KM and KDA supply equipment and services to the after-market. These deliveries are treated as separate delivery obligations.

Step 3: Determining the transaction price
The third step is to determine the transaction price, which is equivalent to the expected consideration from the customer. This amount will in most cases be easy to determine as KONGSBERG's customer contracts often apply fixed prices. However, there are certain cases which need to be assessed. This largely applies to different forms of discounts and incentive schemes, financing items in the contracts and options. Best estimate are used as basis for discounts and incentives schemes when determining the transaction price. For contracts with a significant financing item expanding more than a year, the interest component will be separated out from the contract revenue. There may also be cases involving income reduction as a result of financial penalties for delays. When determining the transaction price, these must only be taken into consideration if it is highly likely that they will occur.

Step 4: Allocating the transaction price
When the transaction price has been determined, it will be allocated to each individual performance obligation as identified under step 2, based on the stand-alone selling price. The stand-alone selling price is normally the price of the product when it is sold separately, less any discounts that are to be distributed. If this price cannot be observed directly, it must be estimated. This will often apply to the allocation of revenues between licences and services, but also to the distribution of revenues between different products that are supplied as an integrated solution. Integrated solutions are mainly considered as a single performance obligation under step 2. This is because the systems operate together and because the delivery is usually approved as a whole. Nevertheless, a performance obligation can be allocated different prices for different parts of the customer contract. This is done according to the stand-alone principles described above. This means that the level of earning in different phases of a customer contract may vary depending on which parts are to be transferred to the customer's control.

Step 5: Recognition when the performance obligation is fulfilled
The final step of the model states when revenue is to be recognised, where performance obligations that are recognised at a point in time are distinguished from those that are recognised over time. In KONGSBERG, revenue recognition is often based on the progress of the projects. The principle stated in IFRS 15 is that control over the asset will then be transferred to the customer before KONGSBERG can recognise revenue. Control normally means that the customer can use an asset directly, is able to achieve most of the remaining benefits of an asset and is able to prevent other parties from using or achieving benefits of an asset. This is considered for each individual performance obligation. Furthermore, IFRS 15 specifies three cases where the seller is to recognise revenue over time:

a) The seller produces an asset that is controlled by the customer, for example if the seller builds an asset on the customer's property.
b) The customer receives and consumes goods/services from the seller under a performance obligation over time. This will apply to most services.
c) The seller develops an asset that doesn't have an alternative area of use for the seller, and the seller is contractually entitled to be paid for work up to a point in time (costs incurred plus margin). In relation to alternative areas of use, it is the end product that is to be considered.

As stated in the above items, transfer of control does not have to be physical (items a and b) but can also be contractually based (item c). Most of KONGSBERG's contracts are recognised according to level of progress (over time) in category c, where the physical handover of the products is not done on an ongoing basis, but when the products are completed and often towards the end of the contract period. Assessments are based on different criteria depending on the product and project. However, the most important ones are:

- Various degrees of customer-specific adaptations
- There is a limited market for similar products
- The systems are installed/integrated on the customer's property on an ongoing basis or at the end of the project, and
- Remanufacturing the products for another customer requires considerable work

KONGSBERG has contracts that give KONGSBERG a legal right to coverage of costs incurred plus a margin in the event that the customer terminates the contract without sufficient reasons.

"Customer contracts, assets", and "customer contracts, liabilities"
On the line "Customer contracts, assets", KONGSBERG has collected all asset items associated with customer contracts, except trade receivables. This includes accrued, non-invoiced revenue, prepayments to subcontractors, goods which have been purchased or allocated to customer contracts, but which have not been altered or led to progress being made on the project, and work in progress for projects that are recognised upon delivery.

The carrying value of customer contracts in the statement of financial position is based on an assessment of the financial status of each individual customer 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 customer contract in the Group accounts and presented on one line in the statement of financial position, with the exception of trade receivables (presented on the line "Receivables"). Individual customer contracts are then presented as either "customer contracts, assets" or "customer contracts, liabilities".

Most of KONGSBERG's customer projects that are recognised over time apply cost-to-cost as a measure of progress. Cost-to-cost is calculated comparing the actual costs with the estimated total costs of the projects.

Some areas use cost-to-cost-like approaches and this may give positive inventories in the projects. This normally happens when production has commenced without revenue being recognised because production has not been allocated to a concrete order (anonymous production), or when revenue, due to significance, is only recognised when each component is completed. The reason for this is that goods are often moved from inventories to projects without any transfer of control to the customer taking place. Alternative measures of progress might then be necessary, such as hours incurred, as a cost-to-cost approach. KONGSBERG has significant positive project inventories in its balance sheet. These inventories mainly consist of performed work that has not been invoiced and components that have been removed from inventory but not installed in the projects (anonymous production) and balances with subcontractors.

In some cases, advances are received from customers or customers are invoiced before control is transferred. This is presented as a "customer contract, liability". "Customer contract, liability" will also arise as a result of cost accruals performed during the fulfilment of the customer contracts. With the exception of trade payables, all liabilities relating to customer contracts are collected together on this line. In the same way as with assets, balance sheet items for customer contracts that are recognised according to progress are presented together with assets that are recognised upon delivery.

Recognised accrued contract profit is a proportional share of the estimated total contract profit based on the percentage of completion. If the profit on a contract cannot be estimated reliably, the project will be recognised without a profit until reliable estimates are available.

Recognised accrued contract profit is classified as "customer contracts, assets" in the balance sheet. When the customer is invoiced the "customer contracts, assets" are reclassified to trade receivables.

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. Capitalised costs of this kind are classified as inventories until a contract has been signed.

Onerous contracts
An onerous contract is defined as a contract where unavoidable costs in connection with the fulfilment of the contract exceed the economic benefits that are expected to be received, which means that there must be an actual loss rather than just a reduction in profit. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

When a customer contract is expected to result in a loss, the loss is recognised in its entirety immediately. A customer contract is expected to result in a loss when expected costs exceed expected revenues in the contract. Net allocated provision for onerous contracts are classified in the statement of financial position as "customer contracts, liabilities".

D) Taxes

Income tax expense in the financial statements includes tax payable and the change in deferred tax for the period. Assets and liabilities from deferred tax are calculated by taking a starting point in the temporary differences between the accounting and tax balance sheet values at period end (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 customer contracts that is recognised over time is not recognised for tax purposes until the control and risk have been transferred to the customer, and KONGSBERG is entitled to the consideration in the contract. 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 derecognised if it is no longer probable that the deferred tax asset will be utilised. Deferred tax is recognised net within the same tax regime for entities within the same tax group.

E) Financial income and expenses

Financial income consist of interest income, dividends, currency gain, gain on realisation of "Assets at fair value through profit and loss" and other financial income. Interest income are recognised as it accrues using effective rate, while dividends are recognised at the date of approval of the Annual General Meeting.

Financial expenses consist of interest expenses, including interest on leasing liabilities (see Note 15), currency losses, losses on realisation of "Assets at fair value through profit and loss" and other financial expenses. Interest expenses are recognised as they accrue using effective rate.

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 (loss) 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 the 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 of goodwill is described in Note 17 "Impairment testing of goodwill".

See also Note 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. Balance sheet recognition requires development costs to be measured reliably, that the product or process is technically and commercially feasible, that future economic benefits are likely and that KONGSBERG intends, 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 principle is linear amortisation. 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 17 "Impairment testing of goodwill" 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 is made whether to complete development and start recognition in the statement of financial position.

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 and must be included in the presentation of financial position. 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. Amortisation is based on the expected useful life, according to the principle of linear amortisation. 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 to net value in the income statement. Expenses incurred after the asset is in use, e.g., day-to-day maintenance costs, are expensed as they are incurred. Other expenses expected to result in future economic benefits and that can be reliably measured, are recognised in the statement of financial position.

H) Leases

KONGSBERG recognises the value of leases as leasing assets and leasing liabilities if it is considered that the lease contains a right to control the use of the asset. The Group applies a single recognition and measurement approach for all leases, except in the case of short-term leases and leases where the underlying assets is of low value. KONGSBERG applies the recognition exemption to leases that have a lease term of less than 12 months and leases of low value assets. Other performances in the leases such as shared costs related to leasing of property or service agreements concerning vehicles and leases concerning intangible assets are not recognised in accordance with the rules in IFRS 16.

Leasing asset
Leasing assets are recognised from the date the underlying assets are made available for use to KONGSBERG. Leasing assets are recognised at cost less accumulated depreciation and impairment losses and are also adjusted for any remeasurements of the leasing liability. Cost includes recognised leasing liabilities, lease payments made before commencement day, cost related to restoring the underlying asset to the condition required by the terms and condition of the lease and initial direct costs. Initial direct costs are expenses which the company would not have incurred if the lease had not been established. Leasing assets are depreciated on a straight line basis over the shorter of the lease term and the estimated useful life of the asset.

Leasing assets are considered for impairment according to the principles described in Note 3 I.

Leasing liabilities
Leasing liabilities are recognised from the date the underlying assets are made available for use to KONGSBERG. Leasing liabilities are measured at the present value of the agreed lease payments. Lease payments can include:

- Fixed payments
- Variable lease payments that depend on an index or interest rate
- Payments for withdrawing from the lease, if it its reasonably certain that KONGSBERG will terminate the agreement

The present value is calculated by discounting the lease payments using the interest rate implicit in the lease at the commencement date if this is readily determinable. This is not normally readily determinable and the incremental borrowing rate for loans with similar risk is then used or yield for property leases. After the commencement date, the leasing liability is increased to reflect the accretion of interest and reduced for the lease payments made. The leasing liability is remeasured if there is a change in the lease term, changes to future payments resulting from a change in an index or a change in the assessment of an option to purchase the underlying asset.

The lease term includes the non-cancellable period of a lease. In addition periods covered by extension options are also included if it is reasonably certain that KONGSBERG will exercise the option and termination options if they most likely will not be exercised.

Short-term leases and leases of low-value assets
KONGSBERG applies the recognition exemption to leases that have a lease term of less than 12 months for property, machinery, vehicles and equipment. KONGSBERG applies the recognition exemption to leases of low-value assets primarily on office equipment. Lease payments related to the abovementioned leases are recognised as expense on a straight-line basis over the lease term and are therefore not recognised in the consolidated statement of financial position.

KONGSBERG as a lessor
The Group is a lessor of some property. These leases are classified as operating leases because the Group does not transfer substantially all the risks and rewards incidental to ownership of the property. Rental income is recognised in the income statement on a straight-line basis.

Sale and leaseback transactions
KONGSBERG has some sale and leaseback transactions related to property. In the event of the sale of a property, the property is derecognised and a leasing asset and a leasing liability are recognised, along with a gain or loss on the transferred rights for use of the asset. If the leaseback is considered to be a financial transaction the asset will not be derecognised.

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, customer contracts in progress, cash and cash equivalents, interest-bearing debt, 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 or through other comprehensive income, and attributable costs are expensed directly or through other comprehensive income. An ordinary purchase or a 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 fulfilled, expired 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. These are classified in the following categories:

i. Fair value through profit and loss
ii. Financial assets measured at amortised cost

iii. Derivatives earmarked as hedging instruments measured at fair value
iv. Financial liabilities measured at amortised cost

Financial assets at fair value with changes in value through profit and loss
Except for investments in subsidiaries, joint ventures or associated companies in the balance sheet, all shares are defined as fair value through profit and loss. Note 4 "Fair value" has a more detailed description of how fair value is measured for financial assets and liabilities.

Financial assets measured at amortised cost
The Group measures financial assets at amortised cost provided the following conditions have been met:

- The financial asset is part of a business model where the intention is to receive contractual cash flows, and
- the contractual terms for the financial asset give rise to cash flows solely consisting of the payment of principal and interest on given dates.

Subsequent measurement of financial assets measured at amortised cost is performed using the effective interest rate method and is subject to loss provisions. Profits and losses are recognised when the asset has been derecognised, modified or written down.

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

Derivatives earmarked as hedging instruments measured at fair value
Derivatives are recognised in the balance sheet at fair value. Changes in the value of cash flow hedges are recognised as comprehensive income, while changes in the value of fair value hedges are recognised against foreign currency assets or liabilities in the balance sheet.

Financial liabilities measured at amortised cost
The company's financial liabilities are recognised at amortised cost, except for financial derivatives, which are recognised at fair value through other comprehensive income.

Impairment of financial assets
KONGSBERG makes provision for expected credit losses on all financial assets not classified as fair value through profit and loss. Expected credit loss is calculated based on the present value of all cash flows over the remaining expected useful life, i.e. the difference between the contractual cash flows and the cash flows that the Group expects to receive, discounted by the effective interest rate applicable to the instrument. The expected cash flows shall include cash flows from the sale of collateral or other credit enhancements integrated into the contract terms.

The Group uses the simplified method to calculate loss provisions for accounts receivable and contract assets. Accounts receivables are subject to individual assessments. The Group thus measures loss provision based on expected credit loss over the lifetime of each reporting period. The expected credit loss provision is based on historical credit losses, adjusted for future customer specific factors and the general economic situation.

Derivatives
Derivatives in KONGSBERG are comprised mainly of forward exchange contracts. Currency options, interest rate and currency swap agreements (basis swaps) are used to some extent. Upon initial recognition, derivatives are measured at fair value, and identifiable transaction costs are recognised through profit and loss as incurred.

KONGSBERG applies the rules for hedge accounting to the extent that the requirements of IFRS 9 are fulfilled. Changes in the fair value of derivatives are recognised through profit and loss should they not qualify for hedge accounting.

Hedging
The Group's financial policy states that contracts above a certain threshold shall be subject to currency hedging upon establishment, and these are primarily hedged using forward exchange contracts (fair value hedges). In special cases, the Group uses forward exchange contracts or currency options as cash flow hedges, e.g. in large tenders where contract award is highly probable.

Before hedge accounting can be applied, KONGSBERG documents all qualification criteria for the use of hedge accounting. These include the identification of hedging instruments and objects, the risk to be hedged, and how the Group will assess whether the hedging arrangement meets the requirements for hedge effectiveness. Hedge effectiveness requirements are listed below:

- There is an economic relationship between the hedged object and the hedging instrument.
- The effect of credit risk does not have a dominant effect on the changes in fair value of the hedging instrument and the hedged object included in the hedging relationship.
- The hedge ratio, i.e. the relationship between the volume of the hedging instrument and the volume of the hedged object, corresponds to the actual volumes used by the Group in risk management.

Furthermore, KONGSBERG determines whether a derivative (or another financial instrument) should be used to:
i. Hedging of a firm commitment (fair value hedges)
ii. Hedging a future cash flow of a recognised asset or liability, or an identified highly probable future transaction (cash flow hedges)

(i) Fair value hedges
The change in fair value of fair value hedges is 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 exchange rate are recognised in the balance sheet. Since the hedging instrument is also recognised at fair value, this entails symmetrical recognition of the hedged object and the hedging instrument. For customer contracts, this implies that revenue is recognised at the hedged exchange rate.

Hedge accounting discontinues in the event of:
a) The hedging instrument expires and is discontinued, is terminated, exercised or sold, or
b) The hedge no longer fulfils the above-mentioned hedge accounting criteria

Fair value hedges of financial assets or liabilities recognised at amortised cost, amortises the change in fair value of the hedging instrument during the remaining period up to maturity of the hedged object.

(ii) Cash flow hedges
Cash flow hedges are hedges of highly probable future cash flows. Given hedge effectiveness, changes in fair value are recognised through other comprehensive income. Currency options are classified as cash flow hedges and thus apply the same accounting principles as described in this section.

When a hedged transaction occurs, accumulated changes in fair value of the hedging instrument is transferred from other comprehensive income to profit for the year. If the hedged transaction leads to recognition of an asset or liability, the hedging instrument is accrued concurrently with the hedged transaction.

Hedges of future customer contracts are allocated to the specific contract upon signing and are rolled forward from cash flow hedges to fair value hedges. Gains and losses previously included in other comprehensive income are recognised in the income statement concurrently with the contract progress. This means that customer contracts that are hedged before signing are recognised at the originally hedged exchange rate.

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 hedging instrument previously recognised in other comprehensive income will be transferred to profit and loss.

In some cases, hedging of a net investment in an entity outside of Norway is applicable. Equity hedging is recognised equivalent to cash flow hedges. Profit or loss on the hedging instrument related to the effective share of the hedging that has been recognised through other comprehensive income as a part of the translation difference, shall be included in profit and loss by realisation of the foreign entity.

Follow-up of hedge effectiveness

KONGSBERG swaps forward exchange contracts from cash flow hedges to fair value hedges at the time of the contract entry. In addition, forward exchange contracts are rolled forward in cases where receipts/payments occur later (or earlier) 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. Hedge effectiveness will therefore be very high throughout the entire contractual period.

K) Classification

Assets related to normal operating cycles for goods and 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 and services or that are due within 12 months are classified as current liabilities. Other liabilities are classified as non-current. Derivatives that are used to ensure currency flows according to Group policy, see Note 3 J, Financial instruments – hedging, are related to the Group's operating cycles and are therefore classified as short-term assets and liabilities even if the derivatives mature more than 12 months forward in time.

L) Inventories

Goods are defined by KONGSBERG as inventories of raw materials, work in progress and finished products that are not related to specific customer contracts. 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. Trade receivables in foreign currencies are recognised at the exchange rates at the balance sheet date.

N) Cash and cash equivalents

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, which are recognised in other comprehensive income on an ongoing basis.

iv. 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.

See also Note 3 "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. Estimates should be based 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 for warranty costs are recognised upon 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 related to downsizing are recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring plan has been announced to the parties concerned. Restructuring costs consist of salary and social security tax when the employment relationship is terminated (including severance pay and gratuity). In addition to this are rent and other related costs and any one-off payments in the event of the premature termination of tenancy agreements for premises that are vacated.

Q) Employee benefits

Defined contribution pension schemes
The Group introduced a defined contribution pension scheme for all employees in Norway under the age of 52 as of 1 January 2008. Employees with defined benefit plans, aged 52 or older at the time of the transition, stayed with that plan. Most of KONGSBERG's companies abroad have defined contribution pension schemes. Contributions are recognised as expenses as they occur and are shown in the personnel expenses in the profit and loss 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, except two entities, have used the same actuary for the calculations. In the income statement, the year's net pension expenses, after a deduction for the net interest cost of the liability and 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 13 "Pension". Actuarial gains or losses related to changes in the basis data, estimates and changes in assumptions are recognised in other comprehensive income.

Share transactions with employees
For a number of years, the Group has been conducting a share programme for all employees, i.e. offering shares at a discounted price. Discounts on shares are recognised as payroll expenses. The Group also has a share programme for leading employees. See the description in Note 29 "Statement on remuneration of the Group CEO and Executive Management".

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 annual earnings per share and diluted earnings per share. Annual 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 that have not yet been implemented

There are no standards or interpretations that are not yet effective that would be expected to have a material impact on the consolidated statement.

T) IFRS standards implemented with effect from 1 January 2020

IASB has clarified the definition of a business which means that acquisition of a set of assets and liabilities must be recognised according to IFRS 3 Business Combinations. When the definition of business is not met, the transactions will be recognised according to the relevant standards, e.g. for inventories or fixed assets.

IASB has revised the definition of "materiality" in IAS 1 and IAS 8, to ensure that there is a consistent definition across the various IFRS standards. The new definition clarifies that information in the financial statements will be material if the omission, misstatement or concealment of information could be expected to influence decisions that the primary users make based on the financial statements.

The standards regarding financial instruments (IFRS 9 and IFRS 7) have been amended to new interest-rate benchmarks.

Implementation of these changes have not had any significant effect on KONGSBERG's financial statements.

4 FAIR VALUE

KONGSBERG's accounting principles and disclosures require a 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 below. Where relevant, further disclosures will be provided in the notes regarding the assumptions for calculating 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

For 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 buyer and seller in an "arm's length transaction". The market value of the plant and equipment is based on assessments obtained from independent appraisers.

Leases

Leases are recognised at fair value at the time the agreement is signed. When acquisition of business lease contracts are measured at fair value on the date of acquisition. The market value is determined using the implicit interest rate in the lease contract or the incremental borrowing rate. For lease of property yield obtained from external parties is used.

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.

Derivatives

The calculation of fair value of forward exchange contracts is based on observable market data. KONGSBERG uses market prices from Thomson Reuters on each forward exchange contract. In turn, these are based on supply and demand from several market participants. Fair value is referring to the net present value of the variance between the revaluated forward rate at the balance sheet date and at the time of entering the forward exchange contract. Fair value of any interest rate swaps, basis swaps and currency options are assessed based on market prices from Thomson Reuters or updated valuations from the transaction counterpart.

Non-current liabilities

Fair value of interest-bearing debt, see Note 23 F "Financial instruments – Summary of financial assets and liabilities", is calculated by using estimated interest rate curve and credit margin at the balance sheet date. Estimated cash flows are discounted by the interest rate KONGSBERG would expect to pay for equivalent funding at the balance sheet date. The reference market interest rate is 3M NIBOR and the credit margin is then estimated for KONGSBERG for respective tenors.

5 MANAGEMENT OF CAPITAL AND FINANCIAL RISKS

KONGSBERG has a centralised treasury department responsible for the Group's financing, capital structure, currency risk, interest rate risk, credit risk, liquidity management, trade finance, guaranties issued and insurance schemes. The Group's subsidiaries have limited opportunities to establish independent funding or 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 policy is to allocate capital according to the following principles and sequence:

1. Maintain a solid statement of financial position
2. Invest for organic growth
3. Ensure competitive dividend yield for shareholders
4. Active management of the company's business portfolio

1. The working capital requirement in KONGSBERG can fluctuate considerably, which requires good liquidity and predictable access to capital. The Group shall therefore have good creditworthiness by investors and customers, which will ensure secure access to debt capital markets. The Group has set a target for net interest-bearing debt/EBITDA (pre IFRS 16 effects) over time to fall within the range of 1.0x +/- 1.0x, and around the centre of the range as a long-term average. Fluctuating working capital as a result of large projects within the defence sector is the principal reason for the interval in the range, amongst other as a result of different payment structures in the projects. Net working capital is expected to continue to vary also in the future. As of 31 December 2020, KONGSBERG's net debt/EBITDA was -1.43.
2. A high proportion of KONGSBERG's value creation consists of the development of high-technology solutions. KONGSBERG's technology platforms have been built up over many years and are a prerequisite for being competitive. In recent years, the Group has invested 4-7 per cent of its revenue in research and development, and in order to maintain its competitiveness, the Group must continue to allocate capital to this and other essential investments.
3. KONGSBERG aims to generate a competitive dividend yield for its shareholders. When determining the size of dividends, the management and the board will take into account future capital requirements. In 2020 the dividend policy was changed from being a per cent of earnings after tax to a target of stable or growing ordinary dividend on a per share basis. In addition to the ordinary dividend, KONGSBERG will consider special dividends and share buy-back of own shares as possible supplements. Together and over time these components shall be competitive for the shareholders.
4. KONGSBERG shall actively manage its business portfolio. Active management entails both acquisition and disposals as well as restructuring, and KONGSBERG has utilised all of these means in its active business management over the recent years. The Group's businesses are primarily assessed for their capacity for value creation, but also for the way in which they fit KONGSBERG's strategy, their ability to hold leading market positions, and the potential for synergies across the Group.

The capital structure of the Group consists of interest-bearing debt and equity which is primarily attributable to the shareholders of Kongsberg Gruppen ASA. The Group's equity as of 31 December 2020 was MNOK 13,301, which corresponds to 33.9 per cent of total assets. The Group's net interest-bearing debt at year-end was MNOK -3,949.

The Group primarily uses debt instruments in the Norwegian capital market as a debt financing source. The Group considers that access to capital is satisfactory. See also the reference to interest rate risk below.

Interest rate risk

KONGSBERG is primarily exposed to interest rate changes as a result of the financing of the business and the management of liquidity. All bonds and deposits in money market funds are in Norwegian kroner. The bonds have been issued with both fixed and floating interest rates, whereas the money market deposits have floating interest rates. Deposits in the Group's cash pool or with other banks are subject to floating interest rate.

The need for interest rate swaps for issued debt is assessed on a running basis. As of year-end, the Group had no interest rate swaps, and 58 per cent of the issued debt had floating interest (64 per cent in 2019), while the remaining 42 per cent had fixed interest (36 per cent in 2019). The interest rate duration was 1.4.

The Group aims to ensure that the term to maturity of issued long-term loans is minimum two years. As of 31 December 2020, the weighted average term to maturity was 2.8 years for bonds issued as long-term (3.2 years in 2019). Note 23 D "Financial instruments – interest rate risk" provides more information.

Liquidity risk

Liquidity risk is related to the Group's solvency as financial liabilities fall due for payment. For KONGSBERG, this means having a financial framework and liquidity that is adapted to the operating and investment plans at all times. The centralised treasury department is responsible for managing the Group's liquidity risk.

Short-term liquidity requirements are covered by bank deposits. Any additional liquidity requirements may be covered by the syndicated and committed loan facility of MNOK 2,300 and an overdraft facility of MNOK 500. KONGSBERG has a Group cash pool structure to which most subsidiaries are connected. This structure increases availability and flexibility of the liquidity management.

The Group's liquidity trend is routinely monitored through, normally monthly, carry-forwards of forecasts from business units, as well as budgets and reporting by segment for major investments. Through most of 2020 there has been an increased frequency of and focus on liquidity forecasting.

Currency risk

KONGSBERG has a global presence with subsidiaries in many countries. The Group has a high proportion of its revenues from contracts in currencies other than Norwegian kroner, with a relatively low proportion of procurement in the same currency. The individual business areas identify exposure for each contract, whilst the centralised treasury department offers instruments that reduce currency risk.

The Group's financial policy states that contracts above a certain threshold shall be subject to currency hedging upon establishment, and these are primarily hedged using forward exchange contracts (fair value hedges) towards the entity's functional currency. In special cases, the Group uses forward exchange contracts or currency options as cash flow hedges, e.g. in large tenders where contract award is highly probable. The Group will normally have some open currency exposure related to minor contracts, as well as other revenues and costs in foreign currency. This exposure is reduced as far as possible through spot transactions and/or forward exchange contracts, and the exposure period is normally short. Cash holdings in currency considered to be part of the businesses' working capital are normally not hedged. KONGSBERG has the highest exposure towards US dollar and euro, but also has minor exposures towards other currencies. Future cash flows from entities outside of Norway with functional currency other than NOK (net investment hedging) are normally not hedged. The Group assesses ongoing the need for hedging this currency exposure, based on risk and essentiality.

Currency options are used to some extent, mainly in tenders under given conditions, e.g. an assessment of probability for contract award. Currency accounts in the cash pool structure are used for the natural hedging of smaller amounts with short tenors.

In addition to the use of financial instruments the entities and the centralised treasury department implement operational measures. One measure could be ensuring that costs incurred are in the same currency as the sales contract, in order to reduce foreign currency exposure. KONGSBERG uses an established Treasury Management System and a platform for trading foreign exchange.

See Note 23 B "Financial instruments - Currency risk and currency hedging" for more information.

Credit/Counterparty risk

Counterparty risk is the risk that KONGSBERG's contractual counterparty will be unable to meet its obligations , or the settlement of forward exchange currency contracts, interest rate contracts and monetary investments. The Group's financial policy requires financial institutions to have a certain credit rating before KONGSBERG can enter into financial contracts with them. The company's core relationship banks, which are counterparties in most derivative transactions and in which most of KONGSBERG's liquidity is placed, have credit ratings from A to AA- (Standard & Poor's).

Credit risk is related to trade receivables, and the business areas are responsible for managing their own credit risk. The receivables carry varying degrees of risk depending on the customer, term to maturity and whether any payment guarantees have been provided. For major, long-term projects, credit risk related to customers and subcontracts is assessed from the start and throughout the contract period. These projects are monitored in accordance with agreed milestones. Historically, KONGSBERG has had a relatively low percentage of bad debts.

The business in KONGSBERG which has the greatest exposure to credit risk is Kongsberg Maritime. This business area has customers primarily from the private sector and the market in which it operates is cyclical. Credit insurance is used only to a limited extent but is considered in certain cases. Kongsberg Defence & Aerospace has mostly government customers and therefore has limited credit risk exposure. The business area Kongsberg Digital has for the time being a moderate share of the Group's total revenue.

The Group strives to maintain a fair balance between increasing sales with acceptable margins and the risk of losses. In addition, large parts of the Group operate on the basis of credit manuals including routines for debt collection. See Note 22 "Receivables and credit risk" for more information.

As a result of the pandemic situation KONGSBERG has continuously assessed the impact of COVID-19 on the accounting items. As of 2020 KONGSBERG has only had a limited number of losses and impairments as a result of COVID-19. Lower activity from customers and suppliers, travel restrictions and increased risk of delays as a result of lockdowns and potential lack of resources are expected to impact the business. In addition there is an increased risk of order cancellation and delayed or missing payments which may increase the risk of loss on receivables, inventories, customer contracts and foreign exchange contracts. So far losses and impairments have been limited for the Group.

6 DISCONTINUED OPERATIONS

Hydroid Inc.

On 4 February 2020 Kongsberg Maritime signed an agreement to sell the subsea technology company Hydroid Inc. in the USA to Huntington Ingalls Industries (HII) for USD 350 million, on a debt- and cash-free basis and adjusted for agreed working capital. The transaction was completed with effect from 26 March 2020 and means that Hydroid's profit and loss figures have been removed from the accounts in the financial statement and reported on the line "Earnings after tax from discontinued operations". Comparative figures have also been recalculated.

Hydroid Inc. was a wholly owned subsidiary of Simrad North America Inc. (subsidiary of Kongsberg Maritime AS), and has its head office in Pocasset, Massachusetts, USA. The company manufactures and supplies autonomous underwater vehicles to both the military and commercial markets and is the largest supplier of vessels to the US Navy.

In connection with the transaction, Kongsberg Maritime and Huntington Ingalls Industries have entered into a strategic cooperation agreement on subsea technology and maritime solutions that came into force on 26 March 2020. The aim of the agreement is to increase both parties' abilities to sell products and solutions in the subsea segment in the USA and globally.

The tables below specify the profit related to Hydroid which is reported as discontinued operations and Hydroids share of the financial position as of 31 December 2019. MNOK 574 is accrued and paid tax regarding the transaction in USA. In addition, tax will be levied on the allocation of the funds.

Specification of the earnings after tax for discontinued operations

MNOK	*2020*	*2019*
Operating revenues	268	836
Operating expenses	(228)	(691)
EBITDA	**40**	**145**
EBIT	**36**	**132**
Earnings before tax	**27**	**134**
Tax	(7)	(13)
Earnings after tax	**20**	**121**
Gain from sale of business before tax	2 031	-
Tax on gain	600	-
Gain from sale of business after tax	**1 431**	**-**
Earnings after tax from discontinued operations	**1 451**	**121**

Cash flow from Hydroid

MNOK	*2020*	*2019*
EBITDA	40	145
Change in net current assets and other operating related items	(249)	(26)
Net cash flow from operating activities	**(209)**	**120**
Net cash flow from investing activities	**(5)**	**(15)**
Net cash flow from financing activities	**(9)**	**(2)**

Cash flow related to sale of Hydorid

MNOK	*2020*	*2019*
Remuneration after transaction cost	3 614	
Tax paid	574	
Sale of buisness [1]	3 040	-

1) Deviates from "Proceeds from sale of business" in the consolidated statement of cashflow as a result of adjusted remuneration on a transactions last year.

Effect of Hydroid on the condensed statement of financial position

MNOK	*Reported 31 Dec 19*	*Hydroid 31 Dec 19*	*Adjusted 31 Dec 19*
Property, plant and equipment	3 924	182	3 742
Leasing assets	2 141	-	2 141
Goodwill	4 272	846	3 426
Intangible assets	2 215	7	2 208
Deferred tax asset	167	-	167
Shares in joint arrangements and associated companies	3 247	-	3 247
Other non-current assets	213	4	209
Total non-current assets	**16 179**	**1 040**	**15 140**
Inventories	3 964	100	3 864
Trade receivables	6 363	83	6 280
Other current assets	598	-	598
Customer contracts, asset	5 888	555	5 333
Derivatives	376	-	376
Cash and cash equivalents	5 654	28	5 626
Total current assets	**22 843**	**766**	**22 077**
Total assets	**39 022**	**1 806**	**37 217**
Issued capital	5 933		5 933
Retained earnings	6 249	1 326	4 923
Other reserves	571	-	571
Non-controlling interests	57	-	57
Total equity	**12 810**	**1 326**	**11 484**
Long-term interest-bearing loans	3 469	-	3 469
Long-term leasing liabilities	1 850	-	1 850
Pension liabilities	974	-	974
Provisions	122	-	122
Deferred tax liabilities	1 350	-	1 350
Other non-current liabilities	36	4	32
Total non-current liabilities and provisions	**7 801**	**4**	**7 797**
Customer contracts, liabilities	10 481	391	10 090
Derivatives	493	-	493
Provisions	1 513	9	1 504
Short-term interest-bearing loans	620	-	620
Short-term leasing liabilities	348	-	348
Other current liabilities	4 956	75	4 881
Total current liabilities and provisions	**18 411**	**475**	**17 936**
Total liabilities and provisions	**26 212**	**479**	**25 733**
Total equity, liabilities and provisions	**39 022**	**1 806**	**37 217**

7 ACQUISITIONS

Rolls-Royce Commercial Marine

Final added value allocation Rolls-Royce Commercial Marine
On 6 July 2018, KONGSBERG signed an agreement for the acquisition of Rolls-Royce Commercial Marine (RRCM) from Rolls-Royce Plc. The acquisition was completed on 1 April 2019, and the company is recognised as part of Kongsberg Maritime with effect from Q2 2019 onwards.

KONGSBERG completed in Q1 2020 its assessments of assets and liabilities acquired in the acquisition. This has led to changes in the purchase price allocation (PPA). The table below shows the change in PPA reported in Q4 2019 against the final PPA.

MNOK	*Updated preliminary PPA Q419*	*Adjustments*	*Final PPA*
Customer relationship	616	-	616
Trademarks	66	-	66
Technology	769	-	769
Total intangible assets exclusive goodwill	**1 451**	**-**	**1 451**
Property, plant and equipment	1 253	(76)	1 177
Leasing assets	471	-	471
Deferred tax asset	-	303	303
Current assets exclusive cash and cash equivalents	4 605	(12)	4 593
Cash and cash equivalents	2 320	-	2 320
Total assets exclusive goodwill	**10 100**	**215**	**10 315**
Pension liabilities	(309)	-	(309)
Long-term leasing liabilities	(384)	-	(384)
Short-term leasing liabilities	(87)	-	(87)
Provisions	(531)	32	(499)
Other current liabilities	(4 876)	51	(4 825)
Sum total liabilities	**(6 187)**	**83**	**(6 104)**
Net identifiable assets and liabilities	**3 913**	**298**	**4 211**
Goodwill upon acquisitions	2 272	(298)	1 974
Remuneration	**6 185**	**-**	**6 185**
Cash and cash equivalents acquired	(2 320)	-	(2 320)
Remuneration, exclusive cash and cash equivalents	**3 865**	**-**	**3 865**
Repayment of liabilities at acquisition	1 000	-	1 000
Net outgoing cash flow for the acquisition	**4 865**	**-**	**4 865**

Aerospace Industrial Maintenance Norway AS

Final added value allocation of Aerospace Industrial Maintenance Norway AS

On 13 December 2018 KONGSBERG announced an agreement with the Ministry of Defence for the acquisition of Aerospace Industrial Maintenance Norway (AIM). The acquisition was completed on 29 May 2019 and the agreement concerning shared ownership with Patria was concluded on the same day. KONGSBERG is the majority owner with 50.1 per cent, while Patria owns 49.9 per cent of the shares in AIM. The company is the Norwegian Armed Forces' organisation that support the maintenance, repair and inspection of aircraft and helicopters, and is recognised as part of Kongsberg Defence & Aerospace with effect from Q2 2019 onwards.

In June 2019 AIM was renamed Kongsberg Aviation Maintenance Services AS.

KONGSBERG has now completed its assessments of assets and liabilities acquired in the acquisition. This has led to changes in the allocation of added value. The purchase price includes contingent considerations and these will not be clarified until 2023 at the earliest and 2027 at the latest. The statement below shows the change in excess value allocation reported in Q2 2019 against final excess value allocation.

MNOK	*Preliminary PPA Q219*	*Adjustments*	*Final PPA*
Intangible assets exclusive goodwill	2	-	2
Non current assets held for sale [1]	199	3	202
Property, plant and equipment	42	-	42
Leasing assets	172	-	172
Deferred tax asset	156	(3)	153
Current assets exclusive cash and cash equivalents	192	-	192
Cash and cash equivalents	210	-	210
Total assets exclusive goodwill	**974**	**-**	**974**
Pension liabilities	(125)	8	(117)
Long-term leasing liabilities	(138)	-	(138)
Customer contracts, liabilities	(165)	-	(165)
Short-term leasing liabilities	(34)	-	(34)
Other current liabilities and provisions	(509)	20	(489)
Total liabilities and provisions	**(971)**	**27**	**(944)**
Net identifiable assets and liabilities	**3**	**27**	**30**
Goodwill upon aquisition	-	-	-
Remuneration	**3**	**27**	**30**
Cash and cash equivalents acquired	(210)	-	(210)
Net ingoing cash flow for the acquisition	**207**	**(27)**	**180**

1) Non current assets held for sale are related to shares in BEC sold to Patria in June 2019.

COACH Solutions ApS

On 30th June 2020, KONGSBERG signed an agreement to purchase COACH Solutions ApS, and the acquisition was completed on the same day.

The company is a Danish maritime software company founded by the Danish shipping company Clipper Group. The company develops software to optimise energy consumption and receive continuously-updated weather routing, which enables customers to achieve large financial and environmental operational savings. The solutions have been installed on 600 active vessels. COACH software complements Kongsberg Digital's maritime portfolio and the company is included as a wholly owned subsidiary in this business area.

The parties agreed on an enterprise value on a cash- and debt-free basis, and with normalised working capital of MNOK 39. Added value in the acquisition is allocated to customer relations, technology and goodwill. The payment was made in the 2. Quarter.

The company will change its name to KONGSBERG COACH Solutions ApS.

Final purchase price allocation COACH Solutions ApS

MNOK	*Carrying amount prior to acquisition*	*Adjustments fair value*	*Recognised values at acquisition*
Customer relationship	-	16	16
Technology	-	12	12
Total intangible assets exclusive goodwill	**-**	**28**	**28**
Current assets exclusive cash and cash equivalents	6		6
Cash and cash equivalents	4	-	4
Total assets exclusive goodwill	**10**	**28**	**39**
Deferred tax liabilty		(6)	(6)
Other current liabilities and provisions	(5)	-	(5)
Total liabilities and provisions	**(5)**	**(6)**	**(11)**
Net identifiable assets and liabilities	**5**	**23**	**28**
Goodwill upon acquisitions	-	15	15
Remuneration	**-**	**-**	**43**
Cash and cash equivalents acquired	-	-	(4)
Net outgoing cash flow for the acquisition	**-**	**-**	**39**

Patria Helicopters AS

On 1st of July 2020, Kongsberg Aviation Maintenance Services AS (KAMS) signed an agreement with Patria Aviation Oy to acquire Patria Helicopters AS and the acquisition was completed on the same day. The company is based at Bardufoss Airport, with particular responsibility for the maintenance of NH-90 helicopters. The acquisition is part of KONGSBERG's long-term commitment to the operation and maintenance of the Norwegian Armed Forces' systems and platforms and will strengthen the Group's ability to support the NH-90.

The parties agreed on an enterprise value of NOK 12 million on a cash- and debt-free basis, and with normalised working capital. The consideration was NOK 17.0 million. The added value of only just NOK 1 million is allocated to goodwill.

In August 2020 Patria Helicopters was renamed Kongsberg Aviation Maintenance services Bardufoss AS.

8 OPERATING SEGMENTS

For management purposes, the Group is organised into business areas based on the industries in which the Group operates. As of 31 December 2020, reporting requirements apply to the following two operating segments:

Kongserg Maritime (KM) consists of five divisions that supply solutions, systems, products and services to various maritime markets and most maritime vessel segments. Integrated Solutions develops and supplies solutions and systems for bridge and control systems, which primarily encompass dynamic positioning, propulsion control and navigation, as well as automation systems for safety, control and monitoring of processes onboard merchant and offshore vessels and cruise ships. The division also supplies energy solutions and ship design services in the same segments. Propulsion & Engines produces and supplies propellers, thrusters, water jet systems and systems for offshore manoeuvring of maritime vessels. The Deck Machinery and Motion Control division produces and supplies deck equipment such as winches for mooring, anchor handling and special systems for offshore vessels, tugs, marine vessels and many other classes of vessel, as well as cranes. The Sensors & Robotics division is a major player within hydroacoustics and supplies autonomous underwater vessels, solutions for autonomous maritime vessels, a wide variety of products related to fisheries, systems for underwater mapping, and sensors and solutions for specialist vessels. Global Customer Support primarily provides services, spare parts and upgrades related to the business area's deliveries.

Kongsberg Defence & Aerospace (KDA) consists in 2020 of five divisions, which primarily supply various systems and services to the defence industry. The Integrated Defence Systems division develops and supplies air defence systems, combat systems, sonars and navigation for marine vessels and submarines, as well as integrated command and control systems. The division also develops remote tower solutions for airports. Land Systems develops and supplies remote control weapon stations for land-based vehicles and marine vessels, in addition to develop and supply products for military tactical communication. Missile Systems develops and supplies naval strike missiles and air-to-surface missiles. Aerostructures produces and supplies advanced lightweight composite and titanium components for F-35 combat aircraft, as well as Maintenance, Repair & Overhaul (MRO) services. The Space & Surveillance division supplies components and services to the space industry, as well as port monitoring systems.

Other

Other activities consist of Kongsberg Digital (KDI), real property, group functions and eliminations between the business areas.

KDI is focused on taking up new and strengthening existing positions related to digitalisation within the oil and gas, wind and merchant marine markets.

Funding of the Group is based on evaluations for the Group as a whole. Consequently, financial items, net interest-bearing debt and cash are not assigned to segments. The same applies to tax expenses and balance sheet items associated with tax, as these items are influenced by tax-related transfers between the business areas.

Management monitors the operating segments' EBITDAs 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 EBITDA 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 & Aerospace*	*Other*	*Eliminations*	*Consolidated*
2020					
Operating revenue from external customers	16 304	8 476	832		25 612
Revenue from Group companies	16	27	560	(603)	-
Total revenues	**16 319**	**8 503**	**1 392**	**(603)**	**25 612**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1 532**	**1 656**	**62**		**3 250**
Depreciation	(194)	(222)	(65)		(481)
Depreciation IFRS16	(280)	(192)	(193)	254	(411)
Impairment of property, plant and equipment	(52)	-			(52)
Amortisation	(288)	(85)	(28)		(401)
Earnings before interest and taxes (EBIT)	**718**	**1 157**	**(224)**	**254**	**1 905**
Segment assets [1]	16 067	12 716	2 028	(247)	30 564
Segment investments [2]	101	393	308	-	802
Current segment liabilities and provisions [3]	7 863	8 783	669	(461)	16 854
2019					
Operating revenue from external customers	15 182	7 237	826	-	23 245
Revenue from Group companies	16	8	542	(566)	-
Total revenues	**15 198**	**7 245**	**1 368**	**(566)**	**23 245**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1 005**	**1 123**	**(16)**	**-**	**2 113**
Depreciation	(180)	(186)	(61)	-	(427)
Depreciation IFRS16	(243)	(146)	(182)	223	(348)
Impairment of property, plant and equipment	(18)	-	-	-	(18)
Amortisation	(208)	(65)	(17)	-	(290)
Earnings before interest and taxes (EBIT)	**356**	**726**	**(276)**	**223**	**1 029**
Segment assets [1]	18 951	11 886	1 910	(224)	32 523
Segment investments [2]	5 129	459	153	-	5 741
Current segment liabilities and provisions [3]	9 106	7 437	644	(366)	16 821

1) The segment assets does not include derivatives and cash and cash equivalents, as these assets are managed by the centralised treasury department.
2) Investments comprise acquired property, plant and equipment, intangible assets and goodwill, excluding IFRS 16. Including investnments related to aquisitions of business.
3) Segment liabilities do not include deferred tax liabilities, taxes payable, interest-bearing liabilities ex. short term leasing liabilities, other non-current liabilities or provisions and derivatives, as these liabilities are controlled by the centralised treasury department. The comparable figures for 2019 are restated by the effect of short term leasing liabilities.

There are no differences between the measurement methods used at the segment level and those applied to the consolidated financial statements. The different operating segments' EBITs include income and expenses from transactions with other operating segments within the Group. Transactions between the segments are based on market prices. Intra-group transactions between the different segments are eliminated upon consolidation.

Reconciliation of assets

MNOK	2020	2019
Segment assets	**30 564**	**32 523**
Deferred tax asset	306	167
Derivatives	964	376
Fair value financial instruments	(24)	302
Cash and cash equivalents	7 420	5 654
Total assets	**39 230**	**39 022**

Reconciliation of liabilities and provisions

MNOK	2020	2019
Current segment liabilities and provisions	**16 854**	**16 821**
Short-term interest-bearing loans	1500	621
Derivatives	546	493
Fair value financial instruments	725	399
Calculated income tax payable	71	77
Total current liabilities and provisions	**19 696**	**18 411**

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 acquisition. The Group's activities are generally divided into Norway, the rest of Europe, America and Asia. Fixed assets include property, plant and equipment, intangible assets and goodwill. (Financial instruments, deferred tax benefits, pension funds and rights following from insurance agreements are not included.)

MNOK	*Norway*	*Europe*	*North America*	*South America*	*Asia*	*Australia*	*Africa*	***Total***
2020								
Operating revenue from external customers	5 027	7 103	6 888	364	5 288	542	400	**25 612**
Operating revenues as % of the total	20%	27%	27%	1%	21%	2%	2%	
Fixed assets [1]	9 257	889	201	92	376	11	1	**10 827**
2019								
Operating revenue from external customers	4 348	6 711	5 326	328	5 548	403	581	**23 245**
Operating revenues as % of the total	19%	29%	23%	1%	24%	2%	2%	
Fixed assets [1]	10 315	948	859	27	393	9	1	**12 552**

1) Fixed assets in this report comprises of property, plant and equipment, goodwill and other intangible assets.

9 REVENUE RECOGNITION CUSTOMER CONTRACTS

MNOK	*Kongsberg Maritime*	*Kongsberg Defence & Aerospace*	*Other*	*Total*
2020				
Revenues				
Revenue recognition based on progress in the projects (over time)	3 704	6 239	405	10 349
Revenue recognition upon delivery of goods and services	4 889	492	259	5 640
Aftermarket activities[1] which are recognised as income upon delivery	7 632	1 741	104	9 477
Revenue from rental of property, plant and equipment	45	-	64	109
Total external revenues from customer contracts	**16 270**	**8 472**	**832**	**25 575**
Gains from sale of property, plant and equipment	34	3	-	37
Total external revenues	**16 304**	**8 475**	**832**	**25 612**
2019				
Revenues				
Revenue recognition based on progress in the projects (over time)	4 804	5 828	519	11 151
Revenue recognition upon delivery of goods and services	3 705	282	247	4 234
Aftermarket activities[1] which are recognised as income upon delivery	6 629	1 127	(4)	7 752
Revenue from rental of property, plant and equipment	44	-	62	106
Total external revenues from customer contracts	**15 182**	**7 237**	**824**	**23 243**
Gains from sale of property, plant and equipment	-	-	2	2
Total external revenues	**15 182**	**7 237**	**826**	**23 245**

1) Aftermarket includes revenues from service, maintenance, upgrades, spare parts, accessories and training linked to previously-delivered systems. Spareparts and upgrades are reflected in the order backlog while the remaining are not included in the summary of revenues for future periods; see the table below.

The table shows the anticipated date on which remaining performance obligations as of 31 December 2020 are recognised as income:

	2020 *Date of revenue recognition*				**2019** *Date of revenue recognition*		
MNOK	*Order backlog 31.12.20*	*2021*	*2022*	*2023 and later*	*Order backlog 31.12.19*	*2020*	*2021 and later*
Kongsberg Martime	11 386	8 328	2 139	919	11 311	8 231	3 177
Kongsberg Defence & Aerospace	23 477	9 023	6 226	8 228	20 146	7 178	12 968
Other/elimination	1 084	621	281	182	890	1 277	385
Total	**35 947**	**17 972**	**8 646**	**9 329**	**32 347**	**16 687**	**16 529**

Kongsberg Maritime (KM)

Many of KM's divisions have deliveries that are combined in a system that must operate together. This primarily applies to deliveries by the Sensor & Robotics and Integrated Solutions divisions, where the deliveries are recognised as revenue according to level of progress made over time. This is because the deliveries are extensively customised and have no alternative area of use for KM. In most cases, the measures of progress used in connection with revenue recognition over time is "cost to cost", but hours can also be used.

KM also has a significant proportion of deliveries where the revenues are recognised upon delivery. This particularly applies to the business acquired via the acquisition of Commercial Marine, such as Systems & Deck Machinery and Propulsion & Engines, but it also applies to certain areas of Sensor & Robotics and Integrated Solutions. Equipment deliveries are largely assessed as being independent and have a short time horizon; and the revenue is therefore recognised as income upon delivery. For a more detailed description of what the various divisions supply, see Note 8 "Operating segments".

Over 44 per cent of KM's revenues are within aftermarket. Most of these contracts are recognised upon the delivery of hours/equipment and are often of short duration. There are also cases where this type of contract is recognised over time, but it is then assumed that the contract is large and will extend over a number of accounting periods.

Customer contracts have different payment terms, depending on the product, market and negotiations with the customer. Many customer contracts that are recognised over time include an advance paid by the customer upon contract signing, followed by payments as milestones are achieved. There are considerable differences between the contracts. For goods and service deliveries, including aftermarket deliveries, customers are primarily invoiced upon delivery and payment takes place after an agreed credit period, which depends on the individual agreement.

Kongsberg Defence & Aerospace (KDA)

KDA's customer contracts primarily concern deliveries that are combined in a system and must operate together. Most customer contracts in the business area are recognised as revenue according to progress over time. This is because the deliveries are extensively customised and it will demand considerable rework to meet an alternative area of use for KDA. Customer contracts are normally long-term and large. KDA is entitled to payment for work performed to date. "Cost to cost" is primarily used as a measure of progress, but accrued hours, progress made by subcontractors and, in some cases, milestones are also used. Deliveries of this type are air defence systems, missile systems, command and control systems and monitoring systems.

Series of identical units within the same contract are recognised as revenue over time. These are then treated as a single delivery obligation. The condition is that they would have individually qualified for revenue recognition over time.

Revenue measures for such contracts could be delivery/withdrawals from inventories to customers, as this represents the progress that has been made, because the manufacturing period is relatively short. Many of the contracts concerning weapons stations are recognised as revenue according to these principles. The same applies to contracts related to the F-35 programme.

KDA makes little use of revenue recognition upon delivery, but this method may be used for excample in connection with the delivery of communication equipment and equipment for the space industry.

KDA also has deliveries of service and maintenance. These services are primarily recognised as revenue as the hours/goods are delivered.

For a more detailed description of the divisions and deliveries in KDA, see Note 8 "Operating segments".

KDA would be entitled to reimbursement for accrued costs plus a margin if the customer were to cancel a contract without sufficient reasons to do so. Customer contracts have different payment terms, depending on the product, market and negotiations with the customer. For customer contracts recognised over time, many contracts will include an advance paid by the customer upon contract establishment, followed by payment as milestones are achieved. There are considerable differences between the contracts. For goods and service deliveries, including aftermarket deliveries, customers are primarily invoiced upon delivery and payment takes place after an agreed credit period, which depends on the individual agreement.

Operating revenues by division

MNOK	*2020*	*2019*
Divisions		
Global customer suppport & Services	7 235	6 134
Integrated solutions	4 268	4 345
Sensor & Robotics	2 689	2 835
Propulsion & Engines	2 529	2 244
Deck Machinery	803	810
Other/elimination	(1 204)	(1 170)
Kongsberg Martime	**16 319**	**15 198**
Divisions		
Land Systems	2 625	2 196
Integrated Defence Systems	2 416	2 116
Aerostructures	2 101	1 301
Missile Systems	1 331	1 147
Space & Surveillance	586	665
Other/elimination	(556)	(181)
Kongsberg Defence & Aerospace	**8 503**	**7 245**
Other/elimination	**790**	**802**
Total revenues	**25 612**	**23 245**

For a more detailed description of the various divisions and their deliveries, see Note 8 Operating Segments.

MNOK	*Kongsberg Maritime*	*Kongsberg Defence & Aerospace*	*Other*	*Total*
2020				
Geographic distribution of external revenues from customer contracts				
Norway	2 951	1 737	338	5 027
Europe	5 846	1 056	201	7 103
America	2 108	4 600	180	6 888
South America	328	8	29	364
Asia	4 669	549	70	5 288
Africa	123	274	3	400
Australia	279	252	11	542
Total external revenues from customer contracts	**16 304**	**8 476**	**832**	**25 612**
2019				
Geographic distribution of external revenues from customer contracts				
Norway	2 586	1 428	334	4 348
Europe	5 163	1 405	163	6 731
America	2 091	3 036	184	5 311
South America	276	7	45	328
Asia	4 719	769	56	5 544
Africa	101	470	10	581
Australia	246	122	34	402
Total external revenues from customer contracts	**15 182**	**7 237**	**826**	**23 245**

Contract balances

Specification of net contract balances [1)]

MNOK	*31 Dec 20*	*31 Dec 19*
Customer contracts in progress	1 824	2 821
Prepayments received from customers	(9 287)	(8 454)
Accrued assets, customer contracts	4 575	3 781
Accrued liabilities, customer contracts	(2 545)	(2 741)
Net contract balances	**(5 433)**	**(4 593)**

MNOK	*31 Dec 20*	*31 Dec 19*
Customer contracts, assets	5 784	5 888
Customer contracts, liabilities	(11 217)	(10 481)
Net contract balances	**(5 433)**	**(4 593)**

1) The table above on the left shows the gross amounts before netting between the income- and the expense side of the customer contracts. The numbers as of 31 December 20 are reclassified amongst the lines.
The table above to the right shows balance sheet items for each customer contract, with the exception of trade receivables netted and presented on the corresponding balance sheet line. Each contract is represented by one debit or one credit amount.

Contract balances

"Customer contracts, assets"

"Customer contracts, assets" primarily consists of completed, non-invoiced work and accrued assets related to customer contracts. Accrued assets include components which are to be used in customer contracts, but which have not yet been installed in the projects, prepayments to suppliers and cost accruals.

"Customer contracts, liabilities"

For many customer contracts, advances are agreed with customers or invoicing takes place in accordance with a payment schedule before control is transferred to the customer.

This is presented as an advance from the customer and is recognised under "Customer contracts, liabilities". "Customer contracts, liabilities" will also arise as a result of cost accruals under the contracts. Included in the cost accrual are provisions for onerous contracts.

Advances totalling almost NOK 4.5 billion registered in the opening balance were recognised as income during the 2020 financial year.

Revenue recognition from customer contracts includes:

MNOK	*31 Dec 20*	*31 Dec 19*
Prepayments from customers included in customer contracts, obligations at the beginning of the year and which are recognised as income in the fiscal year	4 471	2 917
Revenue from performance obligations completed before the financial year	-	(4)

Estimate uncertainty related to customer contracts

The recognition of customer contracts is associated with uncertainty as regards the determination of the type of performance obligation and the transaction price. The type of performance obligation will impact on the timing of revenue recognition, while in cases where the transaction price must be estimated, estimates will impact on the size of the consideration that is to be recognised as revenue. Contract revenue is normally in accordance with the agreement. Variable considerations and financial penalties for delays can impact on the transaction price, but are rare. Uncertainty related to the probability that variable considerations or financial penalties for delays will occur and also regards the estimation of the magnitude of these.

For performance obligations that are recognised as revenue over time, revenue recognition will take place in line with estimated progress. Progress of completion is normally calculated on the basis of costs incurred compared to total expected costs or incurred hours measured against the expected time consumption. Expected total costs are estimated, based on a combination of experience-based estimates, systematic estimation procedures and follow-up of efficiency metrics and good judgement. Normally, a high proportion of the total costs will relate to the number of hours remaining that employees must spend developing or completing the project. Uncertainty in the estimates is affected by the project's duration and technical complexity. Principles have been established for categorising projects in terms of technological complexity and degree of development. This forms the basis for an assessment of risk and recognition of revenue in the projects.

10 SHARES IN JOINT ARRANGEMENTS AND ASSOCIATED COMPANIES

KONGSBERG has investments in Associated Companies. Based on the business size and strategic importance for KONGSBERG, Patria Oyj and Kongsberg Satellite Service AS are specifised in more details below.

	2020				2019			
MNOK	*Patria Oyj*	*Kongsberg Satellite Services*	*Others*	*Total*	*Patria Oyj*	*Kongsberg Satellite Services*	*Others*	*Total*
Net holding 1 January	2 656	492	100	3 247	2 807	437	156	3 400
Acquisitions/sale during the period	-	-	10	10	(31)	-	-	(31)
Share of net income during the period [1)]	108	120	(42)	186	(35)	112	(56)	21
Dividends received	(75)	(55)	-	(130)	(68)	(55)	(1)	(124)
Other and comprehensive income during the period	152 [2]	-	-	152	(18)	(2)	-	(20)
Net holding 31 December	**2 841**	**557**	**68**	**3 465**	**2 656**	**492**	**100**	**3 247**

1) The share of net income is after tax and amortisation of excess values. The share of net income from Patria includes amortisations of MNOK 25 (MNOK 27 in 2019).
2) Other items are translation differences mainly related to translation differences of excess values.

Investments in Associated Companies pr. 31 December 2020 includes goodwill and other excess value of MNOK 284 and MNOK 54 (MNOK 267 and MNOK 76 pr. 31 December 2019).

The table below shows assets, liablilities and profit and loss for Patria Oyj and Kongsberg Satelitte Service AS per 100 per cent basis.

	Patria Oyj		Kongsberg Satellite Services AS	
Location	*Helsinki, Finland*		*Tromsø, Norway*	
Ownership per cent	*49.9%*		*50.0%*	
	MEUR		*MNOK*	
	2020	*2019*	*2020*	*2019*
Operation Revenues	534	508	1 034	928
Earnings after tax	34	5	239	224
Majoritys share of the result	27	(1)	239	224
Non-current assets	389	368	1 088	961
Current assets	306	284	784	322
Long-term liabilities	138	104	39	37
Short-term liabilities	306	309	686	240

Patria is Finland's leading supplier of defence maintenance services and covers all defence aspects within MRO (Maintenance, Repair and Overhaul). Patria is an international organisation with approximately 3,000 employees and owns 50 per cent of the shares in Nammo. The headquarter is located in Helsinki and Patria is owned by the Finish State (50.1 per cent) and KONGSBERG (49.9 per cent).

Kongsberg Satellite Services (KSAT) a world-leading supplier of communication services for spacecraft and launch platforms and advanced monitoring services via satellites. In addition KSAT deliver services within among others environment, safety and climate control based on satellitedata from the traditional space programmes and also satellite constellations within New Space segments. KSAT has 250 employees and its headquarter is located in Tromsø. The company is owned by KONGSBERG (50 per cent) and Space Norway (50 per cent) which is owned by the Norwegian State.

Share of net income and dividend from associated companies per business area

	Share of net income		Dividend	
MNOK	*2020*	*2019*	*2020*	*2019*
KM	-	-	-	-
KDA	206	34	130	123
Other	(20)	(13)	-	-
Group	**186**	**21**	**130**	**123**

11 INVENTORIES

The Group's total inventories include the following:

MNOK	*31 Dec 20*	*31 Dec 19*
Raw materials	2 188	2 156
Work in progress	500	405
Finished products	1 444	1 403
Total	**4 133**	**3 964**
Recognised changes in value for inventories	**95**	**67**
Total cost of goods in year amounts to	**8 850**	**8 969**

Estimation uncertainty

Inventories are measured at the lowest of acquisition cost and net realisable value. Judgement is used when assessing net sales value. Market conditions and technical condition are taken into consideration, amongst other things, for the assessments.

12 PERSONNEL EXPENSES

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

MNOK	*Note*	*2020*	*2019*
Salaries		7 472	6 707
Employer's National Insurance contributions on salaries		958	922
Pension expenses, defined benefit plan	13	57	17
Pension expenses, defined contribution pension schemes	13	625	533
Other benefits [1]		399	413
Total personnel expenses		**9 511**	**8 591**
Average no. of FTEs (full-time equivalents)		**10 554**	**9 472**

1) Other benefits in 2019 are increased as a result of reclassification from other operating expenses to personnel expenses

13 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 plans include all employees of the Group in Norway. As of 31.12.20, approximately 6,978 employees in Norway are covered by the plan. KONGSBERG aims to ensure that as many of its employees as possible outside Norway are also covered by service pension plans.

Defined contribution pension scheme (ITP)

The Group have a defined contribution pension scheme for all employees in Norway with some exeptions. The contribution rates are 5 per cent of salary up to 7.1G, and 11 per cent of salary from 7.1G up to 12G.

The employees can influence the way the funds are managed by choosing between three investment options; with either 50, 80 or 100 per cent of their shares in the portfolio. The Group also has a collective, unfunded contribution plan for salaries between 12G and 15G. The Group's deposits in this plan is 18 per cent of the portion of the base salary that exceeds 12G, up to a ceiling of 15G. Special terms and conditions apply for executives. This is described in Note 29 "Statement on the Group CEO and Executive Management remuneration". The unfunded scheme has been closed for new members since 2015. The supplementary plan has the same investment choices as the main plan. KONGSBERG's companies abroad generally have defined contribution plans. As of 31 December 2020, approximately 6,658 employees in Norway and the majority of the employees abroad were covered by these plans. The contributions are expensed as incurred.

The defined benefit plan (YTP)

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. Given a calculated state pension based on the Norwegian National Insurance Scheme's rules before 1 January 2011 and full earning, the scheme provides approx. 65 per cent of the final salary including National Insurance benefits until the age of 77, after which the service pension section is 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 base salary 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 29 "Statement on the Group CEO and Executive management remuneration". These supplementary plans were discontinued in connection with the transition to defined contribution pension schemes.

In addition the Group also has a collective defined pension plan for white collar employees in Sweden born before 1979. The pension benefits are defined by the number of contribution years and the salary level of the individual employee. The employees earn pension on Swedish income base amounts between 0 and 30.

Risk coverage

Disability pension from the Group will provide an addition to the estimated disability benefits from national insurance. National insurance will cover 66 per cent of the pension basis up to 6G, while the Group plan covers 66 per cent of the pension basis between 6G and 12G. The Group plan also provides an additional 3 per cent of the pension basis from 0G to 12G, a pay increase of 25 per cent of G and any child supplement of 4 per cent per child (maximum 3 children). The disability pension is a one-year risk cover and the premiums will be expensed as they accrue. The risk pensions are unfunded for the share of salary that exceeds 12G. In practice this implies that KONGSBERG is self-insurer for the risk pension for future periods. The unfunded scheme has been closed for new members since 2015.

Early retirement

A few years ago, it was decided that the Group would no longer offer early retirement schemes for senior executives. The Group still has outstanding obligations related to such early retirement pension agreements for a few people.

Pension assumptions

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

Economic assumptions	*31 Dec 20*	*31 Dec 19*
Discount rate, Norway	1.3%-1.50 %	2.10-2.20 %
Discount rate, Sweden	1.10%	1.30%
Wage adjustment	1.25%	1.50%
Pension base level (G) adjustment	1.75%	2.00%
Pension adjustment	1.00%	1.25%

Other Norwegian assumptions	*31 Dec 20*	*31 Dec 19*
Mortality	K2013	K2013
Disability	IR 73	IR 73
Voluntary turnover	4.5% for all ages	4.5% for all ages

The year's pension costs were calculated as follows:

MNOK	*2020*	*2019*
Costs, defined benefit plans	57	17
Costs of defined contribution plans in Norway	467	411
Costs of defined contribution plans abroad	158	129

Net interests costs are classified as finance expenses. Costs for defined benefit plans in 2019 include a gain on the pension scheme settlement of MNOK 34.

Change in net pension liabilities recognised in the statement of financial position

	2020			2019		
MNOK	*Funded*	*Unfunded*	*Total*	*Funded*	*Unfunded*	*Total*
Changes in gross pension liabilities						
Gross pension liabilities as of 1 January	2 023	667	2 690	1 613	334	1 947
Additions through acquisition			-	461	309	770
Present value of current year's contribution	19	21	40	18	15	33
Interest expenses on pension liabilities	42	11	53	48	10	58
Actuarial losses/gains	196	(48)	148	15	52	67
Settlement of pension scheme			-	(30)		(30)
Payments of pensions/paid-up policies	(131)	(50)	(181)	(113)	(51)	(164)
Net change in social security expenses	25	(9)	16	11	(2)	9
Translation differences		41	41			
Gross pension liabilities as of 31 December	**2 174**	**634**	**2 808**	**2 023**	**667**	**2 690**
Changes in gross pension fund assets						
Fair value, pension plan assets as of 1 January	1 716		1 716	1 409		1 409
Additions through acquisition			-	358		358
Expected return on pension funds	37		37	42		42
Actuarial losses/gains	3		3	(37)		(37)
Premium payments	51		51	64		64
Payments of pensions/paid-up policies	(135)		(135)	(120)		(120)
Fair value, pension plan assets as of 31 December	**1 671**	**-**	**1 671**	**1 716**	**-**	**1 716**
Net capitalised pension liabilities as of 31 December	**503**	**634**	**1 137**	**307**	**667**	**974**

The secured pension scheme is insured through an insurance company, 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 the insurance company carries the risk for the return on the pension funds. The funds have primarily been invested in bonds, with some being invested in shares and property.

Historical information

MNOK	*2020*	*2019*	*2018*	*2017*	*2016*
Gross pension liabilities as of 31 December	2 808	2 690	1 947	2 025	1 958
Fair value, pension plan assets as of 31 December	1 671	1 716	1 409	1 378	1 491
Net pension liabilities as of 31 December	**(1 137)**	**(974)**	**(538)**	**(647)**	**(467)**
Actuarial gains/losses pension liabilities as of 31 December	148	67	26	(24)	4
Actuarial gains/losses pension assets as of 31 December	3	(37)	74	(90)	22
Accumulated estimated gains/losses recognised in the statement of comprehensive income after tax	**(1 579)**	**(1 428)**	**(1 331)**	**(1 374)**	**(1 316)**
Of which, constitutes experience deviations	(972)	(926)	(881)	(928)	(943)

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 defined contribution pension scheme 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 Group's employees. For 2019, the premium was 2.5 per cent, and the same rate is set for 2020 (estimated at MNOK 110). There is no accumulation of capital in the plan and further increases in the premium level are expected over the coming years.

Other

Pension benefits depend on the number of years of service and salary level when 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, expected 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 balance sheet shows net pension liabilities including social security.

Expected pension payments within the defined benefit pension scheme are as follows:

	MNOK
2021	152
2022	159
2023	158
2024	153
2025	146
Next 5 years	663

14 PROPERTY, PLANT AND EQUIPMENT

MNOK	*Notes*	*Land*	*Buildings and other real property*	*Machinery and plant*	*Equipment and vehicles*	*Plant in progress*	*Total*
2020							
Acquisition cost							
Acquisition cost as of 1 January 2020		335	3 208	1 794	2 541	388	8 266
Reclassification		8	(5)	151	(136)	(16)	2
Adjustment according to final purchase allocation	7	-	(87)	-	11	-	(76)
Additions		9	223	162	191	(49)	536
Disposals		(1)	(18)	(88)	(252)	(8)	(367)
Discontinued operations	6	(19)	(160)	(49)	(63)	-	(291)
Translation differences		-	25	15	(3)	(1)	36
Acquisition cost as of 31 December 2020		**332**	**3 186**	**1 985**	**2 289**	**314**	**8 106**
Accumulated depreciation and impairment							
Total accumulated depreciation and impairment as of 1 January 2020		-	1 189	1 142	2 005	6	4 342
Reclassification		(4)	(5)	(4)	17		4
Depreciation for the year		-	118	176	187	-	481
Impairment for the year		-	48	1	3		52
Accumulated depreciation through disposal		(1)	(17)	(68)	(251)	-	(337)
Accumulated depreciation through discontinued operations	6	-	(23)	(39)	(34)	-	(96)
Translation differences		-	(5)	2	(2)	-	(5)
Total accumulated depreciation and impairment as of 31 December 2020		**(5)**	**1 305**	**1 210**	**1 925**	**6**	**4 441**
Carrying amount as of 31 December 2020		**337**	**1 881**	**775**	**364**	**308**	**3 665**
2019							
Acquisition cost							
Acquisition cost as of 1 January 2019		310	2 278	1 611	2 128	122	6 449
Reclassification		(2)	1		12	(2)	9
Additions through acquisition	7	16	862	80	274	63	1 295
Additions		12	51	110	152	219	544
Disposals		(1)	(21)	(14)	(38)	(14)	(88)
Translation differences		-	37	7	13	-	57
Acquisition cost as of 31 December 2019		**335**	**3 208**	**1 794**	**2 541**	**388**	**8 266**
Accumulated depreciation and impairment							
Total accumulated depreciation and impairment as of 1 January 2019		-	1 117	1 000	1 795	6	3 918
Depreciation for the year		-	74	146	220	-	440
Impairment for the year		-	1	-	17	-	18
Accumulated depreciation through disposal		-	(6)	(11)	(36)	-	(53)
Translation differences		-	3	7	9	-	19
Total accumulated depreciation and impairment as of 31 December 2019		**-**	**1 189**	**1 142**	**2 005**	**6**	**4 342**
Carrying amount as of 31 December 2019		**335**	**2 019**	**652**	**536**	**382**	**3 924**
Useful life		**N/A**	**10-33 years**	**1-10 years**	**1-10 years**		

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 assessed by judgement annually.

15 LEASES

KONGSBERG has leases which are primarily related to land and buildings, as well as leases for machinery, vehicles and equipment. The leases are hedged with the underlying asset. Many of the leases include extension options. These are included if it is reasonably certain that KONGSBERG will exercise the option. The lease conditions do not include variable rent except if the rent is dependent on any index or interest rate. The Group applies the recognition exemption to short-term leases and to leases with assets of low value. The former exemption is used for all types of leases, while the latter is primarily used for office equipment and small equipment.

MNOK	*Buildings and other real property*	*Machinery and plant*	*Total*
2020			
Acquisition cost			
1 January 2020	**2 458**	**31**	**2 489**
Additions	212	7	218
Translation differences	(2)	2	-
Acquisition cost as of 31 December 2020	**2 668**	**39**	**2 707**
Accumulated depreciation and impairment			
1 January 2020	**337**	**11**	**348**
Depreciation for the year	398	13	411
Translation differences	(17)		(17)
Total accumulated depreciation and impairment as of 31 December 2020	**718**	**24**	**742**
Carrying amount as of 31 December 2020	**1 950**	**15**	**1 965**
2019			
Acquisition cost			
1 January 2019	**1 605**	**10**	**1 615**
Additions through acquisition	674	21	695
Additions	179		179
Acquisition cost as of 31 December 2020	**2 458**	**31**	**2 489**
Accumulated depreciaton and impairment			
1 January 2019			
Depreciation for the year	337	11	348
Total accumulated depreciation and impairment as of 31 December 2020	**337**	**11**	**348**
Carrying amount as of 31 December 2020	**2 121**	**20**	**2 141**
Lease term	**1-21 years**	**1-5 years**	
Depreciation period	**Linear**	**Linear**	

Leasing liabilities

MNOK	*31 Dec 20*	*31 Dec 19*
Opening balance	2 198	1 615
Additions through acquisition		695
Additions	218	179
Interest on leasing liabilities	142	131
Lease payments	(484)	(423)
Translation differences	17	-
Carrying amount as of 31 December	**2 092**	**2 198**
Current leasing liabilities	339	348
Long-term leasing liabilities	1 753	1 850

See Note 26 "Provisions" regarding non-current liabilities associated with properties that have been sold and leased back. The total outgoing cash flows for leases was MNOK 545 (MNOK 492) in 2020.

Recognised in the income statement

MNOK	*2020*	*2019*
Depreciation on leases during the year	411	348
Interest expense on leasing liabilities	142	131
Costs related to short-term leases and leases on assets of low value	61	69
Total recognised in profit/loss	**614**	**548**

For information on due dates for lease payments, see Note 23 E).

KONGSBERG has a number of leases which include extension options. These options have been negotiated to secure flexibility as regards the handling of the lease portfolio according to KONGSBERG's ongoing needs. The options are included if it is reasonably certain that KONGSBERG will exercise the option.

16 INTANGIBLE ASSETS

MNOK	*Note*	*Goodwill*	*Technology*	*Capitalised internal development*	*Other intangible assets*	*Total*
2020						
Acquisition cost						
Acquisition cost as of 1 January 2020		5 175	1 452	1 447	795	8 869
Reclassification		-	-	(6)	-	(6)
Adjustment according to final purchase allocation	7	(298)	-	-	-	(298)
Additions through acquisition		15	12	-	16	43
Additions		-	-	223	1	224
Disposals discontinued operations	6	(842)	(254)	-	(34)	(1 130)
Translation differences		(4)	(3)	-	-	(7)
Acquisition cost as of 31 December 2020		**4 046**	**1 207**	**1 664**	**778**	**7 695**
Accumulated amortisation and impairment						
Total accumulated amortisation and impairment as of 1 January 2020		903	737	493	249	2 382
Amortisation		-	79	96	164	339
Impairment		-	-	60	-	60
Disposals discontinued operations	6	-	(254)	-	(26)	(280)
Translation differences		-	(2)	-	-	(2)
Total accumulated amortisation and impairment as of 31 December 2020		**903**	**560**	**649**	**387**	**2 499**
Carrying amount as of 31 December 2020		**3 143**	**647**	**1 015**	**391**	**5 196**
2019						
Acquisition cost						
Acquisition cost as of 1 January 2019		2 923	669	1 275	109	4 976
Additions through acquisition	7	2 272	769	-	684	3 725
Additions		-	-	173	1	174
Disposals		(29)	-	(1)	-	(30)
Translation differences		9	14	-	1	24
Acquisition cost as of 31 December 2019		**5 175**	**1 452**	**1 447**	**795**	**8 869**
Accumulated amortisation and impairment						
Total accumulated amortisation and impairment as of 1 January 2019		912	664	411	100	2 087
Amortisation		-	58	83	149	290
Disposals		(9)	-	(1)	-	(10)
Translation differences		-	15	-	-	15
Total accumulated amortisation and impairment as of 31 December 2019		**903**	**737**	**493**	**249**	**2 382**
Carrying amount as of 31 December 2019		**4 272**	**715**	**954**	**546**	**6 487**
Useful life			**1-10 years**	**1-10 years**	**1-10 years**	

With the exception of goodwill, which cannot be amortised, the amortisation of intangible assets is linear with useful life. The amortisation starts when the intangible asset is available for use.

Product maintenance, research and development recognised in profit and loss

MNOK	2020 Product Maintenance	2020 Research and development costs	2020 Total	2019 Product Maintenance	2019 Research and development costs	2019 Total
Kongsberg Maritime	366	784	1 150	398	691	1 089
Kongsberg Defence & Aerospace	36	96	132	39	92	131
Other	12	59	71	23	67	90
Total	**414**	**939**	**1 353**	**460**	**850**	**1 310**

Capitalisation of development projects

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

Internally financed development projects at Kongsberg Maritime mainly contain many projects with limited total scope and, to a great extent, the development of existing technology. Many of these development projects are not considered to be eligible for capitalisation. Several of the projects also entail considerable uncertainty about whether they are technologically feasible and how the final solution will turn out. Normally, the criteria for capitalisation will not be satisfied until fairly late in the development project.

The business area Kongsberg Defence & Aerospace has the largest share of capitalised internal development projects in KONGSBERG. About MNOK 750 of the book balance is related to internally developed technology in this business area. This includes technology associated to weapon stations, missile systems, control systems and communication equipment.

Estimation uncertainty

Capitalised development costs are amortised according to the estimated lifetime. Estimated lifetime may change over time. This is 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 of goodwill. Regarding estimate uncertainty associated with this matter, see Note 17 "Impairment testing of goodwill".

17 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 8 "Operating segments".

Goodwill is allocated to the operating segments as follows:

MNOK	31 Dec 20	31 Dec 19
Kongsberg Maritime [1]	2 868	4 012
Kongsberg Defence & Aerospace	174	174
Other [2]	101	86
Total goodwill in balance sheet	**3 143**	**4 272**

1) The reduction of goodwill in Kongsberg Maritime is a result of PPA adjustments related to the final purchase price allocation from the purchase of CM, in addition to disposal of business. See Note 6, 7 and 16 for more information.
2) Goodwill from others is connected to Kongsberg Digital.

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 executive management and Board. 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 and 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 profit margin is reviewed for each of the cash flow-generating entities that are based on expectations of future development. This gives the Group good prospects for order intake, especially within the defence segment, and is a solid basis for long-term growth. The major restructurings that have been carried out are expected to contribute to increased profitability for the Group as a whole. The explicit 5-year period is based on moderate growth in both Kongsberg Maritime and Kongsberg Defence & Aerospace.

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 & Aerospace*	*Other*
Discount rate before tax	7.12	5.72	7.05
Discount rate after tax	6.09	4.79	6.09
Long-term nominal growth rate	2.00	2.00	2.00
Inflation	2.00	2.00	2.00

Sensitivity analysis

In connection with impairment tests of goodwill, sensitivity analyses are carried out for each individual cash generating unit.

For both Kongsberg Maritime and Kongsberg Defence & Aerospace, there will not be an impairment situation before relatively large changes in the key assumptions, and these changes are considered to be outside the reasonable outcome.

Estimation uncertainty

There will always be uncertainty related to the estimate of value in use. The assessments are based on key assumptions as described above, and are to a large degree influenced by market data for comparable companies, interest rates and other risk conditions. These calculations are based on discounted future cash flows, in which judgement was used as regards future profit and operation.

Significant changes in the cash flows may affect the value of goodwill.

18 FINANCIAL INCOME AND FINANCIAL EXPENSES

MNOK	*Note*	*2020*	*2019*
Interest income from assets at amortised cost		58	86
Foreign exchange gain		42	48
Other financial income		3	4
Financial income		**103**	**138**
Interest expense from liabilities at amortised cost		99	121
Foreign exchange loss		60	69
Discounts of non-current provisions		-	2
Other financial expenses		37	32
Financial expenses		**196**	**224**
Interest on leasing liabilities	15	**142**	**131**
Net finance item recognised in income statement		**(235)**	**(216)**

19 INCOME TAX

Income tax expense

MNOK	*2020*	*2019*
Current tax on profits for the year (incl WHT)	175	165
Adjustment in respect of prior years - current tax	(7)	-
Total current income tax	**168**	**165**
Current year change in deferred tax	202	85
Adjustment in respect of prior periods	5	-
Total deferred income tax	**207**	**85**
Total income tax	**374**	**250**

Change in deferred tax recognised in other comprehensive income

MNOK	*2020*	*2019*
Tax (expense)/ credit on cash flow hedges	(26)	(26)
Tax (expense)/ credit on pension	(37)	(15)
Tax (expense)/credit in other comprehensive income	**(63)**	**(41)**

Effective tax rate

The table below reconcile the reported income tax expenses to the tax expenses if the tax rate of 22 per cent in Norway was applied:

	2020		2019	
	MNOK	*Per cent*	*MNOK*	*Per cent*
Earnings before tax	**1 855**		**967** [1]	
Expected tax calculated at Norwegian tax rate of 22%	408	22.0%	213	22.0%
Tax effects of				
Impact of change in tax rate	(1)	0.0%	-	
Tax on revaluation of internal loan	87	4.7%	-	
Adjustments in respect of prior years	(2)	(0.1%)	-	
Previously unrecognised tax losses used to reduce payable tax	(188)	(10.1%)	-	
Tax effect on net income from joint arrangements and associated companies	(41)	(2.2%)	(5)	(0.5%)
Effect of different tax rates abroad	25	1.4%	-	
Effect of withholding tax	34	1.9%	48	5.0%
Other permanent differences	51	2.7%	(6)	(0.6%)
Income tax expense and effective tax rate	**374**	**20.2%**	**250**	**25.8%**

1) Earnings before tax includes discontinued operations.

Taxes paid

MNOK	*Note*	*Total*	*Norway*	*Abroad*
Corporate income tax		133	-	133
Taxes paid from sale of Hydroid	6	574		574
Withholding tax		33	32	-
Total 2020		**739**	**32**	**707**
Corporate income tax		110	1	109
Withholding tax		49		49
Total 2019		**159**	**1**	**158**

Recognized deferred tax assets and liabilities

MNOK	*Opening Balance*	*Tax recognised in income statement*	*Changes in tax rate*	*Acquistions/ Disposals*	*Tax recognised in total compre-hensive income*	*Foreign exchange and reclas-sifications*	*Closing Balance*
Property, plant and equipment	(180)	(43)	1	54	-	148	(20)
Intangibles	(55)	91	-	(319)	-	40	(243)
Pension	170	(43)	-	35	37	8	207
Provisions / currency	137	137	-	8	-	-	282
Losses carried forward	392	(427)	-	524	-	(98)	392
Derivatives assets	109	103	-	-	-	-	212
Derivatives liability	(83)	(63)	-	-	26	-	(120)
Contracts under construction	(1 673)	23	-	-	-	-	(1 650)
Carried forward interest deductions	-	15	-	-	-	37	52
Net deferred tax assets / (Liability)	**(1 183)**	**(207)**	**1**	**303**	**63**	**135**	**(888)**

Customer contracts / temporary differences

For customer contracts that are recognised over time, fiscal revenue recognition will occur when the control and risk 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

MNOK	*31 Dec 20*	*31 Dec 19*
Deferred tax asset	306	167
Deferred tax liability	(1 194)	(1 350)
Net deferred tax	**(888)**	**(1 183)**

Unrecognized Deferred Tax Assets

MNOK	*31 Dec 20*	*31 Dec 19*
Unrecognized tax loss carry-forward	227	712
Unrecognized other tax assets	19	
Total not recognized	**246**	**712**

Tax loss carry-forwards (gross amounts)

MNOK	*Norge*	*Europe*	*Other*	*Total*
Less than five years			47	47
5-10 years			2	2
10-20 years			9	9
Without time limit	2 594	103	8	2 705
Total	**2 594**	**103**	**67**	**2 764**

The tax losses carried-forward relate to tax losses in previous years that can be used as tax credits in payable taxes in the future.

20 EARNINGS PER SHARE

MNOK	*2020*	*2019*
Earnings attributable to the ordinary shareholders		
Earnings after tax from continuing operations	1 481	596
Earnings after tax from discontinued operations	1 451	121
Earnings after tax	2 932	717
Non-controlling interests' share of the result	(41)	(17)
Earnings for the year/diluted earnings attributable to the ordinary shareholders	**2 891**	**700**

Number of shares	*Note*	*2020*	*2019*
Average number of shares outstanding as of 1 January	25	179.97	179.97
Average number of shares as of 31 December	25	179.80	179.97

NOK	*2020*	*2019*
Earnings per share from continuing operations	8.01	3.22
Earnings per share from discontinued operations	8.01	3.22
Earnings per share from discontinued operations	8.07	0.67
Earnings per share from discontinued operations, diluted	8.07	0.67
Earnings for the year per share	16.08	3.89
Earnings per share for the year, diluted	16.08	3.89

21 OTHER NON-CURRENT ASSETS

MNOK	*31 Dec 20*	*31 Dec 19*
Shares at fair value through profit and loss	24	26
Loans to employees	14	12
Prepaid land rental	-	16
Long-term loans to customers	40	97
Long-term loans, associated companies	51	29
Other non-current assets	79	34
Total other non-current assets	**209**	**213**

22 RECEIVABLES AND CREDIT RISK

Credit risk

Exposure to credit risk
For an explanation of KONGSBERG's credit risk and the handling of this, see Note 5 "Management of capital and financial risk".
Carrying value of financial assets represents the maximum credit exposure:

MNOK	*Note*	*31 Dec 20*	*31 Dec 19*
Trade receivable		6 023	6 783
Other short-term receivables		580	598
Customer contracts in progress [1]	9	1 824	2 821
Other non-current assets	21	209	213
Cash and cash equivalents	24	7 420	5 654
Forward contracts and interest rate swaps are used as currency hedging	23 A	964	376
Total exposure to credit risk		**17 020**	**16 445**

1) A reckassification is made in the consolidated statement of financial position as of 31 December 2019 between other short-term receivables and other current liabilities.

MNOK	*Note*	*31 Dec 20*	*31 Dec 19*
Trade receivables		6 023	6 783
Provision for bad debts		(481)	(420)
Net trade receivables		**5 542**	**6 363**

Trade receivables distributed by region

MNOK	*31 Dec 20*	*31 Dec 19*
Norway	901	1 117
Europe	2 072	1 551
North America	1 355	2 483
South America	162	178
Asia	1 056	1 001
Other countries	479	452
Total	**6 023**	**6 783**

Trade receivables distributed by customer type

MNOK	*31 Dec 20*	*31 Dec 19*
Public	1 830	1 266
Private	4 193	5 517
Total	**6 023**	**6 783**

Credit exposure on the Group trade receivables

	31 Dec 20		*31 Dec 19*	
MNOK	*Gross*	*Provision for bad debts*	*Gross*	*Provision for bad debts*
Not due	3 636	(4)	4 159	(5)
Due 1–30 days	921	(7)	810	(6)
Due 31-90 days	480	(8)	527	(14)
Due 91-180 days	182	(20)	690	(60)
Due more than 180 days	805	(442)	597	(334)
Total	**6 023**	**(481)**	**6 783**	**(420)**

Changes in provision for bad debts

MNOK	*31 Dec 20*	*31 Dec 19*
Provisions as of 1 January	(420)	(199)
Adjustment to opening balance	(7)	-
Additions through acquisition	-	(177)
Actual losses	29	51
Allocation	(139)	(98)
Dissolved	56	3
Provision as of 31 December	**(481)**	**(420)**

Estimation uncertainty

The provision for bad debts is determined by an assessment of the probability of loss on a receivable or a group of receivables. Judgement and assumptions that can change over time are applied for the assessments. The provision for bad debts is, to a large degree, influenced by the market situation and the financial standing of the counterparty.

23 FINANCIAL INSTRUMENTS

For definitions of financial instruments, please see Note 3 J "Financial instruments".

A) Fair value, derivatives

MNOK	*Note*	*31 Dec 20*	*31 Dec 19*
Current assets			
Forward exchange contracts, cash flow hedges	23 C	23	44
Forward exchange contracts, fair value hedges		924	332
Currency options		17	-
Total derivatives, current assets		**964**	**376**
Current liabilities			
Forward exchange contracts, cash flow hedges	23 C	101	55
Forward exchange contracts, fair value hedges		295	374
Basis swaps		144	64
Currency options		6	-
Total derivatives, current liabilities		**546**	**493**

B) Currency risk and currency hedging

KONGSBERG's currency risk and currency risk management are described in Note 5 "Management of capital and financial risk". Forward exchange contracts as fair value hedges shall hedge contractual currency flows. This means that the forward exchange contracts hedge capitalised receivables and outstanding invoicing on committed contracts in currencies other than the exposed unit's functional currency. KONGSBERG is exposed to multiple currencies, but these are less significant compared to the exposure in USD, EUR and partially GBP versus NOK.

	Average exchange rate		Spot rate as of 31 Dec	
	2020	*2019*	*2020*	*2019*
USD	9.40	8.80	8.58	8.78
EUR	10.76	9.85	10.48	9.84
GBP	12.12	11.24	11.73	11.64

Currency hedging
As of 31 December, the group had the following hedges of net sales in foreign currencies, listed by hedge category:

	2020							
Amounts in million	*Value in NOK on agreed rates*	*Fair value in NOK 31 Dec 20*	*Total hedged amount in USD 31 Dec 20*	*Average hedged rate in USD 31 Dec 20*[1)]	*Total hedged amount in EUR 31 Dec 20*	*Average hedged rate in EUR 31 Dec 20*	*Total hedged amount in GBP 31 Dec 20*	*Average hedged rate in GBP 31 Dec 20*
Hedge category								
Forward exchange contracts, cash flow hedges	(722)	(78)	(10)	15.38	(45)	10.80	-	-
Forward exchange contracts, fair value hedges	17 904	629	1 151	8.94	541	10.79	110	12.04
Total	**17 182**	**551**	**1 141**		**496**		**110**	

1) Average hedged rate in USD is influenced by the presentation of net figures. Average hedged rate for gross outflow and gross income is 9.08 and 8.71, respectively.

	2019							
Amounts in million	*Value in NOK on agreed rates*	*Fair value in NOK 31 Dec 19*	*Total hedged amount in USD 31 Dec 19*	*Average hedged rate in USD 31 Dec 19*	*Total hedged amount in EUR 31 Dec 19*	*Average hedged rate in EUR 31 Dec 19*	*Total hedged amount in GBP 31 Dec 19*	*Average hedged rate in GBP 31 Dec 19*
Hedge category								
Forward exchange contracts, cash flow hedges	229	(11)	97	8.81	(59)	10.16	-	-
Forward exchange contracts, fair value hedges	15 779	(42)	1 501	8.75	218	10.06	34	11.59
Total	**16 008**	**(53)**	**1 598**		**159**		**34**	

Fair value is referring to the net present value of the variance between the revaluated forward rate at 31 December and the forward rate at the time of entering the forward exchange contract. Values in the table related to value in NOK on agreed rates and fair value in NOK also include other currencies.

Due date profile, hedges

As of 31 December, the group had the following hedges of net sales in foreign currencies, listed by hedge category:

Amounts in million	*Nominal currency amount*	*Due in 2021*	*Due in 2022 or later*
Hedge category			
Forward exchange contracts, cash flow hedges			
USD	(10)	(48)	38
EUR	(45)	(38)	(7)
Forward exchange contracts, fair value hedges			
USD	1 151	810	341
EUR	541	302	239
GBP	110	31	79

Hedge ineffectiveness

Ineffective fair value hedges may occur due to changes in milestones for currency inflow or outflow. This is intercepted through normal operating routines, and opposite foreign exchange transactions are carried out to reduce the currency risk and maintain hedge effectiveness. Ineffective cash flow hedges may occur if the highly probable transaction hedged as a cash flow hedge fail to occur as originally planned.

As of 31 December, the group had recognised the following amounts as hedge ineffectiveness through profit and loss, listed by hedge category:

MNOK	*2020*	*2019*
Hedge category		
Forward exchange contracts, cash flow hedges [1]	32	-
Forward exchange contracts, fair value hedges [2]	-	-
Total	**32**	**-**

1) Changes in fair value for hedge effective cash flow hedges are recognised in other comprehensive income. Any hedge ineffectiveness will be recognised through profit and loss.
2) The total change in value of hedged projects is MNOK 671 during 2020 (MNOK 322 in 2019). Derivatives used for hedging projects do at 100 per cent hedge effectiveness carry the equivalent negative value through the year. Changes in fair value is recognised in accounts receivable and as construction contracts in progress (assets and liabilities).

Currency options

As of 31 December 2020, KONGSBERG recognised currency options with a gross amount of MNOK 17 to current assets and currency options with a gross amount of MNOK 6 to current liabilities. As of 31 December 2019, the group had no currency options, and the equivalent values were 0. Changes in fair value of the currency options are recognised in other comprehensive income.

Basis swaps

Subsequent to the acquisition of shares in Patria Oyj in 2016 (cost price of MEUR 284.9), basis swaps totalling to MEUR 130 were entered in order to partially hedge a net investment in a foreign entity. These basis swaps had a fair value of MNOK -144 as of 31 December 2020 (MNOK -64 as of 31 December 2019). Changes in fair value of the basis swaps are recognised in other comprehensive income.

Sensitivity analysis

A weakening of the NOK against the USD and EUR as of 31 December of 10 per cent would have increased other comprehensive income by the amounts listed in the table.

Estimated effect on other comprehensive income (after tax):

MNOK	*31 Dec 20*	*31 Dec 19*
Forward exchange contracts in USD	(7)	66
Forward exchange contracts in EUR	(37)	(45)
Total	**(44)**	**21**

Given hedge effective cash flow hedges, the full effect of any currency rate fluctuations will 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 effective. The currency hedging strategy of KONGSBERG, that generally hedges all contractual currency flows and receivables in foreign currencies, results in only minor effects on the profitability of existing contracts subsequent to any currency rate fluctuations.

C) Cash flow hedges

List of the periods in which the cash flows related to derivatives that are cash flow hedges are expected to occur:

	31 Dec 20				31 Dec 19			
MNOK	*Carrying amount*	*Expected cash flow*	*2021*	*2022 and later*	*Carrying amount*	*Expected cash flow*	*2020*	*2021 and later*
Forward exchange contracts								
Assets	23	23	21	2	44	44	44	-
Liabilities	(101)	(103)	(60)	(43)	(55)	(57)	(33)	(24)
Total	**(78)**	**(80)**	**(39)**	**(41)**	**(11)**	**(13)**	**11**	**(24)**

List of the periods in which the cash flows related to derivatives that are cash flow hedges are expected to affect results:

	31 Dec 20				31 Dec 19			
MNOK	*Carrying amount*	*Expected cash flow*	*2021*	*2022 and later*	*Carrying amount*	*Expected cash flow*	*2020*	*2021 and later*
Forward exchange contracts								
Assets	23	23	12	11	44	44	23	21
Liabilities	(101)	(103)	(52)	(51)	(55)	(57)	(29)	(28)
Total	**(78)**	**(80)**	**(40)**	**(40)**	**(11)**	**(13)**	**(6)**	**(7)**

Cash flow hedges - hedge reserve

MNOK	*2020*	*2019*
Opening balance	(166)	(75)
Changes in fair value in the period		
Forward exchange contracts and roll-over effects [1) 2)]	(118)	(194)
Interest rate swaps and basis swaps	(80)	23
Currency options	11	-
Adaptations in connection with hedge accounting in acquired companies	(19)	19
Tax on items recognised directly in other comprehensive income	26	26
Recognised gain/loss in the period		
Forward exchange contracts and effects of roll-over effects [1)]	88	35
Closing balance hedge reserve [2)]	**(258)**	**(166)**

1) Accrual occurs when cash flow hedges are realised and new forward exchange contracts, fair value hedges, are entered into for the projects (roll-over). The capitalised value associated with the rolled cash flow hedges amounts to MNOK -120 as of 31 December 2020 (MNOK -157 as of 31 December 2019).
2) The net effect from the cash flow hedges before tax that are recognised in other comprehensive income amounts to MNOK -30 in 2020 (MNOK -159 in 2019). Other comprehensive income shows a change of MNOK -118 and the difference of MNOK -88 is ascribable to a change in fair value of basis swaps with MNOK -80, change in fair value of currency options with net MNOK 11 and adaption to implementation of hedge accounting in acquired companies with MNOK -19.

If an expected project is contracted and a fair value hedge is established, the hedge reserve is recognised as transferred from other comprehensive income to the capitalised value of the hedged project. If an expected cash flow occurs and does not result in a fair value hedge, the hedge reserve is recognised in the income statement at the same time as the hedged transactions.

In 2020, MNOK 32 (MNOK 0 in 2019) were recognised in the ordinary result, related to ineffective cash flow hedges. Hedge ineffectiveness from cash flow hedges will be recognised as part of the item "recognised gain/loss in the period" in the table above.

D) Interest rate risk on loans

	2020			2019	
MNOK	*Due date*	*Nominal interest rate*	*Carrrying amount* [1]	*Nominal interest rate*	*Carrrying amount* [1]
Long-term loans					
Bond issue KOG08 - floating interest rate			-	3.09%	1 000
Bond issue KOG09 - fixed interest rate	2 Jun 26	3.20%	1 000	3.20%	1 000
Bond issue KOG11 - fixed interest rate	5 Dec 23	2.90%	450	2.90%	450
Bond issue KOG12 - floating interest rate			-	2.70%	500
Bond issue KOG13 - floating interest rate	6 Jun 24	1.55%	500	3.02%	500
Other long-term loans [2]			21		19
Total long-term loans			**1 971**		**3 469**
Short-term loans					
Bond issue KOG08 - floating interest rate [3]	2 Jun 21	1.61%	1 000		-
Bond issue KOG12 - floating interest rate [3]	6 Dec 21	1.23%	500		-
Bond issue KOG10 - floating interest rate [4]			-	2.74%	550
Other short-term loans			-		70
Total short-term loans			**1 500**		**620**
Total interest-bearing loans			**3 471**		**4 089**

MNOK	*Due date*	*Nominal amount*	*Nominal amount*
Syndicated credit facility (unutilised borrowing limit)	15 Mar 23	2 300	2 300
Overdraft facility (unutilised)		500	500

1) Value is equal to nominal amount. For long-term bond loans, the carrying amount is equal to the nominal amount.
2) "Other long-term loans" consists of minor loans in some of the Group's subsidiaries.
3) The bond issue KOG08 was reclassificated to short-term loans at 30 June 2020, while the bond issue KOG12 was reclassified to short-term loans at 31 December 2020.
4) The bond issue KOG10 was repaid at due date 5 March 2020.

Kongsberg Gruppen ASA has a syndicated credit facility with Danske Bank, DNB, JP Morgan, Nordea and SEB. The credit facility is for general corporate purposes, and has an applicable Termination Date 15 March 2023. The interest rate is 3M NIBOR + a margin that depends on the ratio of net interest-bearing debt/EBITDA and can vary from 0.55 per cent to 2 per cent. The credit facility requires that net interest-bearing debt does not exceed 4 times EBITDA, but can be up to 4.5 times EBITDA for a maximum of four quarters, of which three quarters may be consecutive. The covenants in the loan agreements have been met. The facility was unutilised as of 31 December 2020.

Kongsberg Gruppen ASA held five bond loans at the end of 2020. The bond loans were issued in Norwegian kroner and listed on the Oslo Stock Exchange. The interest rate terms on loans with floating rates are 3M NIBOR with a margin of + 1.25 per cent for KOG08, + 0.88 per cent for KOG12 and + 1.20 per cent for KOG13. The fixed interest rates are 3.20 per cent for KOG09 and 2.90 per cent for KOG11.

The Group holds an overdraft facility of MNOK 500. As of 31 December 2020, this remains unutilised.

As of 31 December 2020, the Group has no interest rate swaps.

Sensitivity analysis interest rate risk
Simulated annual effect on net income of an interest rate increase of 50 bp in NIBOR:

MNOK	*31 Dec 20*	*31 Dec 19*
Investments with floating interest rates	37	28
Variable interest rate loans	(10)	(13)
Cash flow sensitivity (net)	**27**	**15**

E) Liquidity risk

The table shows due dates in accordance with the contract for financial liabilities, including interest payments. Liabilities such as government fees and taxes are not financial liabilities and are therefore not included. The same applies to prepayments by customers and project accruals.

	31 Dec 20						
MNOK	*Carrying amount*	*Contractual cash flows*	*2021*	*2022*	*2023*	*2024*	*2025 and later*
Financial liabilities that are not derivatives							
Unhedged bond issues	3 450	(3 669)	(1 565)	(53)	(502)	(535)	(1 013)
Leasing liabilities	2 092	(2 638)	(469)	(444)	(413)	(327)	(985)
Other loans and long-term liabilities	21	(21)	-	-	-	-	(21)
Accounts payable	1 801	(1 801)	(1 801)	-	-	-	-
Financial liabilities that are derivatives							
Currency derivatives	396	(401)	(252)	(91)	(49)	(7)	(3)
Basis swaps	144	(144)	(144)	-	-	-	-
Currency options	6	(6)	(6)	-	-	-	-
Total	**7 910**	**(8 679)**	**(4 237)**	**(588)**	**(964)**	**(869)**	**(2 022)**

	31 Dec 19						
MNOK	*Carrying amount*	*Contractual cash flows*	*2020*	*2021*	*2022*	*2023*	*2024 and later*
Financial liabilities that are not derivatives							
Unhedged bond issues	4 000	(4 396)	(657)	(1 586)	(60)	(509)	(1 584)
Leasing liabilities	2 198	(2 231)	(347)	(314)	(305)	(306)	(959)
Other loans and long-term liabilities	19	(19)	-	-	-	-	(19)
Accounts payable	2 098	(2 098)	(2 098)	-	-	-	-
Financial liabilities that are derivatives							
Currency derivatives	430	(440)	(297)	(81)	(32)	(26)	(4)
Basis swaps	64	(64)	-	(64)	-	-	-
Total	**8 809**	**(9 248)**	**(3 399)**	**(2 045)**	**(397)**	**(841)**	**(2 566)**

F) List of financial assets and liabilities

Financial assets and liabilities divided into different categories for accounting purposes as of 31 December 2020:

MNOK	Note	2020 Amortised cost	Fair value through compre-hensive income	Fair value with change in value through profit or loss	Total	Fair value
Assets - non-current assets						
Other non-current assets	21	185	-	24	**209**	209
Assets- current assets						
Derivatives	23 A	-	964	-	**964**	964
Receivables	22	6 122	-	-	**6 122**	6 122
Customer contracts in progress	9	1 824	-	-	**1 824**	1 824
Cash and cash equivalents	24	7 420	-	-	**7 420**	7 420
Financial liabilities - non-current						
Interest-bearing loans	23 D	1 971	-	-	**1 971**	2 074
Leasing liabilities	15	1 753	-	-	**1 753**	1 753
Other non-current liabilities		61	-	-	**61**	61
Financial liabilities - current						
Interest-bearing loans	23 D	1 500	-	-	**1 500**	1 498
Leasing liabilities	15	339	-	-	**339**	339
Derivatives	23 A	-	546	-	**546**	546
Accounts payable	27	1 801	-	-	**1 801**	1 801

MNOK	Note	2019 Amortised cost	Fair value through compre-hensive income	Fair value with change in value through profit or loss	Total	Fair value
Assets - non-current assets						
Other non-current assets	21	187	-	26	**213**	213
Assets- current assets						
Derivatives	23 A	-	376	-	**376**	376
Receivables	22	6 961	-	-	**6 961**	6 961
Customer contracts in progress	9	2 821	-	-	**2 821**	2 821
Cash and cash equivalents	24	5 654	-	-	**5 654**	5 654
Financial liabilities - non-current						
Interest-bearing loans	23 D	3 469	-	-	**3 469**	3 480
Leasing liabilities	15	1 850	-	-	**1 850**	1 850
Other non-current liabilities		11	-	-	**11**	11
Financial liabilities - current						
Interest-bearing loans	23 D	620	-	-	**620**	619
Leasing liabilities	15	348	-	-	**348**	348
Derivatives	23 A	-	493	-	**493**	493
Accounts payable	27	2 098	-	-	**2 098**	2 098

G) Assessment of fair value

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

		2020			2019		
MNOK	*Note*	*Level 1*	*Level 2*	*Level 3*	*Level 1*	*Level 2*	*Level 3*
Assets							
Shares at fair value through profit and loss	21	-	-	24	-	-	26
Derivatives	23 A	-	964	-	-	376	-
Total assets at fair value		**-**	**964**	**24**	**-**	**376**	**26**
Liabilities							
Derivatives	23 A	-	546	-	-	493	-
Interest-bearing liabilities (intended for note purposes)	23 F	-	3 572	-	-	4 099	-
Total liabilities at fair value		**-**	**4 118**	**-**	**-**	**4 592**	**-**

The levels are defined as follows:
Level 1: Fair value is measured by using quoted prices from active markets for identical financial instruments. No adjustment is made with respect to these prices.
Level 2: Fair value is measured based on data other than the list prices covered by the level 1, but which is based on observable market data either directly or indirectly. These methods have some uncertainty in the determination of fair value.
Level 3: Fair value is measured using models that substantially employ non-observable market data. This involves more uncertainty connected to the determination of fair value.

Referring to Note 4 "Fair value" for further details on the measuring of fair value.

H) Estimate uncertainty

KONGSBERG has a range of financial instruments that are recognised at fair value. When market prices cannot be observed directly through traded prices, fair value is estimated by using different models that either build on internal estimates or information from professional counterparties or market players. The assumptions for such assessments may include spot prices, forward prices or interest rate curves.

The assessments are always based on KONGSBERG's best estimates, but it is still likely that the observable market information and assumptions will change over time. Such changes can affect the calculated values of financial instruments considerably, and thereby result in gains and losses that will affect future periods' income statements. How such changes affect the income statement depends on the type of instrument and whether it is included in a hedge relation.

24 CASH AND CASH EQUIVALENTS

Nominal amounts in MNOK	*31 Dec 20*	*31 Dec 19*
Bank deposits	7 420	5 654
Total	**7 420**	**5 654**

Bank guarantees have been furnished for funds related to withholding tax for employees of MNOK 414 (MNOK 297 in 2019).

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

25 SHARE CAPITAL

As of 31 December 2020, share capital consists of 179,990,065 shares, each with a nominal value of NOK 1.25.

Share capital trends

	Date	*Number of shares*	*Nominal NOK*	*Amount, MNOK*	*Corr. Factor*	*Share capital MNOK*
Expansion type						
Stock exchange introduction	13 Dec 1993	5 850 000	20	117		117
Private placement for employees	1996	6 000 000	20	3		120
Share split	1997	24 000 000	5		01:04	120
Issue	1999	30 000 000	5	30		150
Share split	2009	120 000 000	1.25		01:04	150
Preferential share issue	2018	179 990 065	1.25	75		225

List of major shareholders as of 31 December 20

Shareholders	*Type*	*Number of shares*	*%-share*
Ministry of Trade, Industry and Fisheries		90 002 400	50.00%
National Insurance Fund		13 504 097	7.50%
MP Pensjon PK		5 026 497	2.79%
Must Invest AS		4 333 166	2.41%
Danske Bank As, Meglerkonto	Broker	3 000 000	1.67%
The Northern Trust Comp, London Br	Nom	2 925 246	1.63%
Danske Invest Norske Instit. II.		2 455 057	1.36%
Verdipapirfond Odin Norge		2 372 872	1.32%
The Bank of New York Mellon	Nom	2 206 189	1.23%
UBS AG	Nom	1 887 366	1.05%
State Street Bank And Trust Comp	Nom	1 661 070	0.92%
Fidelity Invest: Fidelity Srs International Small Cap Fund		1 461 185	0.81%
JPMorgan Chase Bank, N.A., London	Nom	1 347 267	0.75%
JPMorgan Chase Bank, N.A., Luxembourg S.A.	Nom	1 230 349	0.68%
Morgan Stanley & Co Ont. Plc.	Nom	1 179 852	0.66%
Intertrade Shipping AS		1 076 133	0.60%
Danske Invest Norske Aksjer Inst.		1 062 286	0.59%
State Street Bank And Trust Comp	Nom	1 002 672	0.56%
Verdipapirfondet KLP Aksje Norge		927 783	0.52%
State Street Bank And Trust Comp	Nom	818 590	0.45%
Total		**139 480 077**	**77.49%**
Other		40 509 988	22.51%
Total number of shares		**179 990 065**	**100.00%**

Shareholders listed according to share holding size

Shareholding interval	*Number of owners*	*Number of shares*	*Holding %*
1–1 000	11 546	2 903 961	1.61%
1 001–10 000	2 742	7 875 647	4.38%
10 001–100 000	295	8 508 181	4.73%
100 001–1 000 000	82	22 968 572	12.76%
1 000 001–10 000 000	16	34 227 207	19.02%
Over 10 000 000	2	103 506 497	57.51%
Total	**14 683**	**179 990 065**	**100.00%**

Of the 14.683 shareholders as of 31 December 2020, 916 were foreign, with a total holding of 17.76 per cent.

Treasury shares

As of 31 December 2020, KONGSBERG had a holding of 191.387 treasury shares. 188.015 of these shares are related to the share buy-back where the purpose is to buy back shares of up to NOK 200 million for later cancellation. The shares have been purchased in accordance with the authority given at the annual general meeting.

	Quantity
Holding of treasury shares as of 31 December 2019	16 779
Purchase of treasury shares in connection with employees share programme and long-term incentiv scheme	1 052 000
Purchase of treasury shares in connection with share buy-back prorgramme for cancellation	188 015
Treasury shares sold to employees in connection with the share programme	(1 021 326)
Treasury shares sold to employees in connection with the long-term incentive scheme	(44 081)
Holding of treasury shares as of 31 December 2020	**191 387**

Dividends

	2020	*2019*
Dividends paid in NOK per share	12.5	2.50
Dividends paid in MNOK	2 250	450
Of which, dividends treasury shares in MNOK	2.60	2.23

The Board has proposed a dividend for the 2020 accounting year of MNOK 1.440 equivalent to NOK 8.00 per share, of which NOK 5.00 per share is on top of the dividend policy. The approval date for the dividend is on the 6th of May 2021 and the ex date is on the following day. The dividend will be paid ca. Thursday, May 20, 2021.

26 PROVISIONS

Non-current provisions

MNOK	*Sale and leaseback*	*Other*	*Total*
31 Dec 19	**120**	**2**	**122**
Provisions used	(7)	(1)	(8)
Allocation	4	-	4
Dissolved	(1)	-	(1)
31 Dec 20	**116**	**1**	**117**

Non-current provisions

KONGSBERG has in the period from 2005 to 2014 sold properties in the Kongsberg Technology Park. The properties have been leased back on long-term lease and expire from 2024 to 2030. In connection with the sale and leaseback it was agreed that KONGSBERG guarantees for entry costs and for the maintenance of the buildings in the leaseback period. The current value of future warranty liability is allocated in the accounts. In addition, provision has been made for lack of rental.
The remaining provision requirement will need to be assessed each quarter. The effects of discounting cost are transferred as financial expenses.

Current provisions

MNOK	*Warranty*	*Other*	*Total*
31 Dec 19	**897**	**616**	**1 513**
Adjustment connected to final purchase allocation	-	(32)	(32)
Reclassified from customer contracts, liability	-	63	63
Provisions used	(184)	(185)	(369)
Allocation	267	312	579
Disposals from sale of business	(8)	(11)	(19)
Dissolved	**(121)**	**(23)**	**(144)**
Currency	**15**	**2**	**17**
31 Dec 20	**866**	**742**	**1 608**

Warranty provisions

Warranty provisions are provisions for warranty costs on completed deliveries. Unused warranty provisions are dissolved upon the expiration of the warranty period. Warranty provisions are estimated based on a combination of experience figures, specific calculations and judgement. The warranty period usually extends from one to five years, but for some defence contracts the warranty period may be up to 30 years.

Other 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.

Provisions apply to conditions where there is disagreement between contractual parties, uncertainty related to product liability or products that are in an early life-cycle phase.

Estimation uncertainty

Assessments are based on a combination of experience figures, technical evaluations and judgement. Evaluations of the estimates are made each quarter. There is significant uncertainty related to these provisions with respect to amounts and times.

27 OTHER CURRENT LIABILITIES

MNOK	*31 Dec 20*	*31 Dec 19*
Accounts payable	1 801	2 098
Public charges owing	547	480
Calculated income tax payable	71	77
Accrued holiday pay	697	753
Other accruals [1) 2)]	1 370	1 548
Total	**4 486**	**4 956**

1) Other accruals relate to costs incurred for which invoices have not yet been received, withholding tax owed for employees, salaries owed to employees and other non-interest-bearing liabilities.
2) A reclassification is made in the consolidated statement of financial position as of 31 December 2019 between other short-term receivables and other current liabilities.

28 ASSETS PLEDGED AS COLLATERAL AND GUARANTEES

Assets pledged as collateral

The Group's loan agreements, both bond loan agreements and the agreement on the syndicated credit facilities, are based on the negative collateral.

Prepayment and completion guarantees

Group companies have provided guarantees for prepayments and completion related to customer contracts. The guarantees are issued by Norwegian and foreign banks and insurance companies and by Kongsberg Gruppen ASA (parent company guarantees). Kongsberg Gruppen ASA is responsible for all guarantees.

MNOK	*31 Dec 20*	*31 Dec 19*
Guarantees issued by banks and insurance companies	2 107	3 521
Guarantees issued by Kongsberg Gruppen ASA (parent company)	9 337	7 841
Prepayments from and completion guarantees to customers	**11 444**	**11 361**

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

29 STATEMENT ON REMUNERATION OF THE GROUP CEO AND EXECUTIVE MANAGEMENT

Statement on remuneration of the Group CEO and Executive Management

The Board proposes that the guidelines described below are applied for 2020 and until the Annual General Meeting in 2021.

Main principles for the company's executive salary policy

The principles and systems for remuneration of executive management are determined by the Board. The Board performs an annual evaluation of the CEO's salary and conditions, as well as the Group's profit-related pay scheme for management. The Board's Compensation Committee prepares the cases for the Board. The CEO sets remuneration for other members of executive management after consultation with the chairman of the Board.

Management salaries at Kongsberg Gruppen ASA and Group companies ("KONGSBERG") are determined by the following principles:

- Executive management's salaries should be competitive, but not market leading, and within this framework support general moderation in executive management salary developments – the company should attract and retain talented management.
- Executive management salaries should be motivating – the salary should be such that it motivates extra effort for the continual improvement of the business and the company's results.
- The salary system should be understandable, meaningful and acceptable both internally at KONGSBERG and externally.
- The salary system should be flexible, so that changes can be made when necessary.
- The salary system should promote cooperation.

Remuneration to Group executive management should reflect their responsibility for administration, results and sustainable development of KONGSBERG, and take into account the size of the organisation and its complexity. The schemes should otherwise be transparent and in line with principles that promote good corporate governance.

Other companies in the Group must follow the main executive management salary policy principles. The company's objective is to coordinate salary policy within the Group as well as variable benefit schemes.

Elements of executive management salaries – fixed salaries and variable benefits

The starting point for determination of salary is the total level of fixed salary and variable benefits. Fixed salary consists of the base salary as well as fixed benefits in kind and pension agreements. Variable benefits consist of the profit-related pay and share scheme (LTI). Regular measurement is made against relevant markets to ensure that the total compensation is competitive, but not leading.

Base salary
The base salary should normally be the main element of the executive managements' payroll. It is assessed once per year.

Fixed benefits in kind
Leading employees will normally be assigned benefits in kind that are common for comparable positions, such as free communication, newspapers, and car arrangements. There are no special limitations with regards to the benefits in kind that can be agreed.

Pension schemes

Executive management should normally have pension schemes that ensure a pension payout that is in line with salaries. This is mainly covered by membership of KONGSBERG's collective main pension scheme for salaries up to 12G.

The Group's collective main pension scheme is a defined contribution scheme. The contributions are 5 per cent of salary from 0G to 7.1G and 11 per cent of salary from 7.1G to 12G. The funds can be distributed optionally between three savings profiles, respectively with 50, 80 and 100 per cent shares. The Group introduced a defined contribution pension scheme on 1 January 2008. Employees who were 52 years of age or older at the time of the conversion remained in a locked benefit scheme. The contribution rate was changed with effect from 1 January 2020. The savings profiles were changed with effect from 1 April 2020.

KONGSBERG will not enter into early retirement agreements for executive management, but executive management who had such arrangements prior to 1 October 2015 will have them continued.

The company has previously entered into early retirement agreements for some of its executives. The agreements have always been entered into in accordance with the current ownership reports from the state. There are currently various schemes, depending on when they were entered into. Some agreements include the opportunity for retirement from the age of 65, but with the reciprocal right for KONGSBERG and employees in the executive management 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 years of accrual. If the employee retires between the ages of 63 and 65, however, this will lead to reduced pension earnings in the defined contribution pension scheme, that will apply from the age of 67 years. These agreements were terminated for new executive management in 2013 and now apply to two members of the executive management, including the Chief Executive Officer. One of these agreements was ended 1 November 2020 when this member left the executive management. One of the executive management members has an older agreement, applicable from the age of 60. Assuming at least a 10-year accrual period, the benefit is 90 per cent of pensionable salary from the age of 60, with a 10 per cent reduction per year to 60 per cent of pensionable salary from the ages of 63 to 67. Similarly, a member of the executive management has an agreement to retire at the age of 62. Assuming at least a 15-years accrual period, the benefit is 65 per cent of pensionable salary up to the age of 67. These older schemes were discontinued in 2006 and 2008, respectively.

Eight of the members of executive management have been covered by a defined contribution pension scheme for salaries above 12G. Saved funds, including returns, are paid to the employee at retirement or on termination of employment. Three of the members of executive management have a defined contribution pension scheme of 18 per cent for the portion of the salary exceeding 12G. One agreement was ended 1 November 2020 when this member exited the executive management. One of the members of executive management has a similar scheme of 30 per cent. The Chief Executive Officers scheme is limited to the salary he had in the previous position (see detailed description below). For three of the members of executive management, no additional contributions are earned in the scheme, but returns are still added to the previously earned balance.

Long-term incentive (LTI)

From 2012, the Board introduced an LTI scheme for the Chief Executive Officer and other executive management. From 2018 onwards, the LTI scheme was expanded to cover the management groups in the business areas, as well as key positions. The scheme was introduced in order to be competitive with comparable companies and to create long-term incentives for managers within KONGSBERG. The LTI scheme amounts to a maximum of 30 per cent of the base salary for the CEO and 25 per cent for other members of the executive management, 15 per cent for management groups in the business areas and 10 per cent for key positions. The criteria for achieving LTI is that an EBIT greater than 0 will result in qualification for one third of the maximum allocation, a ROACE equal to or greater than 8 per cent will result in qualification for an additional one third of the maximum allocation, while a ROACE of between 8 per cent and 12 per cent gives entitlement to pro rata earnings for the final one third of the payment. The scheme participants will be committed to invest the net amount after tax in KONGSBERG shares that are purchased in the market and are owned with a vesting period of three years. Participants who leave the company of their own volition will, for shares that do not meet the three-year requirement, will, have to pay back an amount equal to the share value after tax at the time of resignation, for the shares which do not meet the three year vesting period. The scheme does not provide basis for pension accrual. The scheme will be continued in 2021 with the change that the criteria for achieving LTI is that an EBIT greater than 0 will result in qualification for half of the maximum allocation and a ROACE equal to or greater than 10 per cent will result in qualification of the second half of the maximum allocation.

Profit-related pay scheme

KONGSBERG's executive management and most important decision makers should have their own economic interests directly related to the development and improvement of KONGSBERG. For this purpose, the Board adopted a profit-related pay scheme in 2006 which includes approximately 190 managers. The objective of the scheme is for managers who perform well over time to achieve an average profit-related pay of 20-30 per cent of base salary. For 2019, the scheme was adjusted with regards to which components we measure, and the profit-related pay reserve was wound up. The scheme was continued in 2020 and will be continued in 2021.

The profit-related pay scheme for 2020 is based on four components:

1. Improvement in EBIT
   The improvement element is calculated by comparing the change in EBIT for the year with the previous year's EBIT. The improvement in EBIT is based on the overall Group improvement in addition to the improvement at the individual's organisation level. This means that as the main rule the improvement is based on the individual's organisation level and higher organisation levels up to Group level. The individual's organisation level has the highest weighting. A typical distribution key would be 50 per cent individual level (division), 25 per cent business area level and 25 per cent Group level (50/25/25). Qualifying employees in the divisional management teams with individual business responsibility are measured based on the division's aggregate result. If EBIT decreases, the "improvement" for the relevant level will be set as zero. However, other levels could still achieve improvements. The improvement in the EBIT element can amount to a maximum of 20 per cent.
2. ROACE
   For the Group to be able to create added value for our owners the participants are measured on the development of ROACE. Minimum requirements must be met to qualify for a ROACE bonus. The minimum level and intervals are updated and determined annually. The ROACE element can amount to a maximum of 15 per cent.
3. Growth in operating revenue
   Growth in operating revenue is calculated based on the Group's total operating revenue, where growth of 2 per cent triggers a 1 per

cent bonus. The growth in operating revenue element can amount to a maximum of 5 per cent.

4. Individual target achievement
   The individual component is achieved by individual managers satisfying individual targets for KPIs, which can be either financial or non-financial. The individual target achievement element can amount to a maximum of 10 per cent.

For those who have a balance in the profit-related pay reserve as of 31 December 2018, the profit-related pay reserve from the previous scheme will be paid out over a period of four years, in the amount of one quarter per year. The final year of payments from the profit-related pay reserve will be 2023.

The total of the current year's bonus payment and disbursement from the profit-related-pay reserve may not exceed 50 per cent of salary. If this total exceeds 50 per cent of salary, the excess amount will be lost.

If the EBIT of a manager's own organisation unit falls, no payments will be made from the profit-related-pay reserve for the year in question, and a quarter of the profit-related-pay reserve will be written off.

If an employee with a balance in the profit-related-pay reserve transfers to another position within the Group, this balance will be paid out over four years, and a separate agreement will be drawn up stipulating which organisation unit the individual will be measured against.

If an employee with a balance in the profit-related-pay reserve voluntarily leaves their employment with KONGSBERG, the residual balance in the profit-related-pay reserve is written off in its entirety.

On disablement or retirement, the residual balance in the profit-related-pay reserve is paid out in its entirety to the extent this does not exceed 50 per cent of base salary. Any residual balance will be paid out the following year.

In the event of death, the residual balance in the profit-related-pay reserve will be paid out in its entirety.

The profit-related pay scheme does not provide a basis for pension. The profit-related pay scheme is assessed annually by the Compensation Committee and the Board to ensure that it works as intended and ensure that necessary adjustments are made.

Upon completion of special major projects, demanding turnaround operations and acquisitions that require a short-term decline in profits as well as larger strategic investments, individual agreements can be entered into with the Chief Executive Officer. In such cases, the ordinary scheme for profit-related pay would be removed and replaced by a separate agreement capped at 40 per cent of base salary.

Remuneration connected to shares or share price development

Executive management have the opportunity to participate fully in KONGSBERG's discounted share saving scheme on the same terms as all Group employees. KONGSBERG has no scheme for allocation of share options or other instruments connected to the company's shares. There are no plans to introduce such schemes.

Severance arrangements

In order to safeguard KONGSBERG's requirement for ensuring at any time that the composition of its managers is in accordance with its business needs, agreements for severance arrangements can be, and have been entered into. Severance arrangements are designed to be acceptable both internally and externally, and agreements signed from 2011 are not entitled to severance payments whose value exceeds the equivalent of salary and benefits for more than six months. This scheme will continue in 2021. Such agreements have been entered into for members of the executive management within the framework of the Working Environment Act.

Remuneration for the Chief Executive Officer

The Chief Executive Officer's remuneration consists of a base salary of NOK 5,317,772, fixed benefits in kind in 2020 that amounted to NOK 285,830, a profit-related pay scheme of the base salary of a maximum of 50 per cent and an LTI of up to 30 per cent of the base salary. In a previous position, the Chief Executive Officer had a defined contribution plan which gave 18 per cent contribution of his pensionable salary which exceeded 12G and early retirement at 65 per cent of the base salary from the age of 63–65 years until the standard retirement age of 67. The scheme has been continued with a maximum pensionable income / basis for early retirement equal to pay from the previous position, at NOK 2,424,200. This pension is adjusted annually with the same percentage as the last increase in pensions paid from the National Insurance (the basic amount in the national insurance minus 0.75 per cent).

Report for the 2020 financial year

The executive management salary policy has for the 2020 financial year, been conducted in accordance with the guidelines that were adopted by KONGSBERG's annual general meeting in 2020.

The Chief Executive Officer's base salary was not adjusted in 2020 due to the covid-19 situation and is still NOK 5,317,722 per year. There was made an extraordinary salary adjustment for three members of the executive management with effect from 1 January 2020. There were no additional salary adjustments for the executive management per 1 July 2020 with reference to the covid-19 situation. In addition, there is the profit-related pay scheme, as described above and as shown in Note 30.

The consolidated financial statements for 2020 have calculated profit-related pay for leading employees at MNOK 88,1 excluding social security tax, corresponding to 31 per cent of the total for the participants in the scheme (MNOK 57,4 in 2019, corresponding to 26 per cent). No agreements regarding remuneration were entered into or changed that would have any significant effects for KONGSBERG or its shareholders in the previous accounting year.

30 REMUNERATION FOR EXECUTIVE MANAGEMENT AND THE BOARD

Remuneration specified for members of the Executive Management for 2020 and 2019 [1]

Amounts in TNOK	*Year*	*Salary paid including holiday pay* [2]	*Other benefits reported during the financial year* [3]	*Accrued long-term incentive plan (LTI)* [4]	*Accrued perfor-mance-related pay during the financial year* [5]	*Pension accrual during the year* [6]	*Long-term incentive plan (LTI) paid out* [7]	*Out standing amount, loans*	*Shares acquired during the financial year linked to the LTI scheme*	*Total number of shares inc. LTI as of 31 Dec*
Geir Håøy President and Chief Executive Officer	2020	5 649	285	1 239	2 659	733[8]	1 595	-	4 678	35 049
	2019	5 502	315	1 048	2 594	924	1 329	-	5 746	30 091
Gyrid Skalleberg Ingerø Chief Financial Officer Group Executive Vice President Compliance and Property	2020	3 140	263	400	1 520	90	760	-	1 975	16 638
	2019	2 728	265	213	1 198	83	561	-	2 429	12 383
Even Aas Group Executive Vice President Public Affairs, Communication and Sustainability	2020	1 957	283	324	927	(123)[9]	464	-	1 359	27 444
	2019	1 841	284	266	892	2 889	386	-	1 542	25 805
Hans Petter Blokkum Group Executive Vice President HR and Security	2020	2 571	214	134	1 230	134[10]	615	20	1 599	5 570
	2019	2 237	213	131	1 089	208	454	69	1 797	3 691
Iver Christian Olerud - EM from 1 Nov 2020 Group Executive Vice President Strategy and Business Development	2020	417	37	-	206	15	104	-	-	4 292

Cont. on next page

1) Compensation and other benefits to members of Executive Management are based on their time served as part of corporate management. All members of executive management are included in the general contribution scheme for salaries up to 12G.
2) It was decided that the executive management should not obtain annual salary increase as of 1 July 2020.
3) Benefits other than cash refers to expensed discounts on shares in connection with the share programme for all employees, communication, car arrangements and compensation for the taxable share of pensions and insurance, as well as other taxable benefits.
4) Accrued LTI including tax compensation is, for accounting purposes, accrued 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 29.
5) Accrued performance-based part of salary in the financial year. To be paid out when the accounts for the relevant year have been approved by the Board. A statement on performance-based pay is provided in Note 29.
6) The year's return on balance in the defined contribution pension scheme over 12G is included in the accrual. This principle has changed from previous years.
7) 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 29.
8) Early retirement agreement 63-65 years. An explanation for the CEO is given in Note 29.
9) Early retirement agreement 60 years. Defined benefit scheme that provides 90 per cent of salary from 60 years with 10 per cent reduction per year to 60 per cent of salary from 63 to 67 years. Has fully earned pension rights. The pension rights is calculated by the difference between provision in the financial statement before and after increase in salary and G. This is the reason why this years pension is negativ.
10) Earnings are a return on previously earned balance in defined contribution plan for salaries above 12G.
11) Defined contribution pension scheme for salaries above 12G with 18 per cent and early retirement scheme between 63-65 years.
12) Defined contribution pension scheme for salaries above 12G with 18 per cent + 12 per cent.
13) Defined contribution pension scheme for salaries above 12G with 18 per cent and early retirement scheme with the right to retire from 62 years.
14) Earnings area return on previously earned balance in defined contribution plan for salaries above 12G.

Note 30 cont.

Amounts in TNOK	*Year*	*Salary paid including holiday pay* [2]	*Other benefits reported during the financial year* [3]	*Accrued long-term incentive plan (LTI)* [4]	*Accrued perfor-mance-related pay during the financial year* [5]	*Pension accrual during the year* [6]	*Long-term incentive plan (LTI) paid out* [7]	*Out standing amount, loans*	*Shares acquired during the financial year linked to the LTI scheme*	*Total number of shares inc. LTI as of 31 Dec*
Harald Aarø - EM to 31 Oct 2020 Group Executive Vice President Strategy and Business Development	2020	2 205	224	452	1 129	504 [11]	516	-	1 816	12 327
	2019	2 564	289	367	1 156	730	516	-	2 245	10 231
Christian Karde - EM from 1 Sep 2020 Group Executive Vice President General Counsel	2020	706	108	-	359	64	170	-	-	1 089
Hege Skryseth, Executive Vice President, KONGSBERG President, Kongsberg Digital	2020	2 646	211	476	1 236	709 [12]	644	191	1 887	14 416
	2019	2 569	215	422	738	779	536	261	2 147	12 249
Egil Haugsdal, Executive Vice President KONGSBERG President, Kongsberg Maritime	2020	3 396	452	556	1 625	1 424 [13]	813	-	2 097	36 097
	2019	2 965	460	493	1 401	1 653	596	-	2 579	33 720
Eirik Lie, Executive Vice President, KONGSBERG President, Kongsberg Defence & Aerospace	2020	3 389	299	578	1 488	170 [14]	744	-	2 182	11 237
	2019	3 042	334	371	1 276	283	620	-	2 682	8 775

1) Compensation and other benefits to members of Executive Management are based on their time served as part of corporate management. All members of executive management are included in the general contribution scheme for salaries up to 12G.
2) It was decided that the executive management should not obtain annual salary increase as of 1 July 2020.
3) Benefits other than cash refers to expensed discounts on shares in connection with the share programme for all employees, communication, car arrangements and compensation for the taxable share of pensions and insurance, as well as other taxable benefits.
4) Accrued LTI including tax compensation is, for accounting purposes, accrued 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 29.
5) Accrued performance-based part of salary in the financial year. To be paid out when the accounts for the relevant year have been approved by the Board. A statement on performance-based pay is provided in Note 29.
6) The year's return on balance in the defined contribution pension scheme over 12G is included in the accrual. This principle has changed from previous years.
7) 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 29.
8) Early retirement agreement 63-65 years. An explanation for the CEO is given in Note 29.
9) Early retirement agreement 60 years. Defined benefit scheme that provides 90 per cent of salary from 60 years with 10 per cent reduction per year to 60 per cent of salary from 63 to 67 years. Has fully earned pension rights. The pension rights is calculated by the difference between provision in the financial statement before and after increase in salary and G. This is the reason why this years pension is negativ.
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13) Defined contribution pension scheme for salaries above 12G with 18 per cent and early retirement scheme with the right to retire from 62 years.
14) Earnings area return on previously earned balance in defined contribution plan for salaries above 12G.

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

Board of Directors *Amounts in NOK*	*Year*	*Number of shares*	*Fixed Board remuneration*	*Remune-ration for committee meetings*	*Total Board remune-ration*	*Number of Board meetings* [1]
Eivind K. Reiten, Chair	2020	2 850	544 000	58 367	602 367	13
	2019	2 850	535 333	46 300	581 633	11
Anne-Grete Strøm-Erichsen, Director, Vice Chair from June 2019	2020	2 000	291 000	40 733	331 733	12
	2019	2 000	277 667	37 600	315 267	10
Irene Waage Basili, Director, Vice Chair to May 2019	2020	-	-	-	-	-
	2019		92 333	-	92 333	4
Morten Henriksen, Director	2020	3 027	273 000	104 767	377 767	13
	2019	3 027	268 667	74 400	343 067	11
Helge Lintvedt, Director	2020	-	273 000	81 200	354 200	13
	2019	-	268 667	61 500	330 167	11
Martha Kold Bakkevig, Director	2020	2 119	273 000	81 200	354 200	13
	2019	2 119	268 667	51 400	320 067	10
Elisabeth Fossan, Director	2020	5 489	273 000	40 733	313 733	13
	2019	5 209	268 667	37 600	306 267	11
Sigmund Ivar Bakke Director	2020	3 663	273 000	-	273 000	13
	2019	3 383	268 667	-	268 667	11
Per Arthur Sørlie, Director from May 2019	2020	3 400	273 000	81 200	354 200	13
	2019	1 400	182 000	31 200	213 200	6
Total compensation to the Board	**2020**		**2 473 000**	**488 200**	**2 961 200**	
Total compensation to the Board	**2019**		**2 430 668**	**340 000**	**2 770 668**	

1) 13 board meetings were held in 2020 (11 board meetings in 2019).

31 AUDITOR'S FEES

TNOK	2020 Parent company	2020 Subsidiaries in Norway	2020 Subsidiaries outside Norway	2020 Total	2019 Parent company	2019 Subsidiaries in Norway	2019 Subsidiaries outside Norway	2019 Total
Group auditor EY								
Statutory audit	1 100	7 554	7 218	15 872	1 100	7 774	7 760	16 635
Other assurance services	493	735	287	1 515	298	198	-	496
Tax consultancy	1 927	446	772	3 144	209	1 553	1 149	2 911
Other non-audit services	82	363	-	445	746	-	141	887
Total fees, EY	**3 602**	**9 098**	**8 277**	**20 976**	**2 352**	**9 525**	**9 015**	**20 929**
Other auditors								
Estimated audit fees	-	20	2 132	2 152	-	32	2 780	2 812

32 LIST OF GROUP COMPANIES

The following companies have been consolidated:

Name of company	*Country of origin*	*Ownership stake 31 Dec 20*	*Ownership stake 31 Dec 19*
Kongsberg Gruppen ASA	Norway	Parent	Parent
Kongsberg Defence & Aerospace AS	Norway	100	100
Kongsberg Oil & Gas Technologies AS	Norway	100	100
Kongsberg Digital AS	Norway	100	100
Kongsberg Eiendom Holding 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 Real Estate AS	Norway	100	100
Kongsberg Næringsbygg 11 AS	Norway	100	100
KNB12 Ulsteinvik AS	Norway	100	100
KNB13 Brattvåg AS	Norway	100	100
KNB14 Longva AS	Norway	100	100
Kongsberg Basetec AS	Norway	100	100
Kongsberg Seatex AS	Norway	100	100
Vehicle Tracking and Information Systems AS	Norway	100	100
Kongsberg Maritime AS	Norway	100	100
Kongsberg Norcontrol AS	Norway	100	100
Eelume AS	Norway	51	51
Simrad AS	Norway	100	100
Kongsberg Maritime CM AS	Norway	100	100
Ulstein Holding AS	Norway	100	100
Kongsberg Aviation Maintenance Services AS	Norway	50,1	50,1

Name of company	*Country of origin*	*Ownership stake 31 Dec 20*	*Ownership stake 31 Dec 19*
Rygge 2 AS	Norway	50,1	50,1
Rygge Eiendom AS	Norway	50,1	50,1
Kongsberg Aviation Maintenance Service Bardufoss AS	Norway	50,1	-
Kongsberg Maritime S.R.L	Italy	100	100
Kongsberg Maritime Italy S.R.L	Italy	100	100
Kongsberg Maritime Holland BV	The Netherlands	100	100
Kongsberg Maritime Benelux BV	The Netherlands	100	100
Kongsberg Maritime CM Sp. z o.o.	Poland	100	100
Scandinavian Electric Gdansk Sp. z o.o.	Poland	Phased out	66,6
Kongsberg Maritime Poland Sp. Z o.o.	Poland	100	100
Kongsberg Defence Sp. z o.o.	Poland	100	100
Simrad Spain SL	Spain	100	100
Kongsberg Maritime Spain SA	Spain	100	100
Kongsberg Defence Oy	Finland	100	100
Kongsberg Maritime Finland OY	Finland	100	100
Kongsberg Maritime GmbH	Germany	Merged	100
Kongsberg Maritime Embient GmbH	Germany	100	100
Kongsberg Maritime Contros GmbH	Germany	100	100
Kongsberg Maritime CM Germany GmbH	Germany	Merged	100
Kongsberg Maritime France SARL	France	100	100
Kongsberg Defence Switzerland AG	Switzerland	100	100
Kongsberg Reinsurance Ltd.	Ireland	100	100
Kongsberg Norcontrol Ltd.	Great Britain	100	100
Kongsberg Maritime Holding Ltd.	Great Britain	100	100
Kongsberg Maritime Ltd.	Great Britain	100	100
Kongsberg GeoAcoustics Ltd.	Great Britain	Sold	100
Kongsberg Hungaria Kft.	Hungary	100	100
Navis Consult d.o.o.	Croatia	75	75
Kongsberg Maritime Hellas SA	Greece	100	100
Kongsberg Commercial Marine SA	Greece	100	100
Kongsberg Maritime Denmark A/S	Denmark	100	100
Coach Solutions ApS	Denmark	100	0
Kongsberg Maritime Sweden AB	Sweden	100	100
Kongsberg Maritime RUS LLC	Russia	100	100
Kongsberg Maritime Turkey Denizcilik Sanayi Ve Ticaret Limited Şirketi	Turkey	100	100
Kongsberg Geospatial Ltd.	Canada	100	100
Kongsberg Digital Simulation Ltd.	Canada	100	100
Kongsberg Maritime Canada Ltd.	Canada	100	100
Kongsberg Mesotech Ltd.	Canada	100	100
Kongsberg Maritime CM Canada Ltd.	Canada	100	100
Ulstein Maritime Ltd.	Canada	100	100
Kongsberg Digital Simulation Inc.	USA	100	100
Simrad North America Inc.	USA	100	100
Kongsberg Maritime Inc.	USA	100	100
Kongsberg Underwater Technology LLC	USA	100	100
Kongsberg Protech Systems USA Inc.	USA	100	100
Kongsberg Digital Inc.	USA	100	100
Kongsberg Defense Systems Inc.	USA	100	100
Hydroid Inc.	USA	Sold	100
Kongsberg Geospatial Corperation	USA	100	100
Kongsberg Integrated Tactical Systems Inc.	USA	100	100
Kongsberg Maritime do Brazil Ltda	Brazil	100	100
Kongsberg Oil & Gas Technologies do Brazil Ltda	Brazil	Phased out	100
Kongsberg Maritime CM Brasil Ltda	Brazil	100	100
Kongsberg Maritime Mexico SA DE CV	Mexico	100	100
Kongsberg Defence Chile Spa	Chile	100	100
Kongsberg Maritime Chile SpA	Chile	Phased out	100

Name of company	*Country of origin*	*Ownership stake 31 Dec 20*	*Ownership stake 31 Dec 19*
Kongsberg Maritime Panama Corporation	Panama	100	100
Kongsberg Asia Pacific Ltd.	Hong Kong	100	100
Kongsberg Maritime Hoi Tung Holding Ltd.	Hong Kong	90	90
Kongsberg Maritime Hong Kong Ltd.	Hong Kong	100	100
Kongsberg Maritime China Shanghai Ltd.	China	100	100
Kongsberg Maritime China Jiangsu Ltd.	China	100	100
Kongsberg Maritime China Ltd.	China	100	100
Kongsberg Maritime China Waiaoqiao Ltd.	China	100	100
Kongsberg Maritime CM China Ltd.	China	100	100
Kongsberg Maritime CM Korea Ltd.	South-Korea	100	100
Kongsberg Maritime Korea Ltd.	South-Korea	100	100
Kongsberg Norcontrol Pte. Ltd.	Singapore	100	100
Kongsberg Maritime Pte. Ltd.	Singapore	100	100
Vung Tau Holding Pte. Ltd.	Singapore	100	0
Kongsberg Maritime Japan Co Ltd.	Japan	100	100
Kongsberg Maritime India Private Ltd.	India	91	91
Kongsberg Digital Private Ltd.	India	100	100
Kongsberg Digital Software & Services Private Ltd.	India	100	100
Kongsberg Norcontrol Surveillance Private Ltd.	India	100	100
Kongsberg Maritime CM India Pvt Ltd.	India	100	100
Kongsberg Maritime Arabia for Maintenance	Saudi Arabia	100	100
Kongsberg Defence Malaysia Sdn. Bhd.	Malaysia	100	100
Kongsberg Maritime Malaysia Sdn. Bhd.	Malaysia	100	100
Kongsberg Maritime Middle East DMCCO	UAE	100	100
Kongsberg Maritime Vietnam Ltd.	Vietnam	100	100
Kongsberg Defence Australia Pty Ltd.	Australia	100	100
Kongsberg Maritime Pty Ltd.	Australia	100	100
Kongsberg Maritime South Africa Pty. Ltd.	South-Africa	100	100
Kongsberg Maritime Namibia Pty Ltd.	Namibia	100	100

33 TRANSACTIONS WITH RELATED PARTIES

The Norwegian State as the largest owner

The Norwegian State as represented by the Ministry of Trade, Industry and Fisheries is KONGSBERG's largest owner (50.004 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.

As of 31 December 2020, KONGSBERG had an outstanding balance from state-owned customers of MNOK 36, while other liability items in respect of state suppliers amounted to MNOK 8 as of 31 December 2020.

In 2020, KONGSBERG issued invoices to state customers for a total of MNOK 1,477. Goods and services purchased from state suppliers in 2020, amounted to MNOK 140.

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.

Transactions with the associated companies

As of 31 December 2020, KONGSBERG had trade receivables for associated companies of MNOK 12, while trade payables amounted to MNOK 0 on 31 December 2020.

KONGSBERG also has a long-term receivable from associated companies of MNOK 51.

In 2020, KONGSBERG issued invoices to associated companies for a total of MNOK 32. Goods and services purchased from state suppliers in 2020 amounted to MNOK 7.

34 DEFINITIONS AND ABBREVIATIONS

Definitions

KONGSBERG uses terms in the consolidated financial statements that are not anchored in the IFRS accounting standards. Our definitions and explanations of these terms follow below.

Kongsberg considers *EBITDA* and *EBIT* to be normal accounting terms, but they are not included in the IFRS accounting standards. EBITDA is the abbreviation of "Earnings Before Interest, Taxes, Depreciation and Amortisation". KONGSBERG uses EBITDA in the income statement as a summation line for other accounting lines. These accounting lines are defined in our accounting principles, which are part of the 2020 financial statements. The same applies to EBIT.

Restructuring costs consist of salaries and social security tax upon termination of employment (such as severance and gratuity) in connection with workforce reductions. In addition to this are rent and other related costs and any one-off payments in the event of the premature termination of tenancy agreements for premises that are not in use.

Integration costs are those associated with integrating Commercial Marine into Kongsberg Maritime.

Net interest-bearing debt is the net amount of the accounting lines "Cash and cash equivalents" and "Short- and long-term interest-bearing liabilities, excluding leasing commitments".

Return On Average Capital Employed (ROACE) is defined as the 12-month rolling EBIT including share of net income from joint arrangements and associated companies, excluding IFRS 16 divided by the 12-month mean of recognised equity and net interest-bearing debt. Net interest-bearing debt has been adjusted for the purchase price of Rolls-Royce Commercial Marine in relation to what was reported in Q1.

Working capital is defined as current assets (except cash and cash equivalents) minus non-interest-bearing liabilities (except taxes payable). Financial instruments recognised at fair value are not included in working capital.

Book-to-bill ratio is order intake divided by operating revenues.

Organic growth is change in operating revenues exclusive acquired companies.

Abbreviations

CM is Commercial Marine (formerly Rolls-Royce Commercial Marine)

KAMS is Kongsberg Aviation Maintenance Services AS (formerly Aerospace Industrial Maintenance Norway AS)

35 EVENTS AFTER BALANCE DATE

Placement of new bond issue

On the 22 of February 2021 Kongsberg Gruppen ASA issued MNOK 500 in a new bond with five year tenor, maximum issue amount of MNOK 1000 and a price corresponding to a floating rate coupon of 3m NIBOR + 0.86 per cent p.a. (ISIN: NO0010940422). The bonds will be applied for listing on Oslo Stock Exchange.

The proceeds from the bond issue will be used for refinancing of existing debt. In conjunction with the bond issue, the company has repurchased MNOK 505 of KOG08 June 2021 (ISIN: NO0010766504). Nordea acted as sole manager for this transaction.

Statement of income

KONGSBERG GRUPPEN ASA

MNOK	*Note*	*2020*	*2019*
Operating revenues from subsidiaries	9	189	160
Other operating revenues		-	6
Total revenues		**189**	**166**
Personnel expenses	4, 5	(144)	(132)
Depreciation		(2)	(2)
Other operating expenses	4	(90)	(158)
Total operating expenses		**(236)**	**(292)**
Earnings before interest and tax		**(47)**	**(126)**
Dividends from subsidiaries		24	60
Interest from group companies		42	75
Net currency gains		(2)	(3)
Interest to Group companies		(9)	(8)
Interest income, bank and investment		14	29
Interest costs, external loans		(76)	(100)
Other financial income		-	-
Other finance expenses		(18)	(35)
Group contribution		3 205	80
Net finance items		**3 180**	**98**
Earnings before tax (EBT)		**3 133**	**(28)**
Income tax expense (+income/expense)	6	23	24
Earnings after tax		**3 156**	**(4)**
Allocations and equity transfers			
Proposed dividend		(1 440)	(450)

A reclassification between personnel expenses and other operating expenses is made on the 2019 figures.

Statement of financial position as of 31 December

KONGSBERG GRUPPEN ASA

MNOK	Note	*2020*	*2019*
Assets			
Non-current assets			
Deferred tax assets	6	147	124
Fixed assets		14	16
Shares in subsidiaries	3	8 970	8 970
Shares in associated companies		11	11
Interest-bearing loans to Group companies	9	1 094	2 498
Other long-term receivables		72	30
Total non-current assets		**10 308**	**11 649**
Current assets			
Receivables from Group companies[1]	9, 11	3 634	117
Other short-term receivables		125	233
Cash and cash equivalents	11	4 886	289
Total current assets[1]		**8 645**	**639**
Total assets		**18 953**	**12 288**
Equity and liabilities			
Equity			
Shares capital		225	225
Premiums		4 876	4 876
Total paid-in capital		**5 101**	**5 101**
Other equity		1 570	1 699
Total retained earnings		**1 570**	**1 699**
Total equity	2	**6 671**	**6 800**
Non-current liabilities			
Pension liabilities	5	247	240
Long-term interest-bearing loans	7	1 950	3 450
Other non-current liabilities		-	1
Total non-current liabilities		**2 197**	**3 691**
Current liabilities			
Dividend		1 440	450
Short-term interest-bearing loans	7	1 500	550
Liabilities to group companies[1]	9, 11	7 021	644
Other current liabilities		124	153
Total current liabilities		**10 085**	**1 797**
Total equity and liabilities		**18 953**	**12 288**

1) The presentation of the cash pools are changed compared to 2019. See note 9 and 11.

Kongsberg, 16 March 2021

Eivind Reiten *Chairman*	**Per A. Sørlie** *Director*	**Martha Kold Bakkevig** *Director*	**Morten Henriksen** *Director*	
Anne-Grete Strøm-Erichsen *Deputy chair*	**Sigmund Ivar Bakke** *Director*	**Elisabeth Fossan** *Director*	**Helge Lintvedt** *Director*	**Geir Håøy** *Chief Executive Officer*

Statement of cash flow

KONGSBERG GRUPPEN ASA

MNOK	*Note*	*2020*	*2019*
Earnings before tax		3 133	(28)
Depreciation		2	2
Changes in accruals, etc.		10	(61)
Net cash flows from operating activities		**3 145**	**(87)**
Cash flow from investing activities			
Purchase of fixed assets		-	(7)
Investment in shares		-	-
Net cash flow used in investing activities		**-**	**(7)**
Cash flow from financing activities			
Payment of loans		(43)	(28)
Dividends received		24	60
Proceeds from interest-bearing loans			
Repayment of loans		(550)	(250)
Interest paid		(69)	(93)
Dividend paid		(448)	(448)
Additional dividend		(1 800)	-
Net disbursements for purchase/disposal of treasury shares		(74)	(27)
Changes in intercompany balances		7 617	(5 494)
Net cash flow from financing activities		**4 657**	**(6 280)**
Net increase (reduction) in cash and cash equivalents		**4 597**	**(6 374)**
Cash and cash equivalents at the beginning of the period		**289**	**6 663**
Cash and cash equivalents at the end of the period		**4 886**	**289**

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 investment is evaluated at acquisition cost less any impairment. 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 statement of financial position items

Current assets and current liabilities include items due for payment within one year after the date of acquisition. Other items are classified as non current 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.

Revenues

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

Hedges

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

Receivables

Trade receivables and other receivables are capitalised at nominal values less provisions for expected loss. Provisions for bad debt 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 foreign 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 the acquisition cost and fair value at the date of the balance sheet. Dividends and other distributions from the companies are recognised as other financial income.

Pensions

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

The defined benefit plan
Pension costs and pension obligations are calculated according to linear accruals, based on the expected final salary. The calculation is based 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 the date of the balance sheet. See also Note 5 “Pensions”.

Income tax

Income tax expense in the financial statements includes tax payable and the change in deferred tax for the period. Deferred tax/tax assets are calculated at 22 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.

Statement of cash flow

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

2 EQUITY RECONCILIATION

MNOK	*Shares capital*	*Premiums*	*Other equity*	*Total equity*
Equity as of 31 December 2018	**225**	**4 876**	**2 162**	**7 263**
Earnings after tax	-	-	(4)	(4)
Transactions with treasury shares	-	-	(4)	(4)
Dividend for 2019	-	-	(450)	(450)
Actuarial gain/loss on pension expense	-	-	(5)	(5)
Equity as of 31 December 2019	**225**	**4 876**	**1 699**	**6 800**
Earnings after tax	-	-	3 156	3 156
Transactions with treasury shares	-	-	(44)	(44)
Additional dividend			(1 800)	(1800)
Dividend for 2020	-	-	(1 440)	(1440)
Actuarial gain/loss on pension expense	-	-	(1)	(1)
Equity as of 31 December 2020	**225**	**4 876**	**1 570**	**6 671**

Other information about the company's share capital is provided in Note 25 "Share capital" of the consolidated financial statements. The total number of treasury shares as of 31 December 2020 is 191,387.

3 SHARES IN SUBSIDIARIES

MNOK	*Date of acquisition*	*Business office*	*Owner/voting share %*	*Carrying amount as of 31 Dec*
Kongsberg Defence & Aerospace AS	1997	Kongsberg	100	1 206
Kongsberg Basetec AS [1]	1992	Kongsberg	100	137
Kongsberg Maritime AS	1992	Kongsberg	98.9	6 666
Kongsberg Eiendom Holding AS	2015	Kongsberg	100	497
Kongsberg Digital AS	2016	Asker	24.5	435
Kongsberg Martime China Ltd	2016	Shanghai	100	25
Kongsberg Hungaria Kft [2]	2003	Budapest	10	-
Kongsberg Reinsurance Ltd.	2001	Dublin	100	4
Sum				**8 970**

1) The remaining shares in Kongsberg Digital AS are owned by Basetec AS.
2) The remaining shares in Kongsberg Hungaria Kft. are owned by Kongsberg Defence & Aerospace AS.

4 PERSONNEL EXPENSES AND AUDITOR'S FEES

With regard to salary and remuneration to the corporate executive management and Board members, reference is made to Note 30 "Remuneration for Executive Management and the Board" in the consolidated financial statements.

Personnel expenses

MNOK	*2020*	*2019*
Salaries	69	64
Social security expenses [1]	17	15
Pension	16	15
Performance-based part of salary	16	13
Other benefits	26	25
Total personnel expenses	**(144)**	**(132)**
Number of full-time equivalents (FTEs)	66	65

1) Salaries 2019 are reduced due to a reclassification between personnel expenses and other operating expenses.

Auditor's fees

TNOK	*2020*	*2019*
Group auditor EY		
Statutory audit	1 100	1 100
Other assurance services	493	298
Tax consultancy	1 927	209
Other non-audit services	82	746
Total fees, EY	**3 602**	**2 352**

5 PENSIONS

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

The defined contribution pension scheme (ITP)

The Group introduced a defined contribution pension scheme as of 1 January 2008 for all employees under 52 years of age. The contribution rates are 5 per cent up to 7.1G and 11 per cent of salary between 7.1G and 12G. The employees can influence the way the funds are managed by choosing between three investment options; with either 50, 80 or 100 per cent of their shares in the portfolio. The Group also has a collective, unfunded contribution plan for salaries between 12G and 15G. The Group's deposits in this plan are 18 per cent of the portion of the base salary that exceeds 12G, up to a ceiling of 15G. Special terms and conditions apply for executives. This is described in Note 29 "Statement on the remuneration of the Group CEO and Executive Management" in the consolidated financial statements. The unfunded scheme has been closed for new members since 2015. The supplementary plan has the same investment choices as the main plan. The contributions are expensed as incurred.

The defined benefit plan (YTP)

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. Given a calculated state pension based on the Norwegian National Insurance Scheme's rules before 1 January 2011 and full earnings, the scheme provides approx. 65 per cent of the final salary including National Insurance benefits until the age of 77, after which the service pension section is reduced by 50 per cent for the remaining lifetime. The Group also has a collective, unfunded defined benefit plan for salaries between 12G and 15G. The collective, unfunded benefits plan corresponds to about 60 per cent of the share of the base salary 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 29 "Statement on the remuneration of the Group CEO and Executive Management" in the consolidated financial statements. These supplementary plans were discontinued in connection with the transition to defined contribution pension schemes.

Risk coverage

Disability pension from the Group was changed on 1 January 2016 and will provide an addition to the estimated disability benefits from national insurance. National insurance will cover 66 per cent of the pension basis up to 6G, while the Group plan covers 66 per cent of the pension basis between 6G and 12G. The Group plan also provides an additional 3 per cent of the pension basis from 0G to 12G, a pay increase of 25 per cent of G and any child supplement of 4 per cent per child (maximum 3 children). From 1 January 2016, KONGSBERG has decided to terminate the paid-up policy accrual for disability pensions as part of the adaptation to the new regulations. The employees have been issued individual paid-up policies for the already earned paid-up policy rights. The new scheme is a one-year risk cover and the premiums will be expensed as they accrue. Starting on 1 January 2013, the risk pensions are unfunded for the share of salary that exceeds 12G. In practice this implies that KONGSBERG is self-insurer for the risk pension for future periods. The unfunded scheme has been closed for new members since 2015.

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

The year's pension costs were calculated as follows:

MNOK	*2020*	*2019*
Total net pension cost for the year	10	9
Defined contribution scheme costs	6	6

The net pension liability appears as follows:

MNOK	*2020*	*2019*
Total gross pension liabilities	(247)	(242)
Gross value of gross pension assets	31	32
Net pension liabilities	**(216)**	**(210)**
Social security expenses	**(31)**	**(30)**
Net pension liabilities in balance sheet	**(247)**	**(240)**

6 INCOME TAX

Income tax expense

MNOK	*2020*	*2019*
Taxes payable	-	-
Change in deferred tax	(23)	(24)
Tax income/expense	**(23)**	**(24)**

MNOK	*2020*	*2019*
Earnings before tax	**3 133**	**(28)**
Tax calculated – 22% (23%t) of earnings before tax	689	(6)
Correction of taxes from previous years	(5)	
Group contribution without tax effect	(705)	(18)
Net permanent differences	(2)	-
Tax income/expense	**23**	**24**

Deferred tax and deferred tax asset

MNOK	*2020*	*2019*
Pensions	54	53
Tax losses carried forward	98	87
Other	(5)	(16)
Recognised deferred tax asset	**147**	**124**
Tax rate in Norway	22%	22%

Change in deferred tax recognised directly in equity as follows:

MNOK	*2020*	*2019*
Deferred tax asset on capital increase		
Pensions	-	(2)
Other		
Total	**-**	**(2)**

7 LONG-TERM INTEREST-BEARING LOANS AND CREDIT FACILITIES

As of 31 December 2020, Kongsberg Gruppen ASA had the following loans and credit facilities:

	Due date	*Nominal interest rate*	*Carrying amount 31 Dec 20*	*Carrying amount 31 Dec 19*
Bond loan KOG08 - floating interest	2 Jun 21		-	1 000
Bond loan KOG09 - fixed interest	2 Jun 26	3.20%	1 000	1 000
Bond loan KOG10 - floating interest	5 Mar 20			
Bond loan KOG11 - fixed interest	5 Dec 23	2.90%	450	450
Bond loan KOG12 - floating interest	6 Dec 21		-	500
Bond loan KOG13 - floating interest	6 Jun 24	1.55%	500	500
Total long-term loans			**1 950**	**3 450**
Bond loan KOG08 - floating interest	2 Jun 21	1.61%	1000	
Bond loan KOG10 - floating interest	5 Mar 20			550
Bond loan KOG12 - floating interest	6 Dec 21	1.23%	500	
Total current liabilities			**1 500**	**550**
Total interest-bearing loans			**3 450**	**4 000**
Credit facility (undrawn borrowing limit)	15 Mar 23		2 300	2 300
Overdraft (unused)			500	500

Kongsberg Gruppen ASA has a syndicated credit facility with Danske Bank, DNB, JP Morgan, Nordea and SEB. The facility is for general business purposes. The facility has a term of five years with an option to extend for 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 0.55 per cent to 2 per cent. The credit facilities require that net interest-bearing debt shall not exceed four times the EBITDA, but can be up to 4.5 times the figure for three consecutive quarters at the most. The covenants in the loan agreements have been met. There was no borrowings on the facility as of 31 December 2020.

Kongsberg Gruppen ASA had five bond loans at the end of 2020. The bond loans were issued in NOK and listed on the Oslo Stock Exchange. The interest rate terms on loans with floating rates are 3-month NIBOR with a margin of + 1.25 per cent for KOG08, + 0.88 per cent for KOG12 and + 1.20 per cent for KOG13. The interest conditions for the loans with fixed interest are 3.2 per cent for KOG09 and 2.9 per cent for KOG11.

A new overdraft of MNOK 500 was established. As of 31 December 2020, this remains undrawn.

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

8 GUARANTEES

Kongsberg Gruppen ASA has, in the period from 2005 to 2014, sold properties in the Kongsberg Teknologipark Park. The properties have been leased back on long-term lease and expire from 2024 to 2030. The leaseback contracts have been entered into by Kongsberg Næringsparkutvikling AS, which is a wholly-owned subsidiary of Kongsberg Eiendom Holding AS, which in its turn is owned 100 per cent by Kongsberg Gruppen ASA. The leaseback contracts 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. The obligations related to this responsibility were in 2015 transferred to Kongsberg Næringsparkutvikling AS, but Kongsberg Gruppen ASA guarantees that the obligations are observed. Further information on provisions related to these leases is given in Note 26 "Provisions" of the consolidated financial statements.

Prepayment and completion guarantees

Group companies have provided guarantees for prepayments and completion related to customer contracts. The guarantees are issued by Norwegian and foreign banks and insurance companies. Kongsberg Gruppen ASA is responsible for all guarantees.

MNOK	*2020*	*2019*
Guarantees issued by banks and insurance companies	2 107	3 521
Guarantees issued by Kongsberg Gruppen ASA	9 337	7 840
Prepayments and completion guarantees to customers	**11 444**	**11 361**

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

9 RELATED PARTIES

Operating revenues

MNOK	2020	2019
Kongsberg Maritime AS [1]	115	56
Kongsberg Defence & Aerospace AS	66	47
Kongsberg Digital AS	6	5
Kongsberg Maritime CM AS [1]	1	46
Other Group companies	1	6
Total operating revenues - related parties	**189**	**160**

1) Corporate charge KM CM included in KM amount for 2020

Operating revenues from related parties mainly comprises corporate charge and guarantees.

Interest-bearing loans to Group companies

MNOK	2020	2019
Kongsberg Digital AS	-	100
Kongsberg Næringseiendom AS	100	100
Kongsberg Næringsbygg 2 AS	54	54
Kongsberg Næringsbygg 3 AS	77	77
Kongsberg Næringsbygg 5 AS	96	96
Kongsberg Næringsbygg 11 AS	167	31
KNB13 Brattvåg AS	19	19
Hydroid Inc	-	371
Kongsberg Maritime Hoi Tung Holding Ltd	118	117
Kongsberg Maritime do Brasil SA	27	39
Kongsberg Maritime Malaysia Sdn. Bhd	17	17
Kongsberg Norcontrol Singapore	7	-
Kongsberg Norcontrol AS	10	-
Kongsberg Maritime Pty Ltd	7	8
Kongsberg Maritime India PVT. LTD	10	13
Kongsberg Digital Brasil BR	-	8
Kongsberg Martime Inc	69	70
Kongsberg Maritime CM Pty Ltd	23	12
Kongsberg Maritime CM Canada Ltd	17	17
Kongsberg Maritime Chile SpA	-	1
Kongsberg Maritime Ltd	-	35
Kongsberg Maritime CM AS	275	1300
Kongsberg Maritime Japan Co Ltd	-	7
Kongsberg Maritime CM NZ Pty Ltd	2	2
Kongsberg Maritime Turkey Denizcilik Sanayi Ve Ticaret Limited Şirketi	-	3
Other companies	-	1
Total	**1 094**	**2 498**

Current liabilities to Group companies

MNOK	2020	2019
Kongsberg Defence & Aerospace AS	3	6
Kongsberg Maritime AS	96	94
Kongsberg Aviation Maintenance Services AS	144	195
Kongsberg Maritime Sweden AB	266	239
Simrad North America Inc. US	336	
Kongsberg Mesotech Ltd.	108	109
Other companies	2	1
Subsidiaries deposits cash pool	6 066	-
Total	**7 021**	**644**

Current receivables to Group companies

MNOK	2020	2019
Kongsberg Maritime AS	11	43
Kongsberg Defence & Aerospace AS	3211	-
Kongsberg Basetec AS	-	40
Kongsberg Maritime Sweden AB	32	-
Kongsberg Digital AS	1	1
Kongsberg Maritime Finland OY	27	-
Hydroid Inc	-	5
Kongsberg Maritime Hoi Tung Holding Ltd	1	1
Kongsberg Digital Brasil BR	-	1
Kongsberg Maritime Inc	-	1
Kongsberg Maritime CM AS	82	20
Other companies	6	5
Subsidiaries draft cash pool	262	-
Total	**3 634**	**117**

10 CURRENCY HEDGING

As of 31 December, the company had the following net sale of foreign currency hedges, divided by hedge category:

Amounts in million	2020 *Value in NOK on agreed rates*	*Fair value in NOK 31 Dec 20*	*Total hedged amount in USD 31 Dec 20*	*Average hedged rate in USD 31 Dec 20*	*Total hedged amount in EUR 31 Dec 20*	*Average hedged rate in EUR 31 Dec 20*	*Total hedged amount in GBP 31 Dec 20*	*Average hedged rate in GBP 31 Dec 20*
Hedge category								
Forward exchange contracts, cash flow hedges	(722)	(78)	(10)	15.38	(45)	10.80	-	-
Forward exchange contracts, fair value hedges	17 904	629	1 151	8.94	541	10.79	110	12.04
Total	**17 182**	**551**	**1 141**		**496**		**110**	

Amounts in million	2019 *Value in NOK on agreed rates*	*Fair value in NOK 31 Dec 19*	*Total hedged amount in USD 31 Dec 19*	*Average hedged rate in USD 31 Dec 19*	*Total hedged amount in EUR 31 Dec 19*	*Average hedged rate in EUR 31 Dec 19*	*Total hedged amount in GBP 31 Dec 19*	*Average hedged rate in GBP 31 Dec 19*
Hedge category								
Forward exchange contracts, cash flow hedges	229	(11)	97	8.81	(59)	10.16	-	-
Forward exchange contracts, fair value hedges	15 779	(42)	1 501	8.75	218	10.06	34	11.59
Total	**16 008**	**(53)**	**1 598**		**159**		**34**	

Fair value is referring to the net present value of the variance between the revaluated forward rate at 31 December and the forward rate at the time of entering the forward exchange contract. Values in the table related to value in NOK on agreed rates and fair value in NOK also include other currencies.

Currency options

As of 31 December 2020, KONGSBERG recognised currency options with a gross amount of MNOK 17 to current assets and currency options with a gross amount of MNOK 6 to current liabilities. As of 31 December 2019, the group had no currency options, and the equivalent values were 0. Fair value changes have not been included in Kongsberg Gruppen ASA's statement in accordance with Norwegian GAAP.

Basis swaps

Subsequent to the acquisition of shares in Patria Oyj in 2016 (cost price of MEUR 284.9), basis swaps totalling to MEUR 130 were entered in order to hedge a net investment in a foreign entity. These basis swaps had a fair value of MNOK -144 as of 31 December 2020 (MNOK -64 as of 31 December 2019). Fair value changes have not been included in Kongsberg Gruppen ASA's statement in accordance with Norwegian GAAP.

Currency transactions, related parties

Subsidiary

	2020				
Amounts in million	*Value in NOK based on agreed rates 31 Dec 20*	*Fair value in NOK 31 Dec 20*	*Total hedged amount in USD 31 Dec 20*	*Total hedged amount in EUR 31 Dec 20*	*Total hedged amount in GBP 31 Dec 20*
Forward exchange contracts, cash flow hedges					
Kongsberg Defence & Aerospace	(722)	(78)	(10)	(45)	-
Total cash flow hedges	**(722)**	**(78)**	**(10)**	**(45)**	**-**
Forward exchange contracts, fair value hedges					
Kongsberg Maritime	3 814	149	303	110	3
Kongsberg Digital	333	9	15	11	0
Kongsberg Defence & Aerospace	13 573	438	809	420	107
(No internal counterparty)	184	33	24		
Total fair value hedges	**17 904**	**629**	**1 151**	**541**	**110**
Total	**17 182**	**551**	**1 141**	**496**	**110**

	2019				
Amounts in million	*Value in NOK based on agreed rates 31 Dec 19*	*Fair value in NOK 31 Dec 19*	*Total hedged amount in USD 31 Dec 19*	*Total hedged amount in EUR 31 Dec 19*	*Total hedged amount in GBP 31 Dec 19*
Forward exchange contracts, cash flow hedges					
Kongsberg Defence & Aerospace	229	(11)	97	(59)	
Total cash flow hedges	**229**	**(11)**	**97**	**(59)**	
Forward exchange contracts, fair value hedges					
Kongsberg Maritime	3 784	(80)	323	97	5
Kongsberg Digital	289	(2)	13	9	1
Kongsberg Defence & Aerospace	11 004	(25)	1 092	109	25
(No internal counterparty)	702	65	73	3	3
Total fair value hedges	**15 779**	**(42)**	**1 501**	**218**	**34**
Total	**16 008**	**(53)**	**1 598**	**159**	**34**

Associated company

	2020				2019			
MNOK	*Value in NOK based on agreed rates 31 Dec 20*	*Fair value in NOK 31 Dec 20*	*Total hedged amount in USD 31 Dec 20*	*Total hedged amount in EUR 31 Dec 20*	*Value in NOK based on agreed rates 31 Dec 19*	*Fair value in NOK 31 Dec 19*	*Total hedged amount in USD 31 Dec 19*	*Total hedged amount in EUR 31 Dec 19*
Forward exchange contracts, fair value hedges								
Kongsberg Satellite Services	1 052	(10)	87	29	1 495	(53)	128	42

11 CASH AND CASH EQUIVALENTS

Nominal amounts in MNOK		*2020*	*2019*
Net deposit cash pool		2 365	(221)
Money market funds		2 521	510
Total		**4 886**	**289**
Subsidiaries deposit cash pool	9	6 066	-
Subsidiaries draft cash pool	9	(262)	-
Parent's draft cash pool		(3 439)	-
Net deposit cash pool		**2 365**	**-**

Bank guarantees amounting to MNOK 13 (MNOK 10 in 2019) have been furnished for funds related to withholding tax for employees.

The Group's liquidity management is centralised in Kongsberg Gruppen ASA and handled by the Group's treasury unit.

Kongsberg Gruppen ASA has cash pools with Danske Bank, JP Morgan and DNB in which several of the subsidiaries are included. From 2020 net deposits cash pool, represent total net deposits in the cash pools for all companies included in the cash pools. For 2019 net deposit cash pool represent only the parent's draft on the cash pool. Total draft on the cash pools for the parent company in 2020 is MNOK 3,439 compared to 2019 MNOK 221.

Statement from the Board

KONGSBERG GRUPPEN ASA

We hereby confirm, to the best of our conviction, that the financial statements for 1 January to 31 December 2020 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 Directors' 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, 16 March 2021

Eivind Reiten *Chairman*	Per A. Sørlie *Director*	Martha Kold Bakkevig *Director*	Morten Henriksen *Director*	
Anne-Grete Strøm-Erichsen *Deputy chair*	Sigmund Ivar Bakke *Director*	Elisabeth Fossan *Director*	Helge Lintvedt *Director*	Geir Håøy *Chief Executive Officer*

AUDITOR'S REPORT 2020

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Kongsberg Gruppen ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Kongsberg Gruppen ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement, and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, income statement, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Building a better working world

Recognition of revenue from customer contracts over time

A large part of the Group's revenues are derived from customer contracts recognised over time. The process of measuring the progress towards complete satisfaction of the performance obligations and selecting the method of measuring this progress, involves judgement and estimates by the management. It may be uncertainty in relation to the transaction price, allocation of the transaction price, and in the estimated costs in fulfilling the contract. The recognition of revenue from customer contracts over time is a key audit matter, due the extent and complexity of ongoing projects in the Group with different duration, and where management exercises judgement to estimate the progress, including expected transaction price and costs to fulfil the contract.

We evaluated the application of accounting principles, methods for estimating the projects' progress, routines for monitoring projects and tested controls over estimating projects' progress, estimation of expected transaction price and costs to fulfil the contract. We discussed estimated total project costs, including provisions for guarantees, with project management. We evaluated these estimates against comparable projects and analysed the development in margins for selected projects and the project portfolios. For a selection of contracts, we tested estimated revenues against agreements, incurred costs against invoices and hours against project reports, and assessed the total estimated project costs. In addition, we have analysed actual margins on a selection of completed contracts against estimated total margins during the project period in order to evaluate management's accuracy in judgments and estimates.

We refer to note 2 for details on estimation uncertainty and note 8 on customer contracts in the financial statements for further information.

Divestment of Hydroid and presentation as discontinued operations

Kongsberg divested its operations in Hydroid Inc, USA in 2020. The gain on the divestment, including currency translation effects, taxes, and transaction costs, was recognized in the 2020 financial statements. The operations in Hydroid Inc was presented separated from continued operations in the profit and loss statement with comparable information adjusted accordingly. Accounting for discontinued operations involves judgements from management related to identifying and separating the financial effects from continued and discontinued operations, as well as assessing the criteria for presenting Hydroid Inc as discontinued operations. The divestment of Hydroid Inc resulted in a material gain in the financial statements, and the calculation of the gain involved judgement from the management. Presentation as discontinued operations has significant impact on the financial statements of Kongsberg, and hence we considered this to a be a key audit matter.

We obtained and reviewed the sales contract and assessed the conditions. We assessed the calculation of the gain from the divestment, including the allocation of goodwill, currency translation effects and taxes. We assessed the presentation of the gain and discussed with management the methods used to identify and separate the financial effects of the discontinued operations.

We refer to note 6 discontinued operations in the financial statements for additional information.

Other information

Other information consists of the information included in the Company's annual report and sustainability report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is 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 International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the report 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 Board of Directors' report and in the report on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and 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 management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 16 March 2021

ERNST & YOUNG AS

Finn Espen Sellæg
State Authorised Public Accountant (Norway)

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

Financial calendar

ANNUAL GENERAL MEETINGS

The ordinary Annual General Meeting will be held on Thursday 6 May 2021.

PRESENTATION OF QUARTERLY RESULTS

Q1:	30 April 2021
Q2:	14 July 2021
Q3:	29 October 2021

Ticker code: KOG (Oslo Stock Exchange)

Contact details

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