

Capital Markets Day | 2013

Thursday 7 November



KONGSBERG



Disclaimer

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Given the aforementioned uncertainties, prospective investors are cautioned not to place undue reliance on any of these forward-looking statements.



Agenda

TIME	TOPIC	PRESENTER(S)	
09:45	Welcome	VP IR	Jan Erik Hoff
09:55	Group status and conclusions from growth strategy and capital structure reviews	CEO CFO	Walter Qvam Hans-Jørgen Wibstad
11:00	Kongsberg Maritime	EVP	Geir Håøy
11:30	Kongsberg Oil & Gas Technologies	EVP	Pål Helsing
12:00	Lunch		
13:00	Kongsberg Protech Systems	EVP	Espen Henriksen
13:30	Kongsberg Defence Systems	EVP	Harald Ånnestad
14:10	Q&A Session		All
14:30	Final Remarks	CEO	Walter Qvam
14:45	End		

Kongsberg Gruppen ASA

Walter Qvam, CEO

CMD | 7 November 2013



KONGSBERG



EXTREME PERFORMANCE FOR EXTREME CONDITIONS

We develop and deliver advanced systems and technology for people working under extreme conditions.

Our solutions ensure efficiency, safety and high performance in operations ranging from deep sea to outer space.



Development since CMD 2012

Lower growth
Challenging markets
Good operational performance

Continued international expansion, strengthened alliances
Maritime, Offshore, Oil & Gas growth and milestone contract wins

Defence product launches, missile test successes, CROWS reduction
Strategic growth review, governance adjustment, capital issues review
Space & Surveillance entity creation, Integrated Environmental Monitoring

.....

Strengthened platform – business, competence, relationships, brand, finances

Agenda

- Introduction – This is KONGSBERG
- Brief financial status
- Group position and opportunities
- Results of our strategic growth reviews and review of capital issues

From whale harpoons to an international technology group

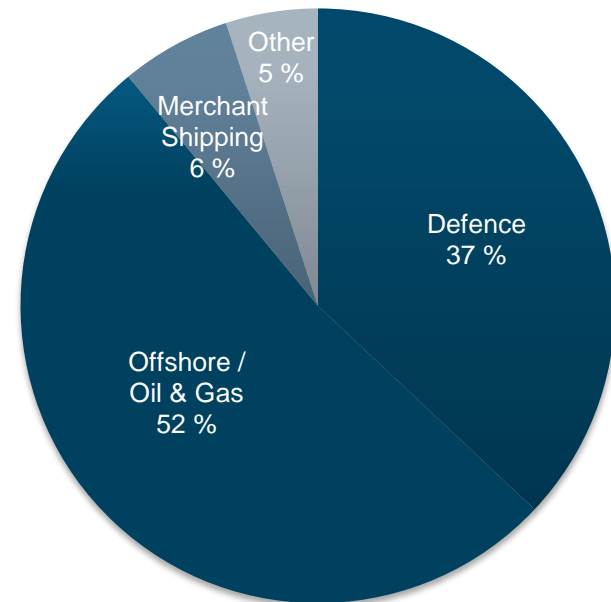


200 years of finding solutions to technology challenges

Today involved in the world's most technology intensive industries

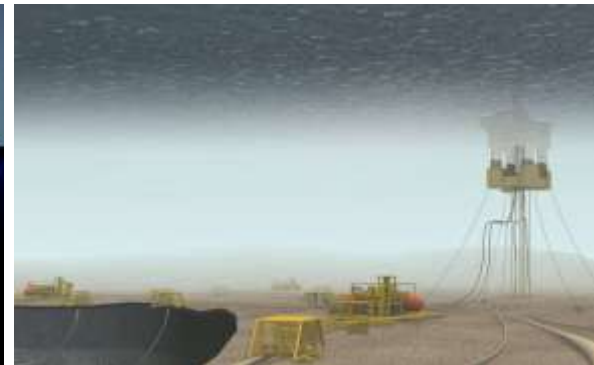


REVENUE BREAKDOWN YTD 2013

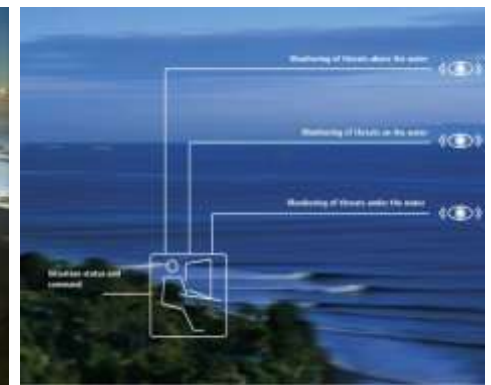
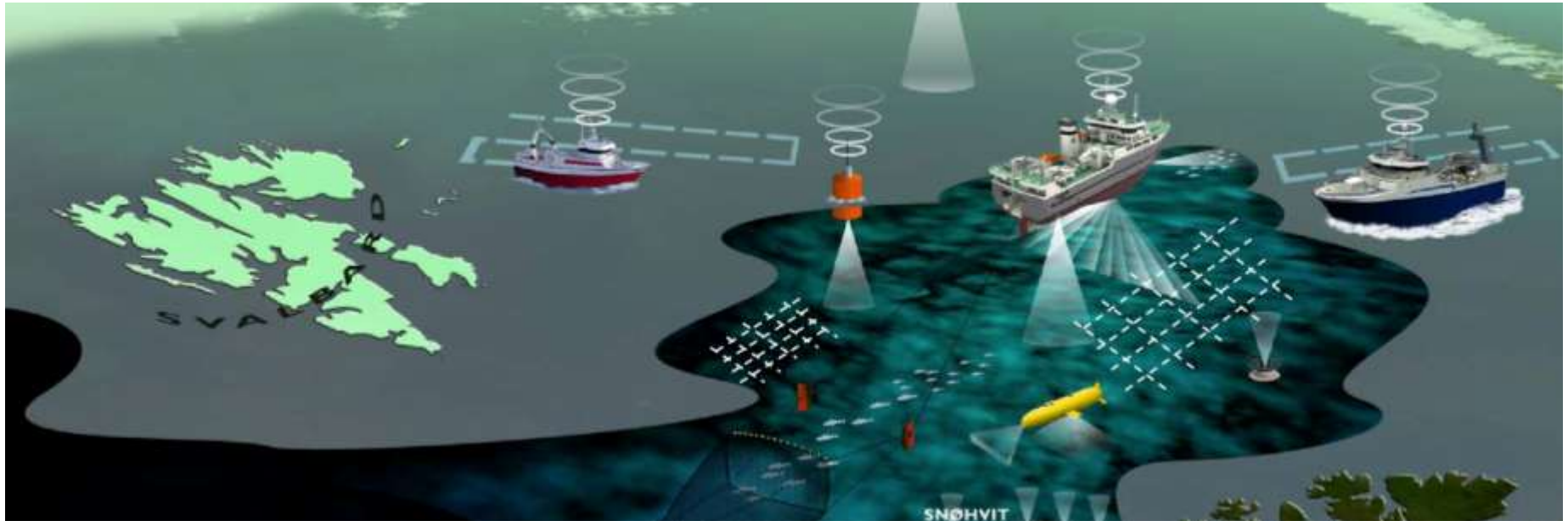


WORLD CLASS - THROUGH PEOPLE, TECHNOLOGY & DEDICATION

Now developing leading solutions for the next decades



..and playing an increasingly strategic role





....as well as an important international role



North America
21 companies

Canada

USA

Mexico

Venezuela

Brazil

Rio de Janeiro, Brazil



Antártica

Warszawa, Poland



Zhenjiang, China



Norway Finland
UK Denmark Poland
Ireland Germany
Netherlands Hungary
France
Spain Italy Greece
Kuwait
UAE
Algeria Saudi Arabia
India
Nigeria

Mumbai, India



Singapore



Malaysia
Singapore

Australia

Perth, Australia





KONGSBERG is a unique multi-industry technology cluster



An internationally competitive technology industry player
Significant growth opportunities. An innovation power house
A strong foundation - business, competence, culture and brand

We genuinely believe that our strong, value based culture drives our business performance

WORLD CLASS

— THROUGH PEOPLE, TECHNOLOGY AND DEDICATION

DETERMINED

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

INNOVATIVE

We relentlessly pursue improvements, new ideas and new solutions

COLLABORATIVE

We collaborate as individuals and as an organization

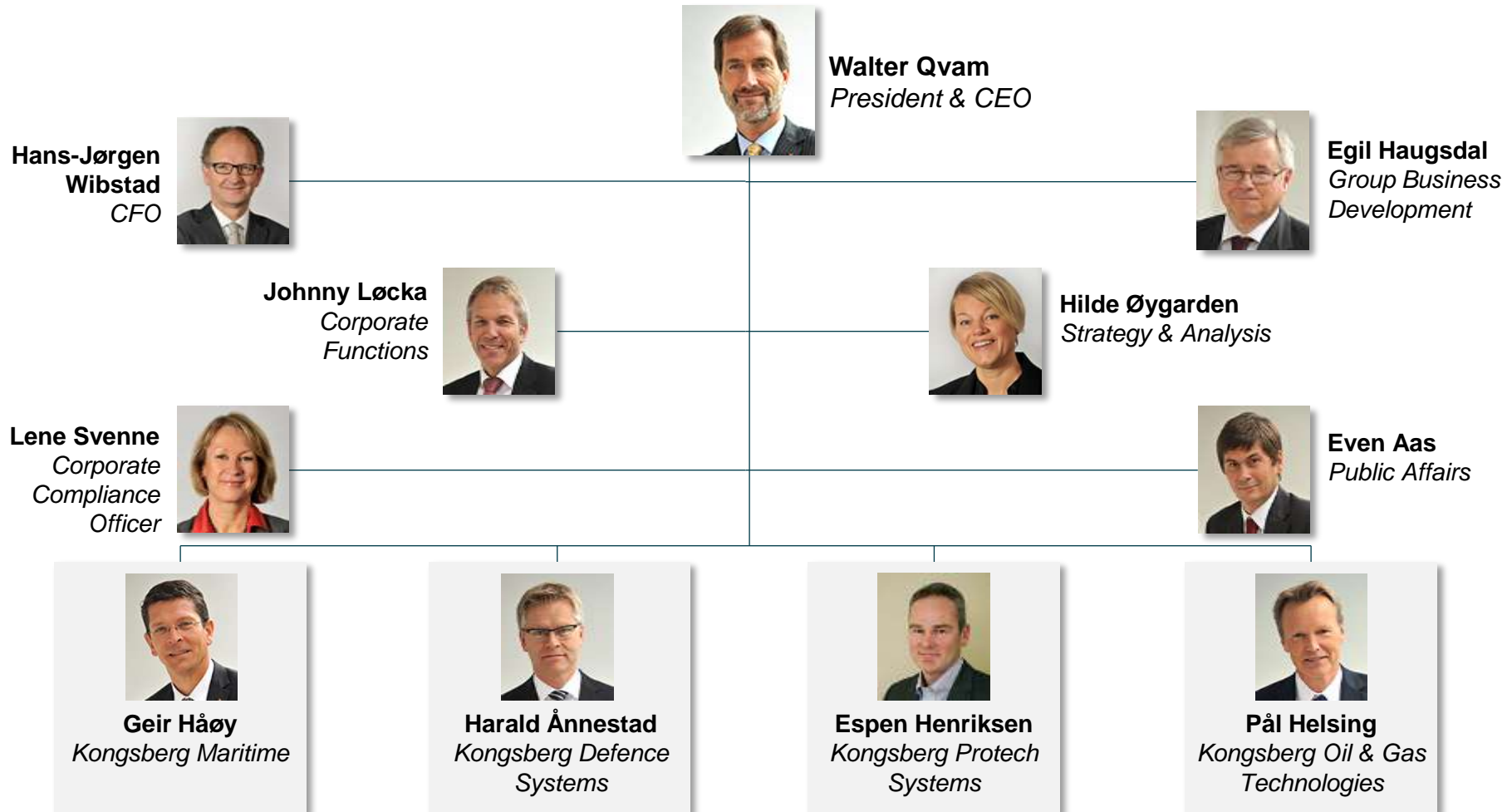
RELIABLE

We are reliable people.
We are responsible citizens.



Dedicated, hard working employees

- a strong, prudent and ambitious leadership team





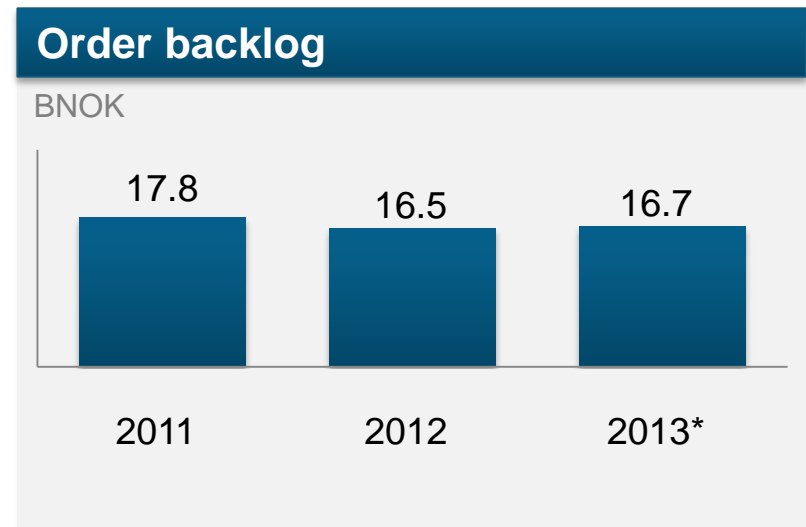
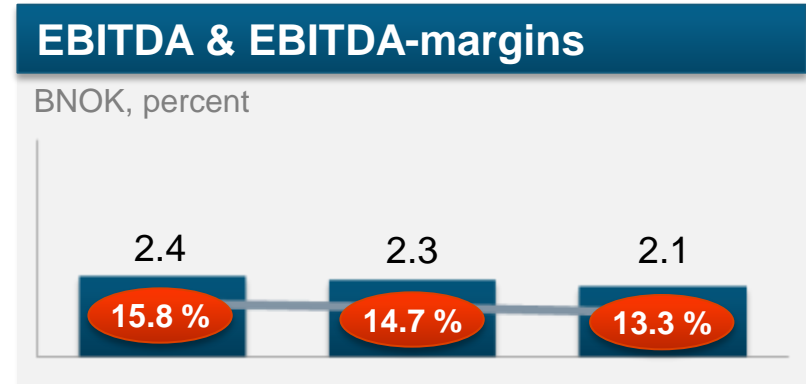
Today we will share with you

- Our status, position and foundation for further development of the Group
- The results of our strategic growth reviews and review of capital issues
 - Growth directions
 - Revenue and margin development
 - Capital issues, e.g. dividend, return on capital
 - Cost and competitiveness initiatives

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- Introduction – This is KONGSBERG
- **Brief financial status**
- Group position and opportunities
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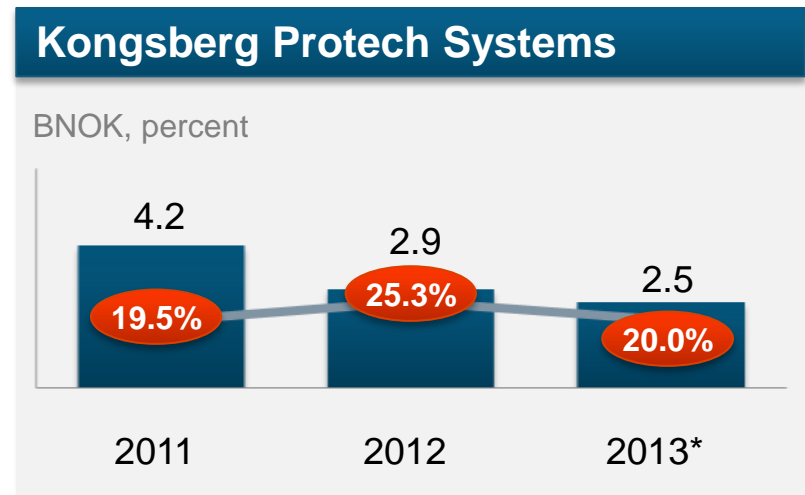
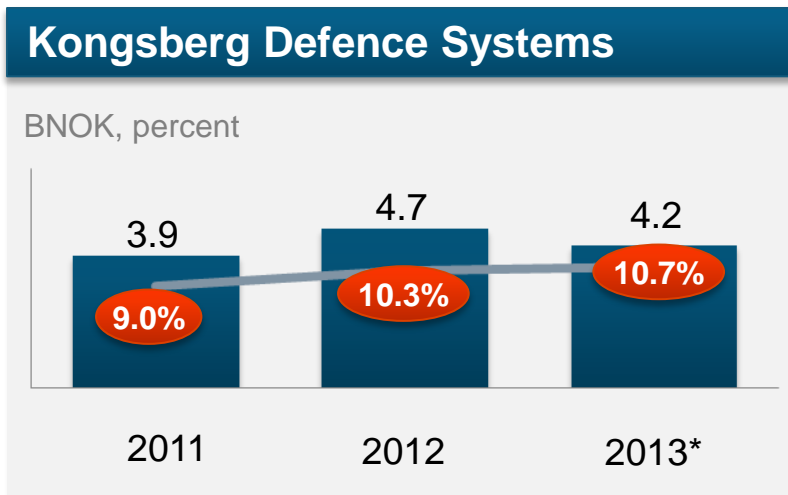
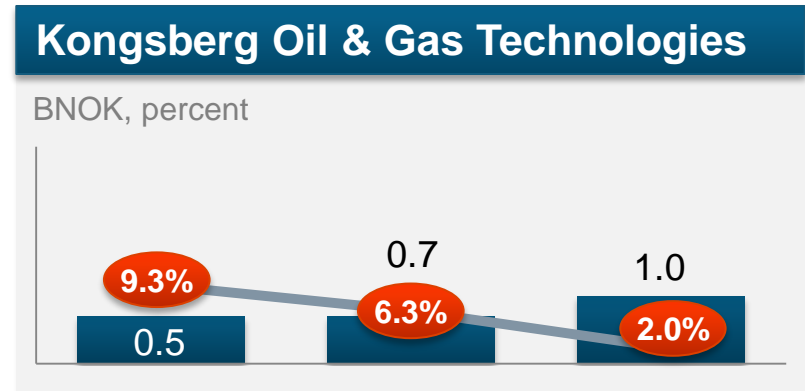
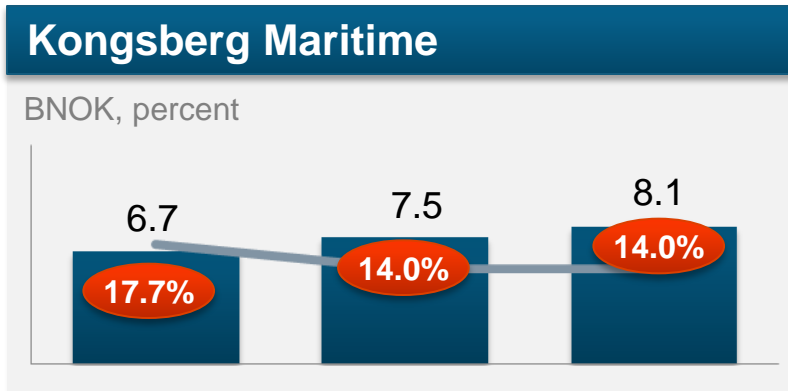
Increased revenues and order intake – robust margins



* 2013 figures are "Last 12 months"

Good performance in three out of four business units

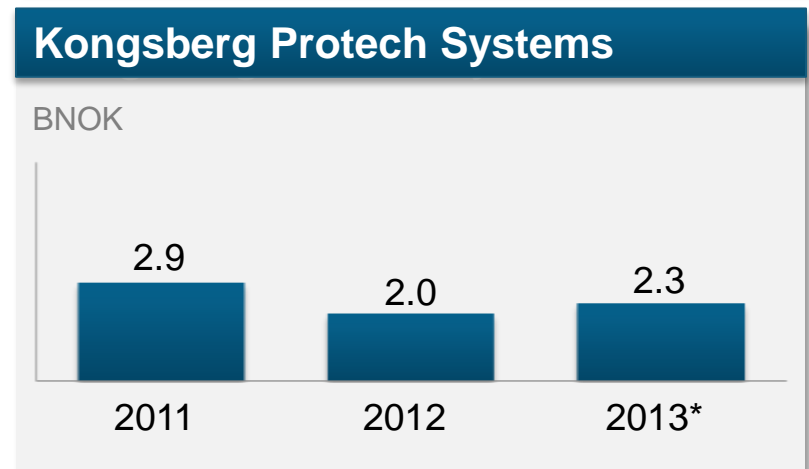
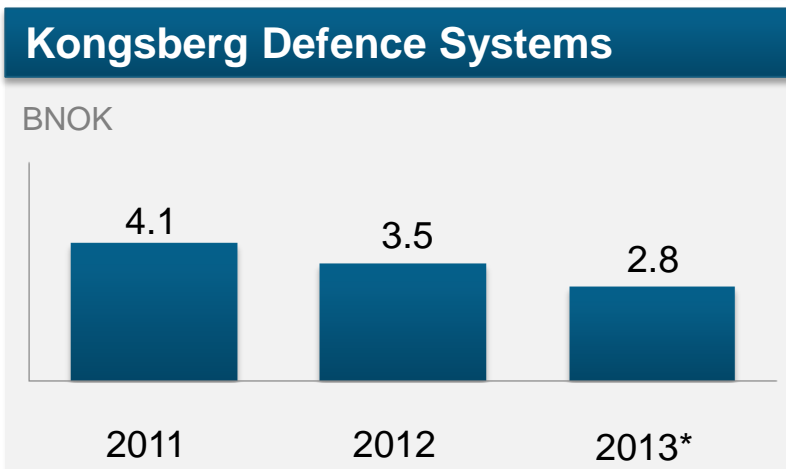
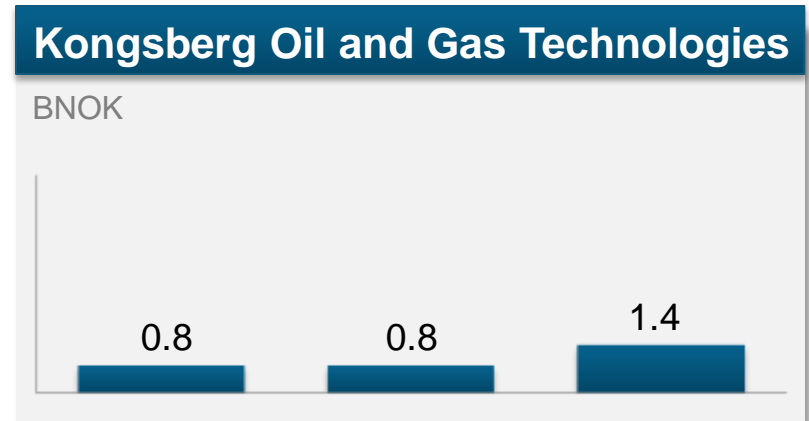
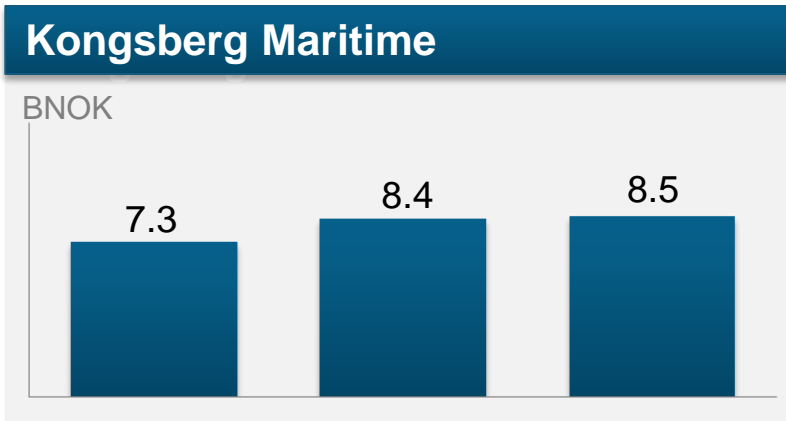
Revenue, EBITDA margin



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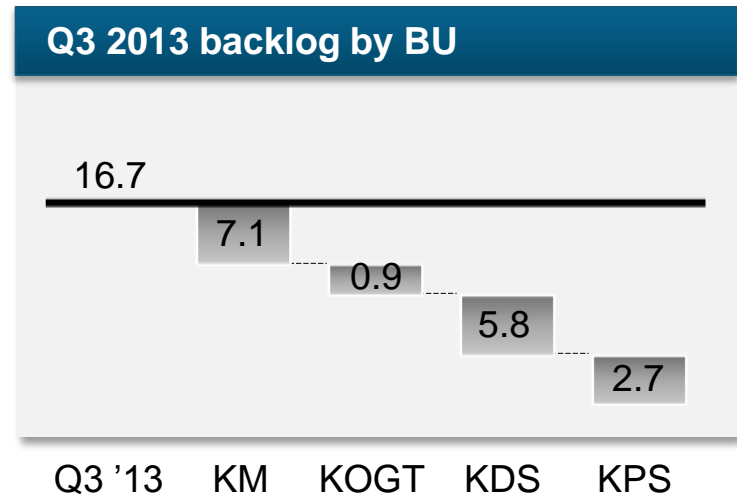
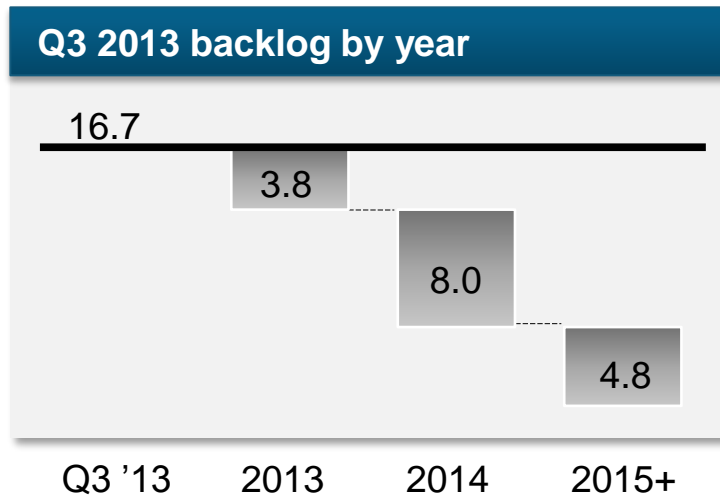
Strong maritime order intake – somewhat slower in defence

Order intake



* 2013 figures are "Last 12 months"

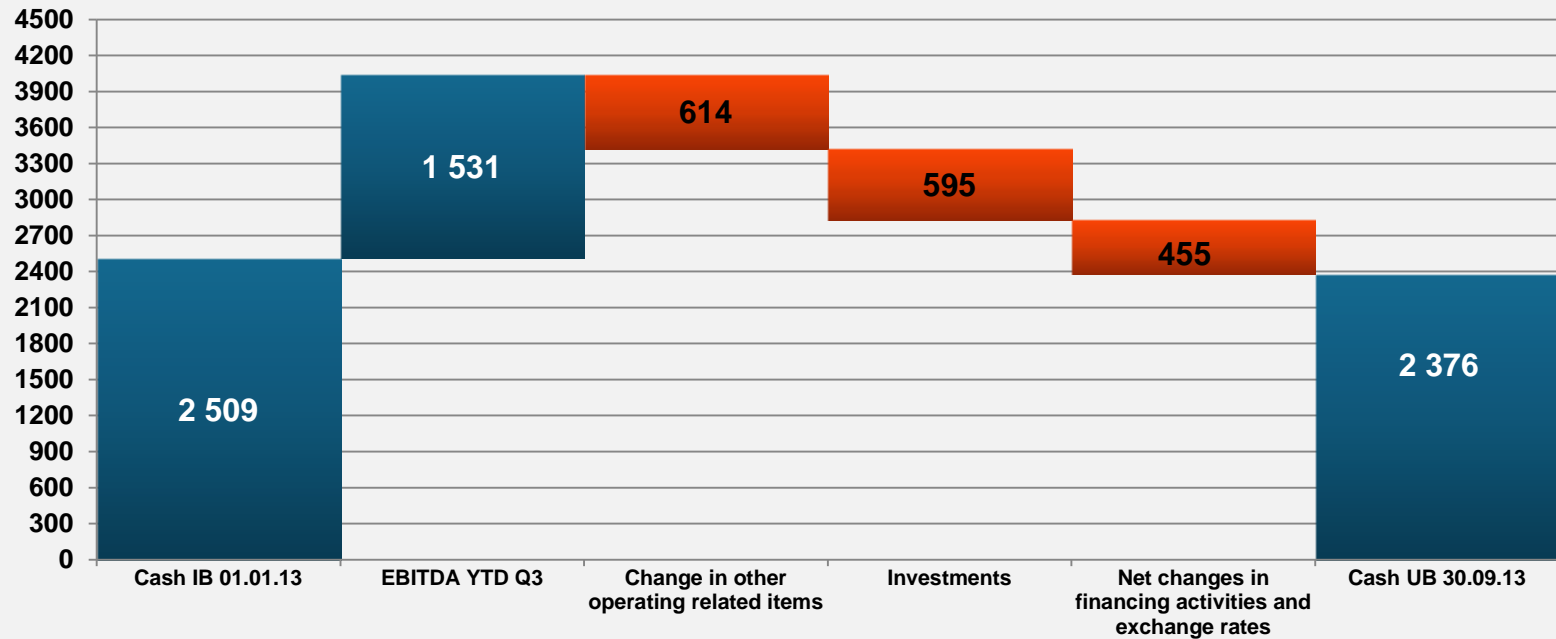
Solid order book – good earnings visibility





Strong cash flow over time but fluctuating between quarters

Cash flow YTD 2013



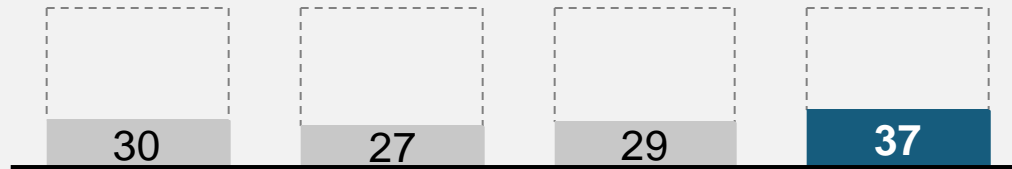
	2009	2010	2011	2012	Q3 2013
Cash and short-term deposits	1.467	2.660	3.083	2.509	2.376
Cash flow from operating activities	2.669	2.018	1.643	207	917
Net interest bearing debt	(634)	(1.813)	(2.191)	(1.198)	(1.067)

Solid balance providing strength and flexibility

Stable equity ratio for the last 15 years

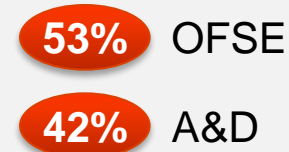
Equity ratio

Percent



Peer averages

Percent

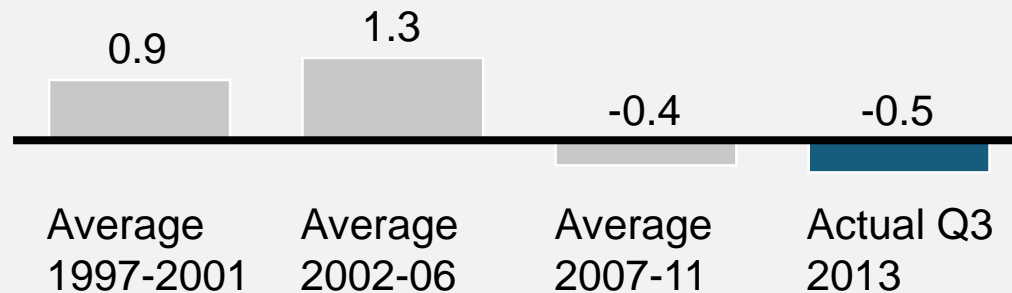


Solid credit rating¹

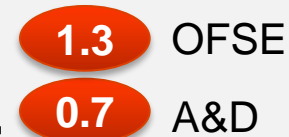


Low Net Debt to EBITDA ratio increases KONGSBERG flexibility

Net Debt to EBITDA ratio²



Peer averages



All current contracts are currency hedged. Expected order intake hedged up to 2 years

¹ Shadow ratings. Average of BBB (DNB), BBB+ (Nordea) and A- (SEB)

² Net interest bearing debt (NIBD) divided by EBITDA. NIBD equals long-term interest-bearing loans minus cash and cash equivalents



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KONGSBERG going forward

Our ambition

We shall be a leading technology industry group with World Class positions
We shall drive a proactive growth agenda, generate stakeholder value and develop value adding solutions for demanding customers within our key industries

Solid foundation with strong finances

- Solid platforms in Maritime, Oil & Gas, and Defence
- Life cycle business view
- Strong finances
- Unquestioned compliance
- Culture of growth and innovation

Profitable growth from market positions with high entry barriers

Growth through both organic development and M&A

Group-wide improvement programs, supplementing continuous improvement in business units

Group competitive advantages

- Cross-fertilization of technology
- Strong brand
- Common culture and value foundation
- Attracting top technology talent



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Strong market positions and a wide range of leading technology solutions

Kongsberg Maritime



- Market leader within both offshore and merchant applications
-
- Dynamic positioning
 - “Full picture” integrated automation and control systems
 - Underwater sensor technologies
 - Autonomous underwater vehicles

Kongsberg Oil & Gas Technologies



- Increasing market shares within certain oil & gas niches
-
- Drilling and production management S/W solutions
 - Subsea structures & engineering

Kongsberg Defence Systems



- Modern product portfolio positioned in growing defence niches
-
- Naval strike missile
 - Joint strike missile
 - NASAMS
 - Aerospace equipment and services
 - Command and control systems

Kongsberg Protech Systems



- Unquestionable world #1 position within remote weapon station solutions
-
- M-153 PROTECTOR (CROWS)
 - PROTECTOR Medium Caliber RWS
 - Other specialized remote weapon stations

World Wide Life Cycle Support

- KM - equipment on more than 15 000 vessels – comprehensive service network
- KPS - more than 17 000 RWS sold to 17 countries – spare parts and service
- KONGSBERG's life cycle services is a **key differentiator in the market**

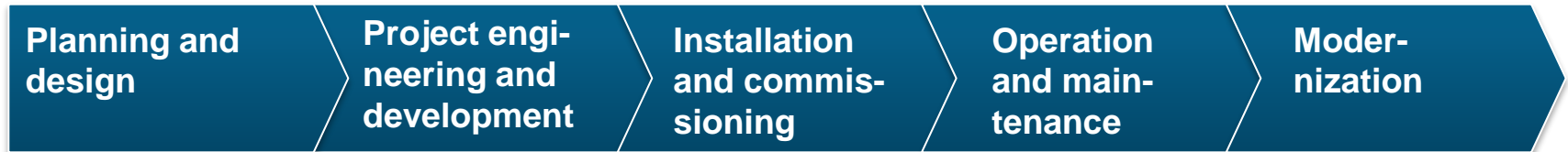


Kongsberg Maritime's "follow the sun" support centers, located in Norway, Singapore and New Orleans, ensure service 24/7 around the globe



Global customer support network supporting our customers 24 / 7

- KONGSBERG is among the very few companies in the world that can provide support, critical spare parts, repairs or maintenance **on any location, any vessel, anywhere in the world**, on only hours notice
- **We support our customers through from design to commissioning, during the operational life and with modernization**



On-line support

Technical support

Technical consulting

Design and software engineering

Field service

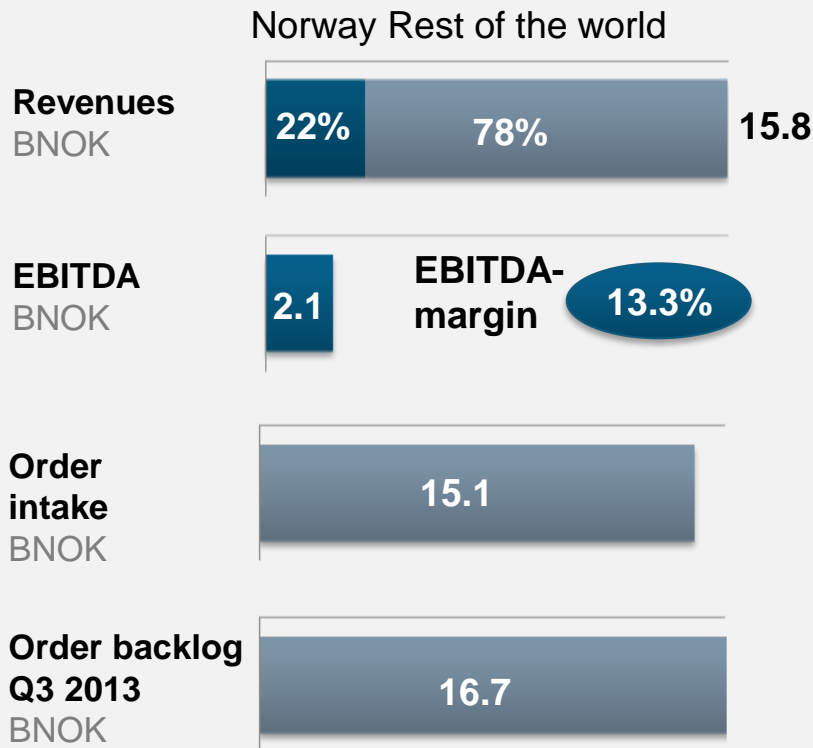
Repairs and spare parts

Optimization and modernization

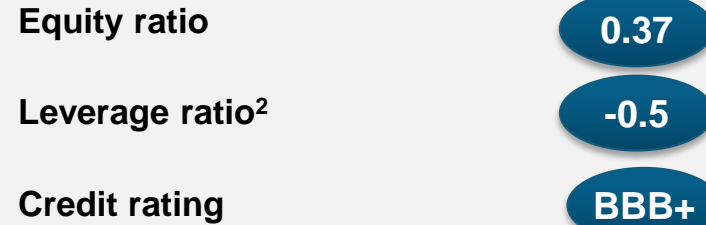


Strong finances

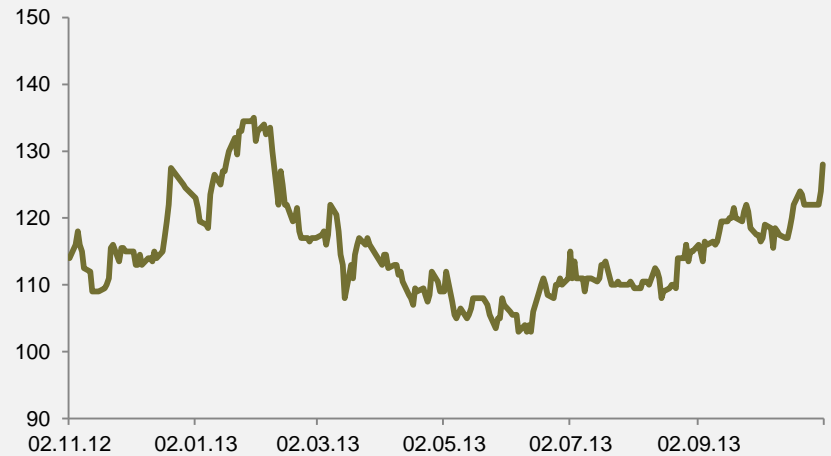
Key figures¹



Balance sheet and rating



Share performance last 12 months



¹ Figures are "last 12 months"

² Net interest bearing debt (NIBD) divided by EBITDA. NIBD equals long-term interest-bearing loans minus cash and cash equivalents

Unquestioned compliance focus.

Corporate social responsibility initiatives

- Clean compliance track record
- High ethical standards
- Zero tolerance for corruption



Our CSR initiatives also have a commercial aim



- **Integrated environmental monitoring system for offshore oil & gas**



- **Green Shipping initiative**



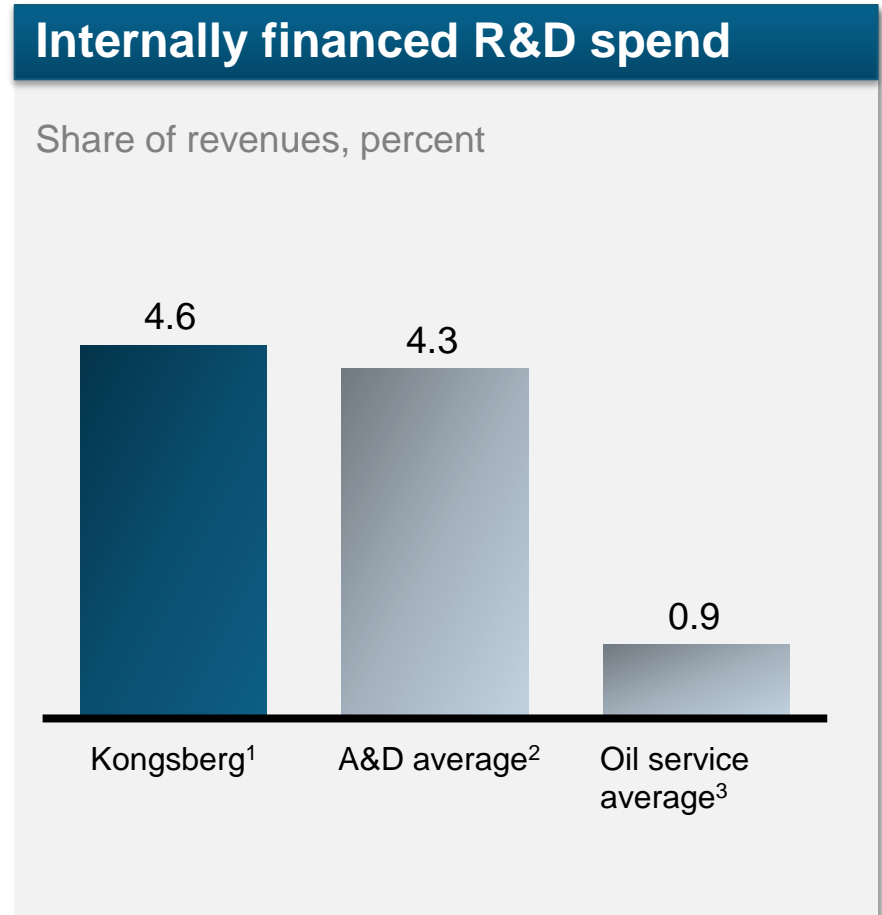
- **Wind farm steering systems to lower maintenance cost**



- **Earth observation services**

KONGSBERG's culture and governance model encourages innovation

- Strong product ownership in a distributed, empowered organization of 50-60 entities
- R&D investments **~10% of revenue**, incl. 5% customer financing
- Close collaboration with leading research institutes
- Close relationships with customer user forums
- Internal innovation incentives



¹ 4.6 percent financed internally (2012), ~10 percent when including customer-financed R&D

² Top 89 global A&D companies with 2012 market cap above 100 MUSD. Covers only internal investments

³ Top 159 global OFSE companies with 2012 market cap above 100 MUSD. Covers only internal investments

Capabilities in automation, command and control, decision support systems are leveraged across the Group

Knowledge sharing and innovation are systematically encouraged

- **KONGSBERG Technology Forum** joins the most experienced talent across the Group to encourage the sharing of ideas and practices across business units
- The group-wide **Innovation Fund** encourages innovation from all levels of the Group

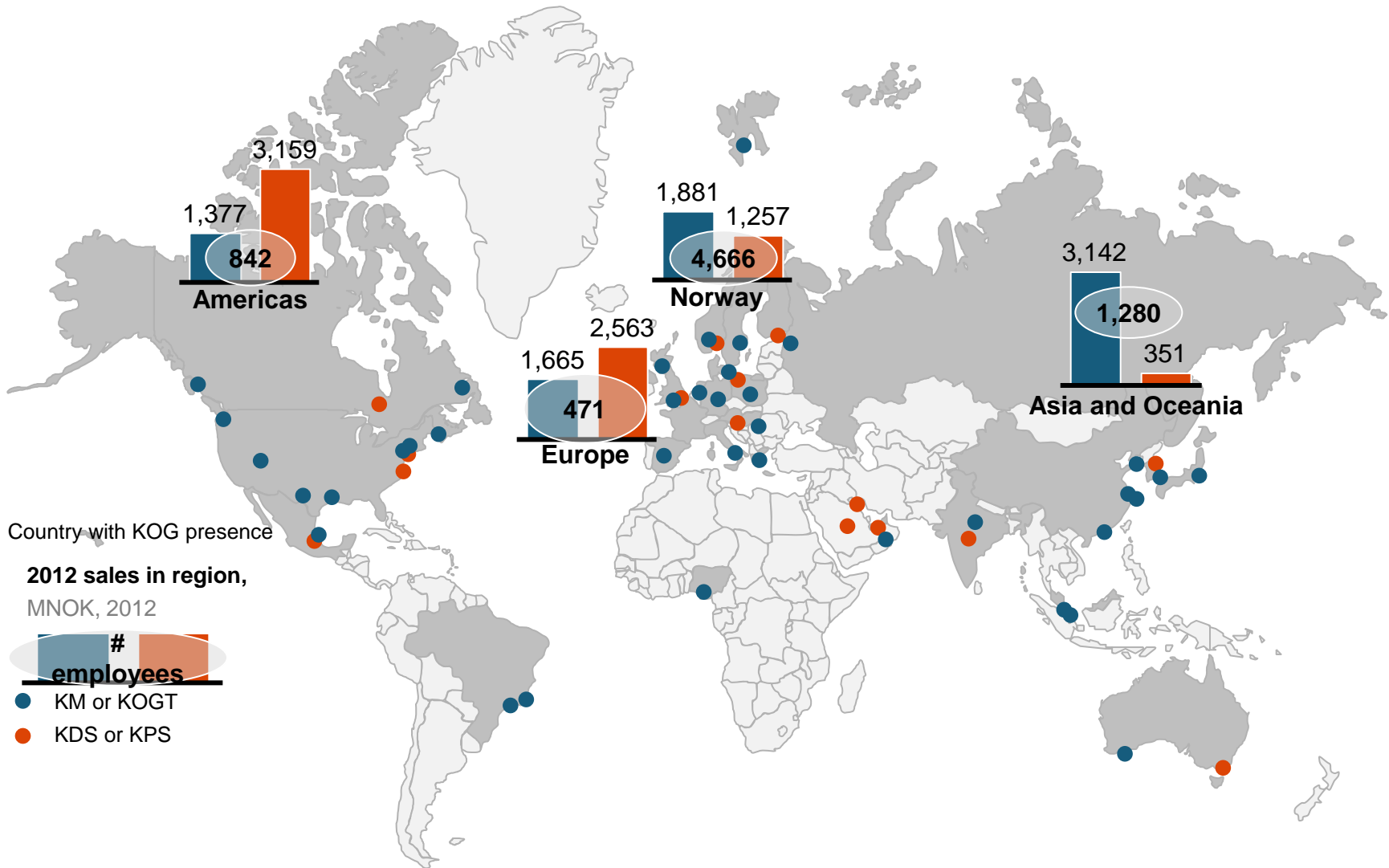
Hugin is an example of Group-wide knowledge sharing

- Hugin was developed to provide mine reconnaissance and counter-measures
- The concept was expanded to civilian seabed mapping and sensing
- Hugin now has applications for both military and civilian use
- Today we are a global leader in AUV systems – Hugin, Remus, Munin, Seaglider





Global reach, with presence in all major market hubs





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Profitable growth from market positions with high entry barriers

Growth through both
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Group-wide improvement
programs, supplementing
continuous improvement
in business units

Group competitive advantages

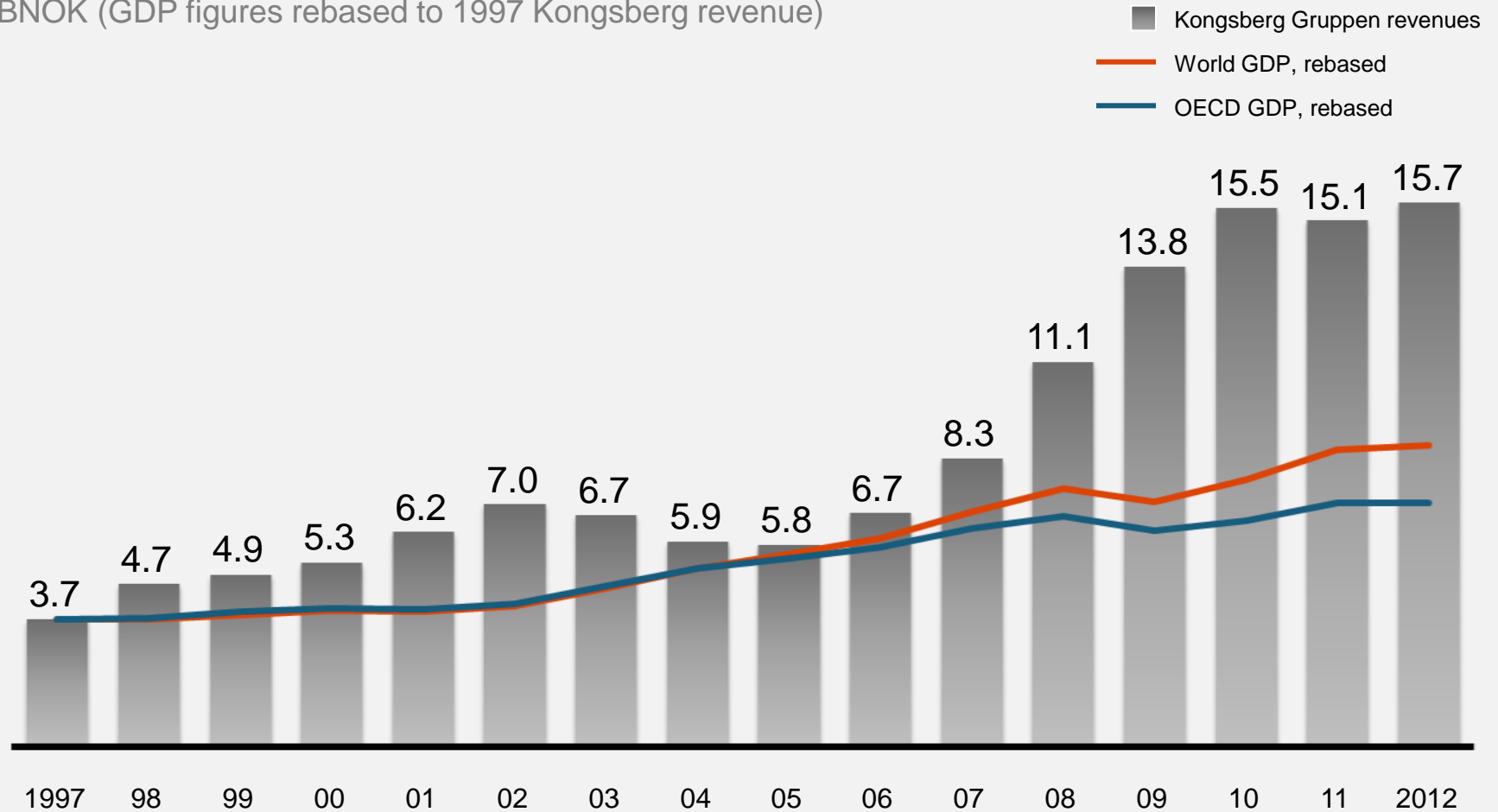
- Cross-utilization of technology
- Strong brand
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KONGSBERG's growth has been higher than in most other industries

Kongsberg revenue versus nominal GDP development 1997-2012

BNOK (GDP figures rebased to 1997 Kongsberg revenue)

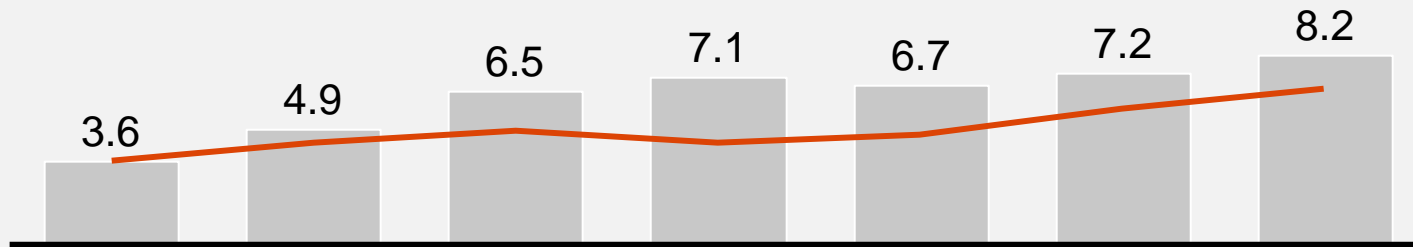


SOURCE: World Bank

KONGSBERG has attractive market positions with above-market growth

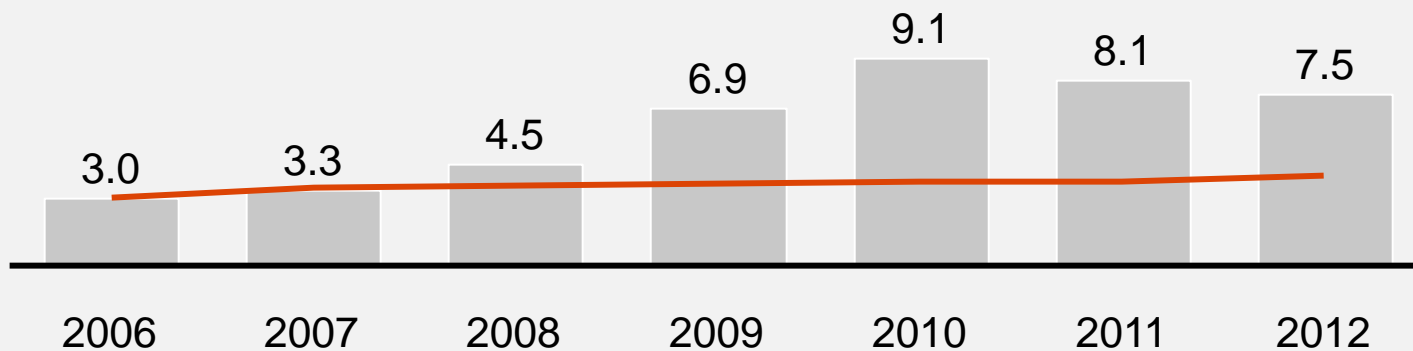
KM and KOGT revenues vs. global OFSE revenues

BNOK – (Oil Service rebased to KOG 2006 revenue) — Oil Service revenues, rebased



KDS and KPS revenues vs. global A&D revenues

BNOK (A&D rebased to KOG 2006 revenue) — Aerospace & Defence revenues, rebased



SOURCE: McKinsey CPAT



KONGSBERG is well positioned in fast-growing maritime and oil & gas markets with high entry barriers

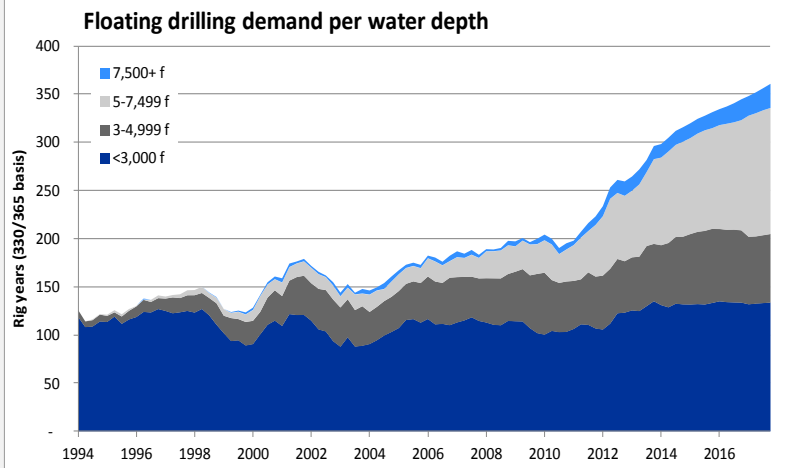
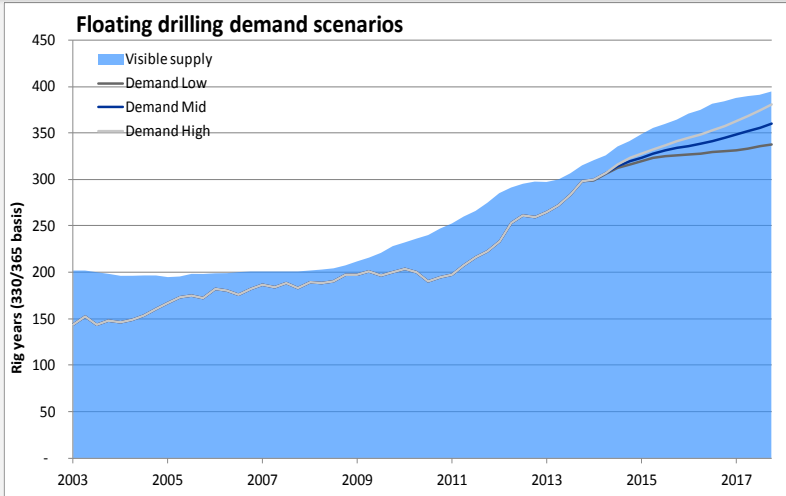
- Drilling at deep water and in harsh environments drives demand for **Offshore Full Picture**® systems
- Ship building is recovering from cycle low, driving demand for **Merchant Marine** solutions
- High growth in **Subsea** due to increased exploration of marginal fields and size and age of installed subsea base
- **Deeper , more complex wells** drive development of advanced **monitoring and flow control** systems in oil & gas



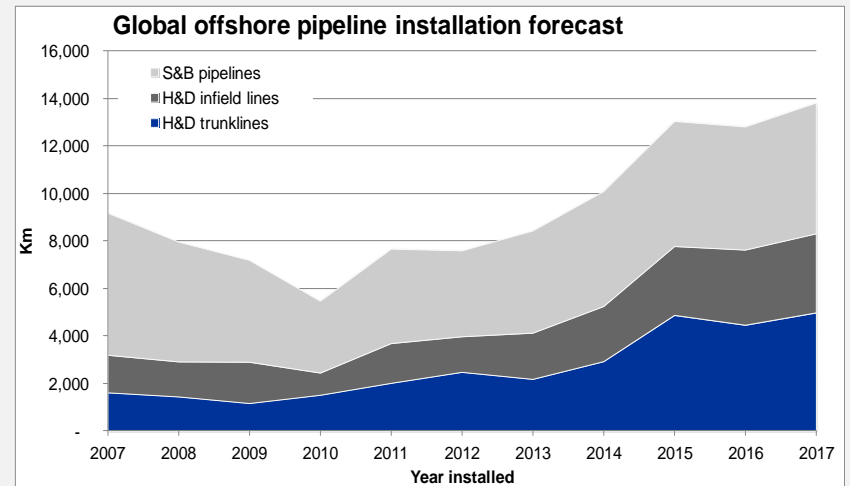
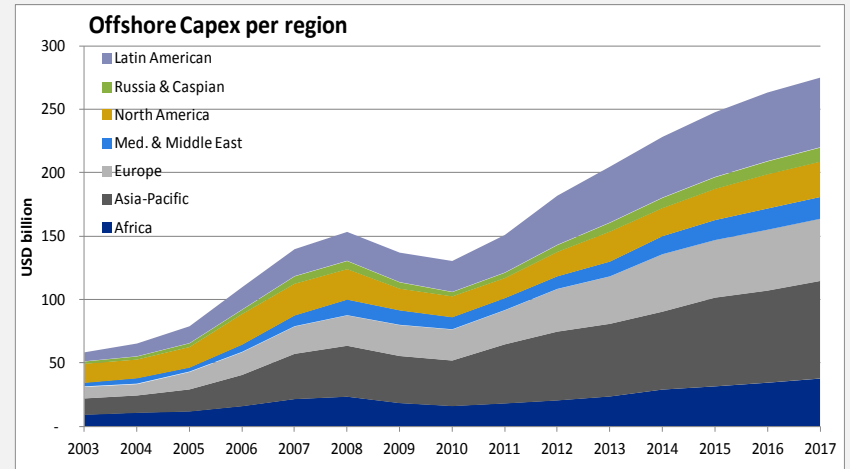
Positioned in fast-growing niches in offshore and oil & gas markets

SOURCE: IHS CERA

Kongsberg Maritime



Kongsberg Oil and Gas Technology

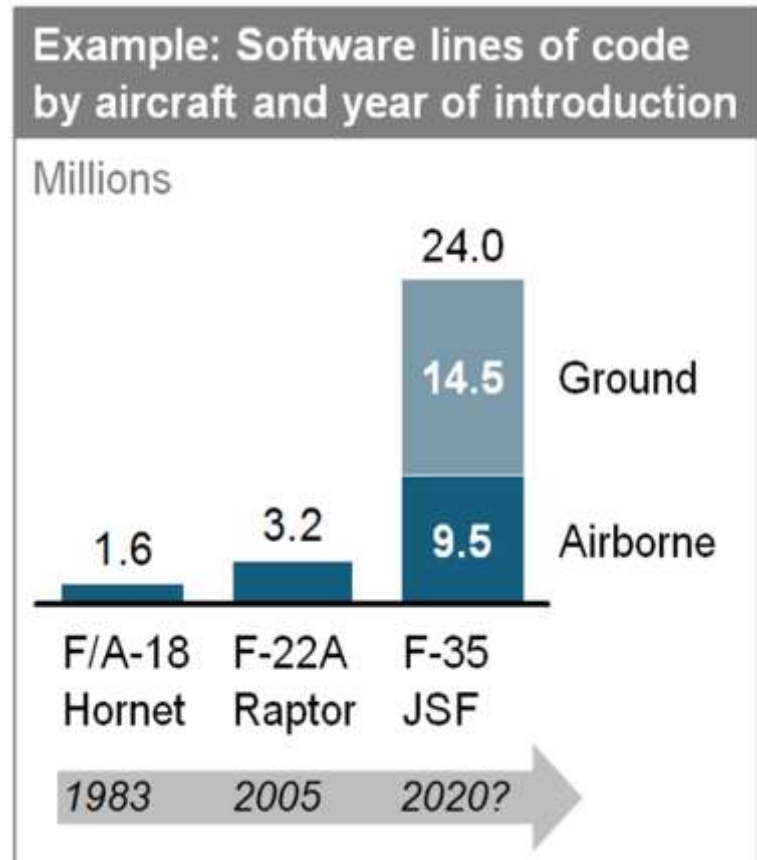




Growing defence market sub segments with high entry barriers

- **Missile systems** set for higher growth as US "AirSea Battle" doctrine shifts focus to naval warfare
- Growth in **Air Defence Systems** driven by upgrades of existing systems and NASAMS sales
- New products and increasing life cycle business offer strong fundament for **Protech Systems**
- Increased demand for **submarine-, surveillance-, communication- and satellite systems** provides opportunities for leading KONGSBERG niche products

KONGSBERG is positioned with a modern portfolio of defence systems



KONGSBERG is Norway's largest software company.....



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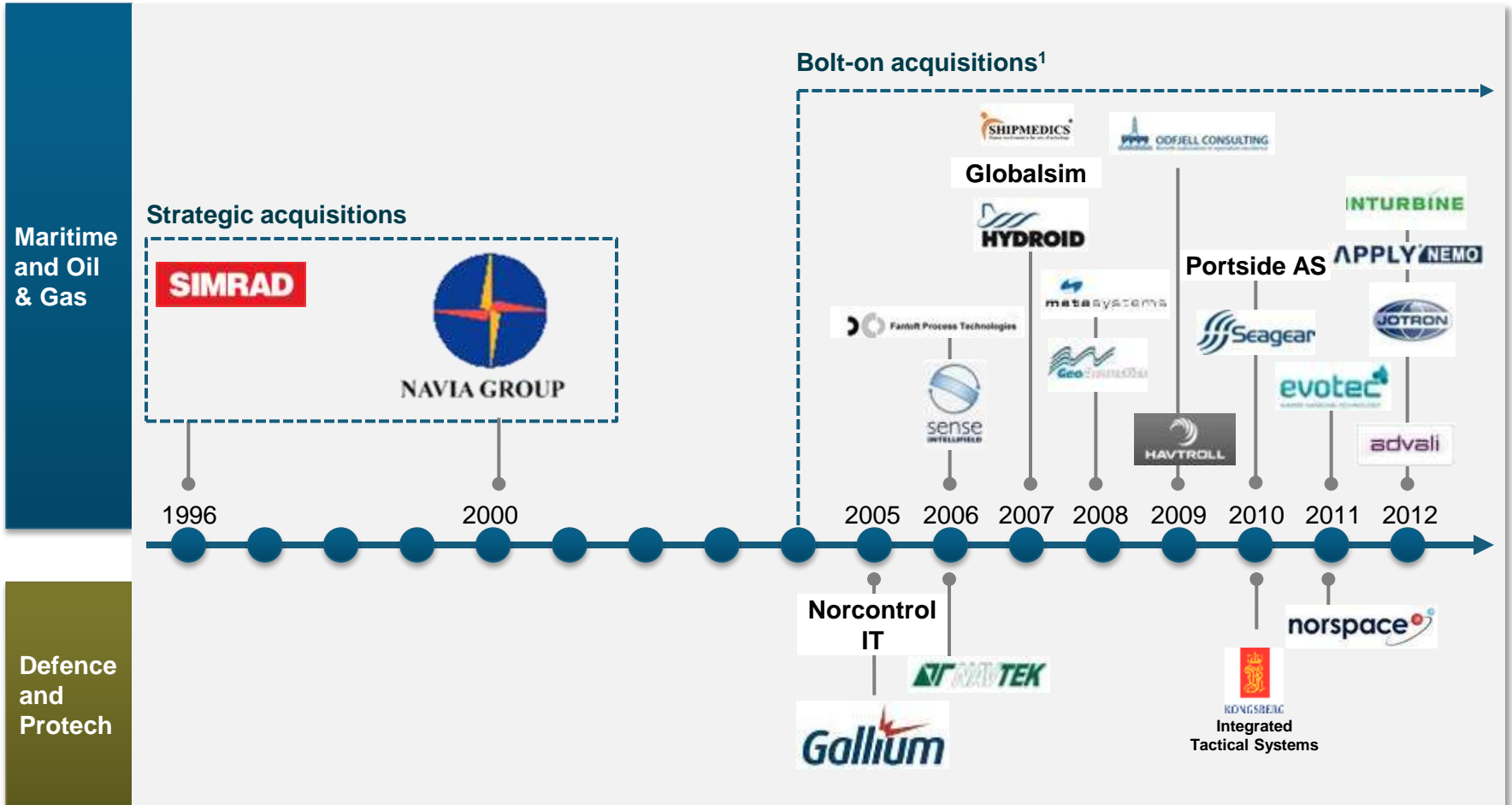
Group-wide improvement programs, supplementing continuous improvement in business units

Group competitive advantages

- Cross utilization of technology
- Strong brands
- Common culture and value foundation
- Attracting top technology talent

KONGSBERG has a history of successfully integrating companies as part of the Group

Overview of acquired and integrated companies in maritime and defence industries



¹ Not exhaustive



We will continue to broaden our portfolio and drive industrialization

**New Group governance
Strategic management of industry portfolios**

- Continue focus on innovation and organic growth
- Add value through bolt on's and strategic acquisitions
- Develop industry portfolios in maritime, oil & gas and defence

Kongsberg Defence is reorganized



1988

Kongsberg Maritime is formed



1996

Kongsberg Protech Systems is formed



2009

Kongsberg Oil and Gas Technologies is formed



2009

Proactive growth with reinforced Group structure



2013



Above-market growth through broadening our product and services portfolio

Growth through product innovation



- **Broadening and developing our product portfolio**
 - Continuously expanding our “Full picture” offering



- **New products**
 - Finding new applications for sensor capabilities, e.g. in infrastructure surveillance

Growth through service innovation



- **Developing our Life Cycle Service**
 - Reducing response time and broadening service offering



- **New service offerings**
 - Developing capabilities in Subsea inspections, maintenance and repair



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Continuous improvement

- Strong focus on continuous improvements in all business areas
 - Products
 - Project execution
 - Logistics
 - Supplier network
 - Management
 - Internal processes

Management incentive system based on YoY improvement achievement





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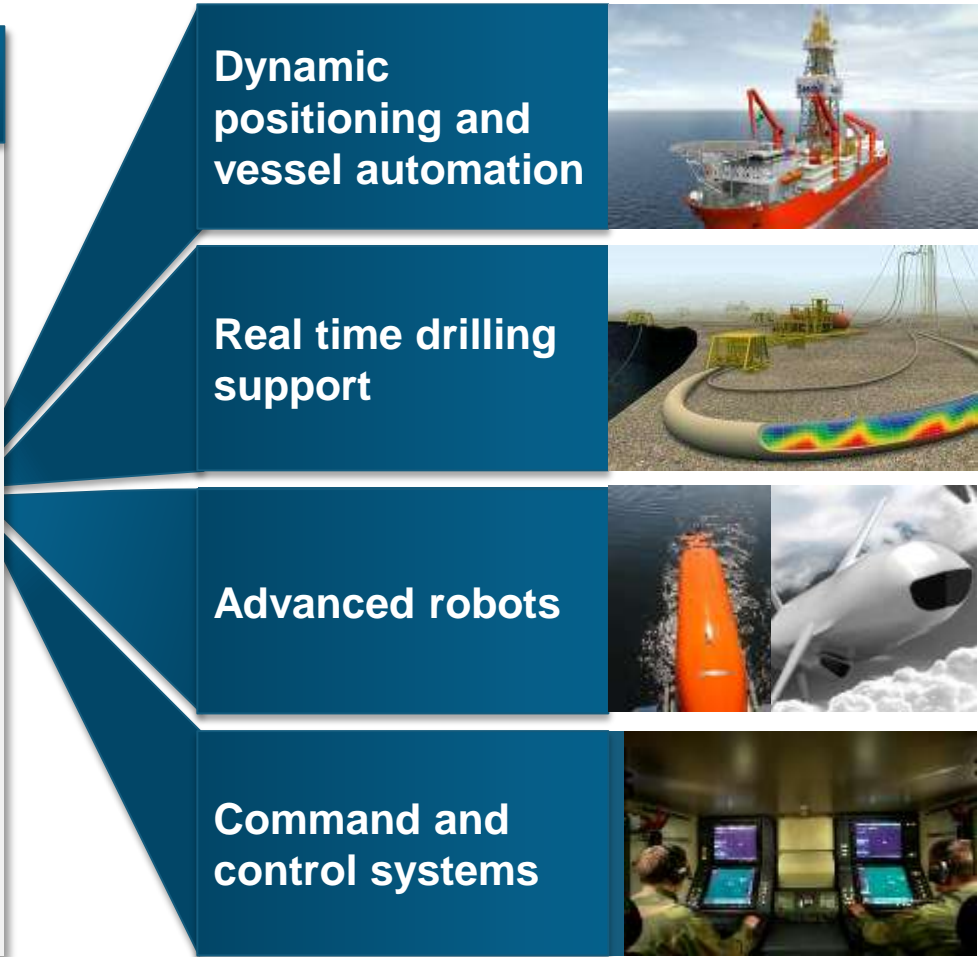
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At its core, KONGSBERG integrates advanced technologies into complete solutions

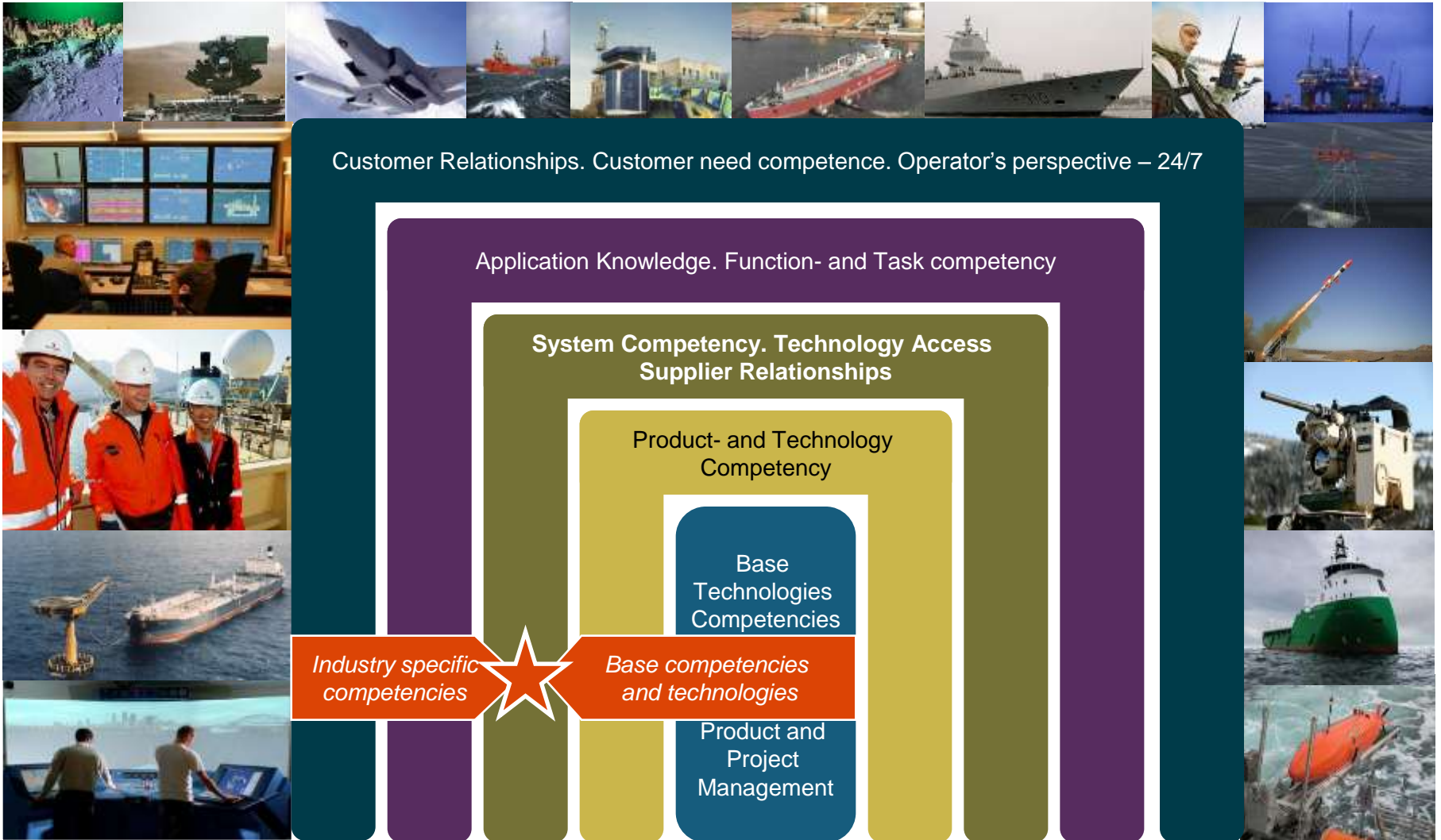
Key core capabilities

- Integrating sensors and software
- Supporting human decision making, precision, safety, security
- Cybernetics, software, signal processing and system engineering
- Project and supplier management





A multi industry technology group with technology, competence and structure synergies



Well positioned within key disruptive technologies for the future



Automation of knowledge work



The Connectivity of Things



Advanced robotics



Autonomous and near-autonomous vehicles



Energy storage



Advanced materials



Advanced O&G exploration and recovery

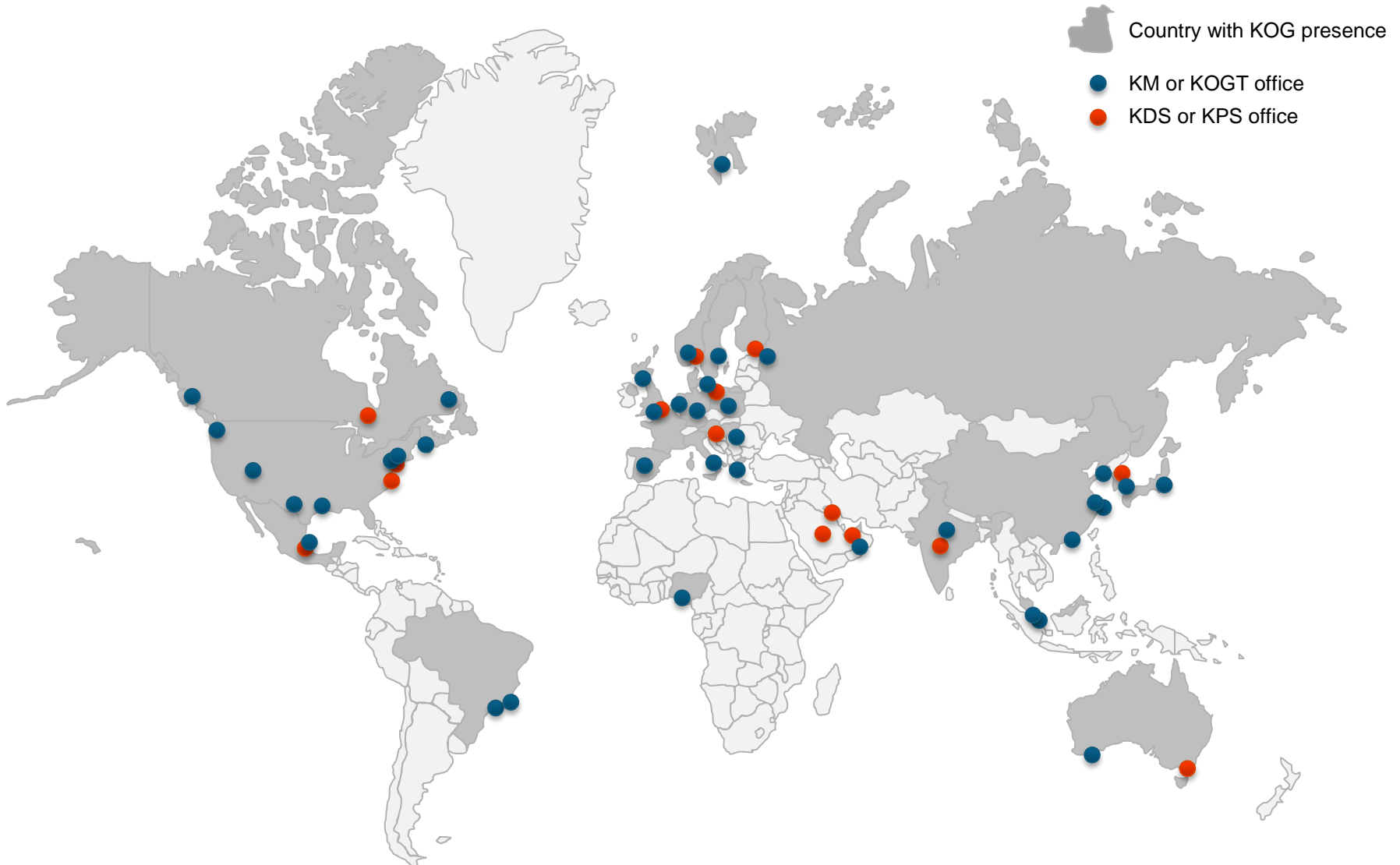


Renewable energy

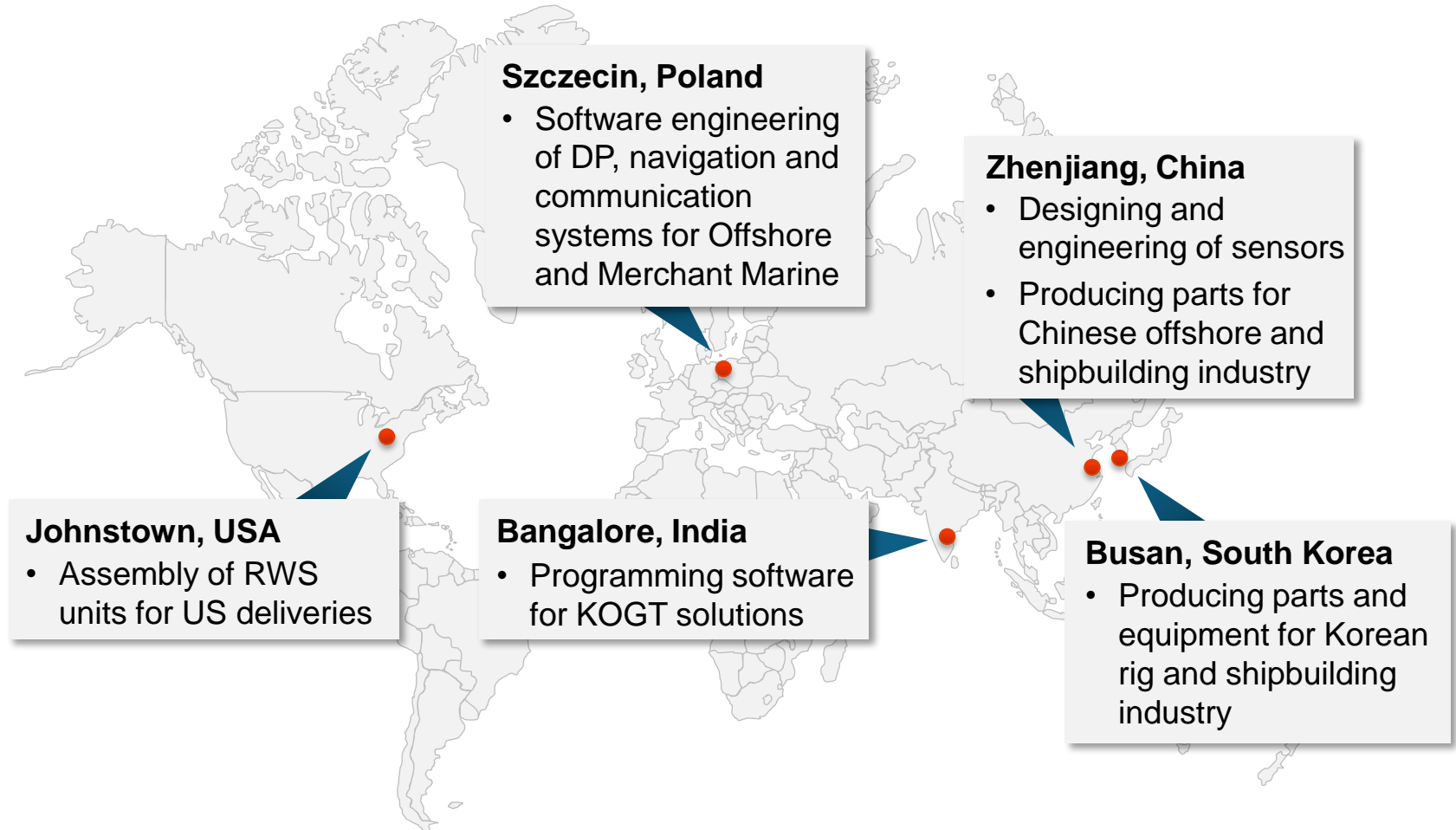


Global footprint

- with local offices in 25 countries, ensures access to all important markets



Flexible cost structure based on offshoring production to local hubs near customers



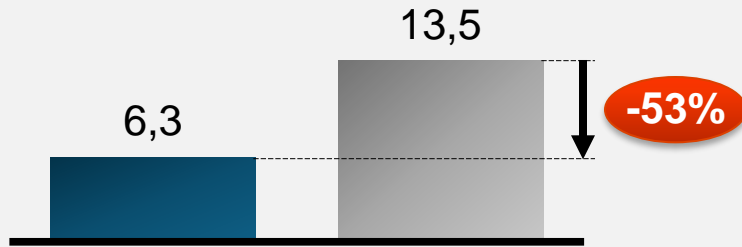


Strong company culture with highly motivated employees

Low turnover rate

Employee turnover

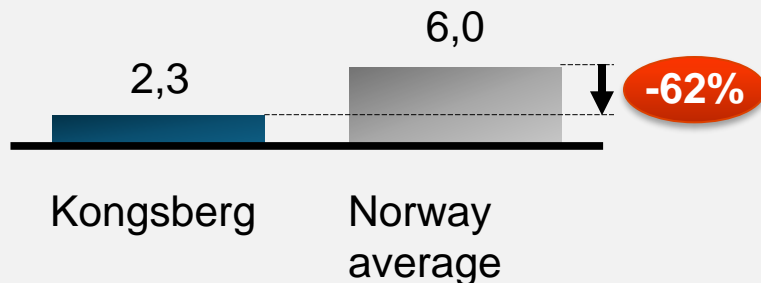
Percent



Low sick leave ratios

Sick leave

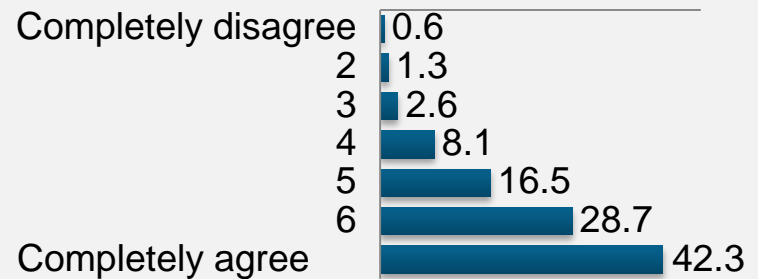
Percent



High employee satisfaction

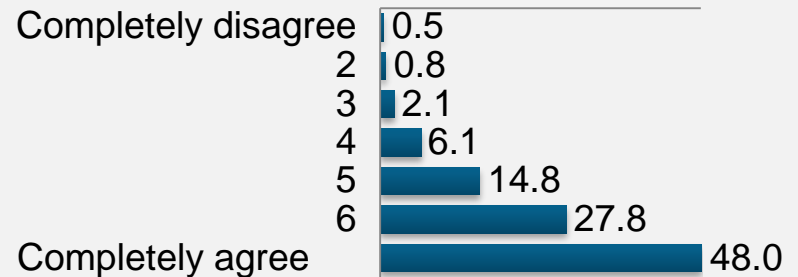
"I would recommend Kongsberg as a good place to work"

Percent



"I am proud to work for Kongsberg"

Percent



SOURCE: OECD Department for Employment, Labour and Social Affairs; Statistics Norway; KONGSBERG internal employee satisfaction survey



Agenda

- Introduction – This is KONGSBERG
- Brief financial status
- Group position and opportunities
- Results of our strategic growth reviews and review of capital issues

Scaling a modern defence portfolio with increasing international demand

Our defence strategy is about growth, market entry in selected regions and home market support

- Growth drivers: NSM, JSM, NASAMS, Medium Caliber RWS, Submarines
- Enabling strategies: Building/acquiring regional presence, entering/reinforcing alliances, Foreign Military Sales (FMS)

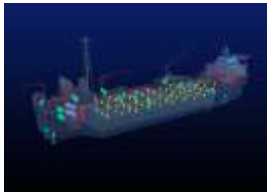


Strong continued organic innovation and product development
Alliances and Acquisitions to strengthen presence and foot-print

Expanding a leading global maritime position through strong international relationships

Our maritime strategies are about widening scope of supply and maintaining the leading Full Picture® position

- Growth drivers: Full Picture, 24/7 life cycle support, new products/systems that increases “sale per vessel”, underwater technologies
- Enabling strategies: Product development, and bolt-on’s to maintain leading position in current segments, alliances and/or acquisitions to widen scope



Strong continued organic innovation and product development
Acquisitions to widen scope, increase volume per vessel, deliver more comprehensive systems
Alliances

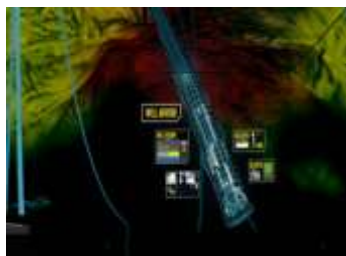
Expanding on existing unique oil and gas technologies and adding new growth

Our oil and gas strategy is about widening our scope and scaling our business in four selected areas:

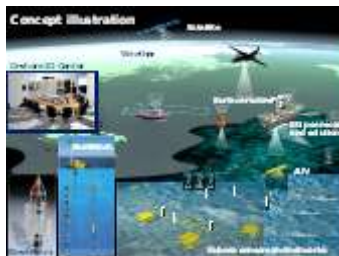
Drilling management, subsea solutions and operations, production optimization and environmental production

- Growth drivers: World leading S/W solutions/decision support, subsea technologies, drilling and well technologies
- Enabling strategies: Product development and bolt-on's to maintain current leading positions, alliances or acquisitions to widen scope and establish additional growth platform

Drilling Management



Environmental Monitoring



Subsea Operations

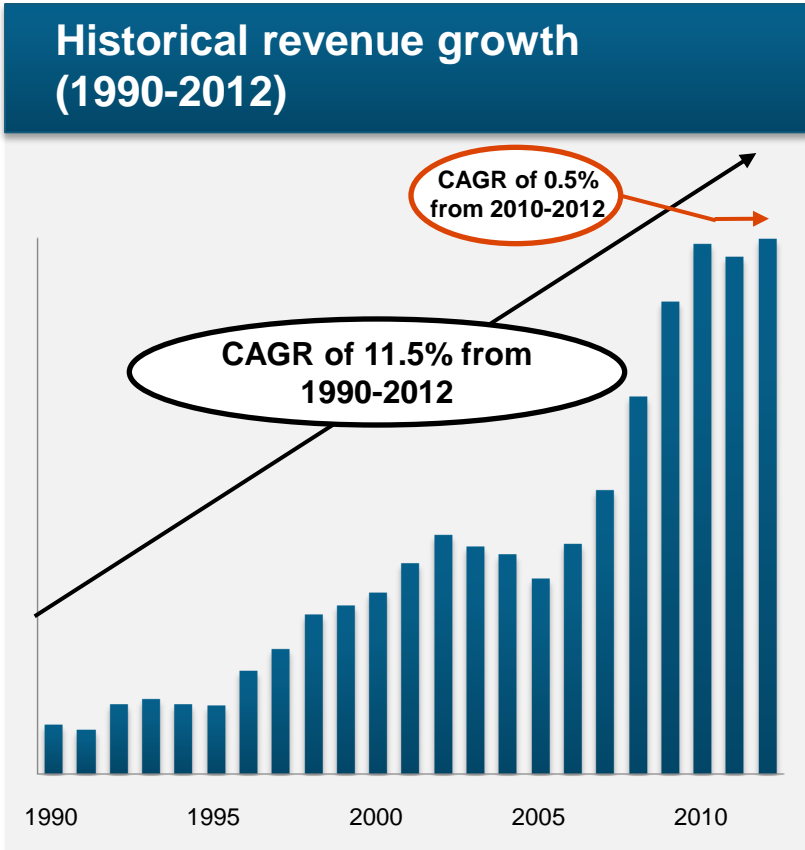


Production Optimization



Strong continued organic innovation and product development
Acquisitions and alliances to widen scope, deliver more comprehensive systems
Additional growth platform

Our ambition is to grow an average of 10% p.a. over a five year period



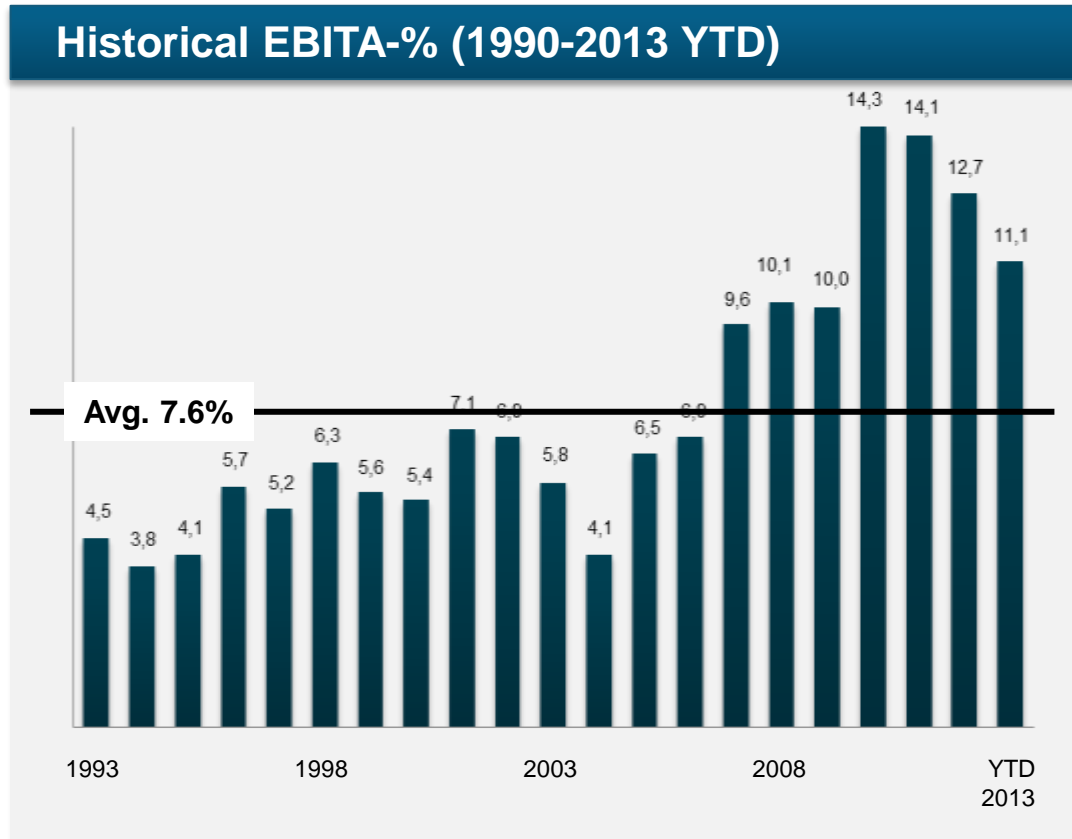
Growth ambition next five years*

KONGSBERG Business area	Market growth	KONGSBERG Market share	M&A
Maritime	➔	➔	☑
Oil & Gas	➔	➔	☑
Defense	➔	➔	☑

Group ambition is an annual average growth of 10% over a five year period where about half is organic

*) Organic growth in 2014 expected to be lower than average

We shall be a “double digit” EBITA-margin business




A double digit EBITA-% business

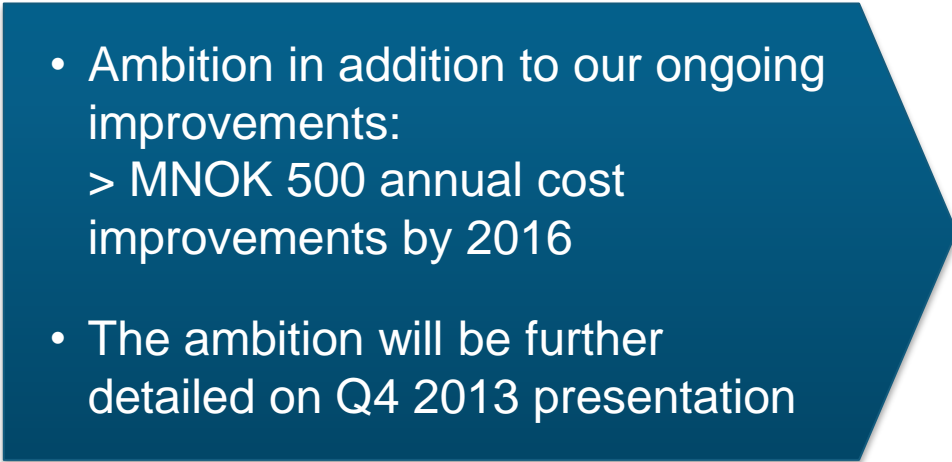
EBITDA-% approximately 2% points higher

Accelerated efforts to increase shareholder return and improve competitiveness

Continuous focus on operational excellence

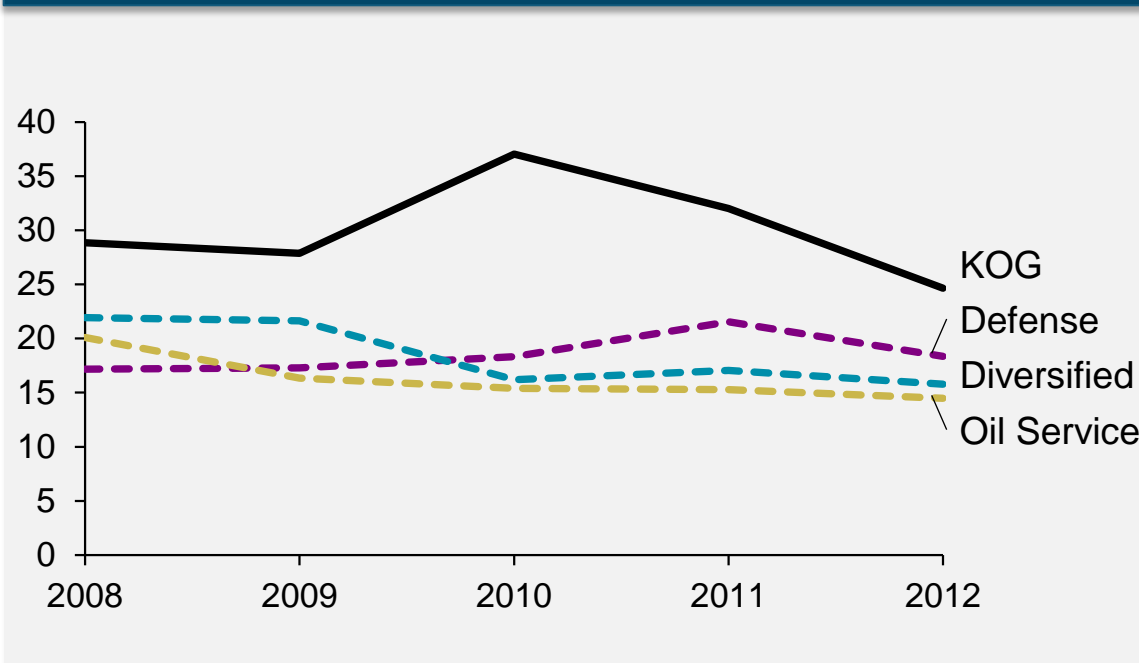
- Strong operational performance in all business areas
 - Continuous focus on competitiveness
- 

Group wide program to strengthen profitability and competitiveness

- Ambition in addition to our ongoing improvements:
 - > MNOK 500 annual cost improvements by 2016
 - The ambition will be further detailed on Q4 2013 presentation
- 

We will maintain focus on return on capital employed

KONGSBERG ROCE 2008-2012 compared with peers¹⁾
(EBIT/(BV Equity + Gross debt))



KONGSBERG will target a return on capital employed matching historic levels

New projects and initiatives will be evaluated against a 10-15% requirement dependent upon project risk

Annualized YTD 2013 ROCE for KONGSBERG is ~21%

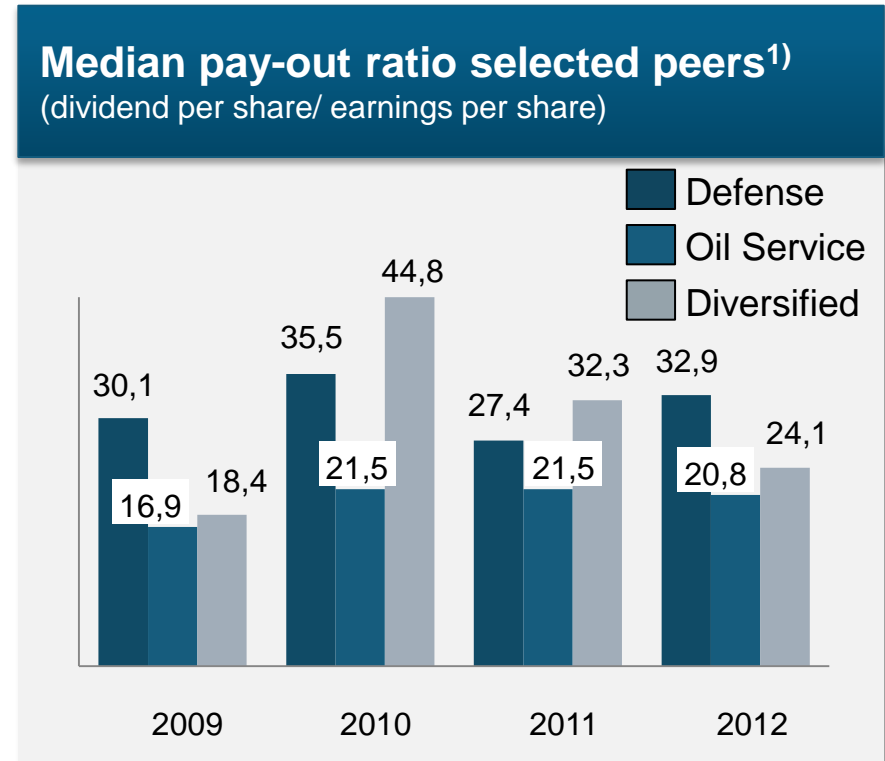
1) Defense peers include Lockheed Martin, Raytheon, Northrop Grumman, General Dynamics, Alliant Techsystems, BAE, Saab, Thales, Rheinmetall and Finmeccanica; Oil service peers include NOV, Cameron, Cargotec, Aker Solutions, FMC Technologies and Saipem; Diversified peers include Honeywell, KBR, Rolls-Royce, L-3 Communications and Wärtsilä

We have reviewed our capital structure in light of performance and growth strategies

- We will continue to target a strong balance sheet* and to have financial flexibility to support our growth ambitions
 - Organic
 - Acquisitions
- Within this strategy of a strong balance sheet and growth, we have concluded that there is room for adjustments in the dividend policy

* We intend to stay within investment grade criteria

We will therefore adjust our dividend policy to 40-50% of ordinary net profit over time



KONGSBERG's dividend policy will be evaluated against capital requirements, investment grade rating, M&A opportunities and business outlook

1) Defense peers include Lockheed Martin, Raytheon, Northrop Grumman, General Dynamics, Alliant Techsystems, BAE, Saab, Thales, Rheinmetall and Finmeccanica; Oil service peers include NOV, Cameron, Cargotec, Aker Solutions, FMC Technologies and Saipem; Diversified peers include Honeywell, KBR, Rolls-Royce, L-3 Communications and Wärtsilä

New dividend policy



” *The company’s objective is that dividends over time shall constitute between 40 and 50 per cent of the company’s ordinary net profits after tax. When determining the size of the dividend, the expected future capital need will be taken into account*



Summary

Our ambition

We shall be a leading technology industry group with World Class positions
We shall drive a proactive growth agenda, generate stakeholder value and develop value adding solutions for demanding customers within our key industries

Solid foundation with strong finances

- Solid platforms in Maritime, Oil & Gas, and Defence
- Life cycle business view
- Strong finances
- Unquestioned compliance
- Culture of growth and innovation

Profitable growth from market positions with high entry barriers

Growth through both organic development and M&A

Group-wide improvement programs, supplementing continuous improvement in business units

Group competitive advantages

- Cross-fertilization of technology
- Strong brand
- Common culture and value foundation
- Attracting top technology talent

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