



KONGSBERG

Annual Report and Sustainability Report 2022 →

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Protecting people and planet



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, energy, fisheries and aerospace sectors.

We deliver EXTREME PERFORMANCE FOR EXTREME CONDITIONS.



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Chapter 1

Year 2022

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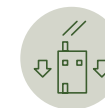
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Increased growth and increased profitability



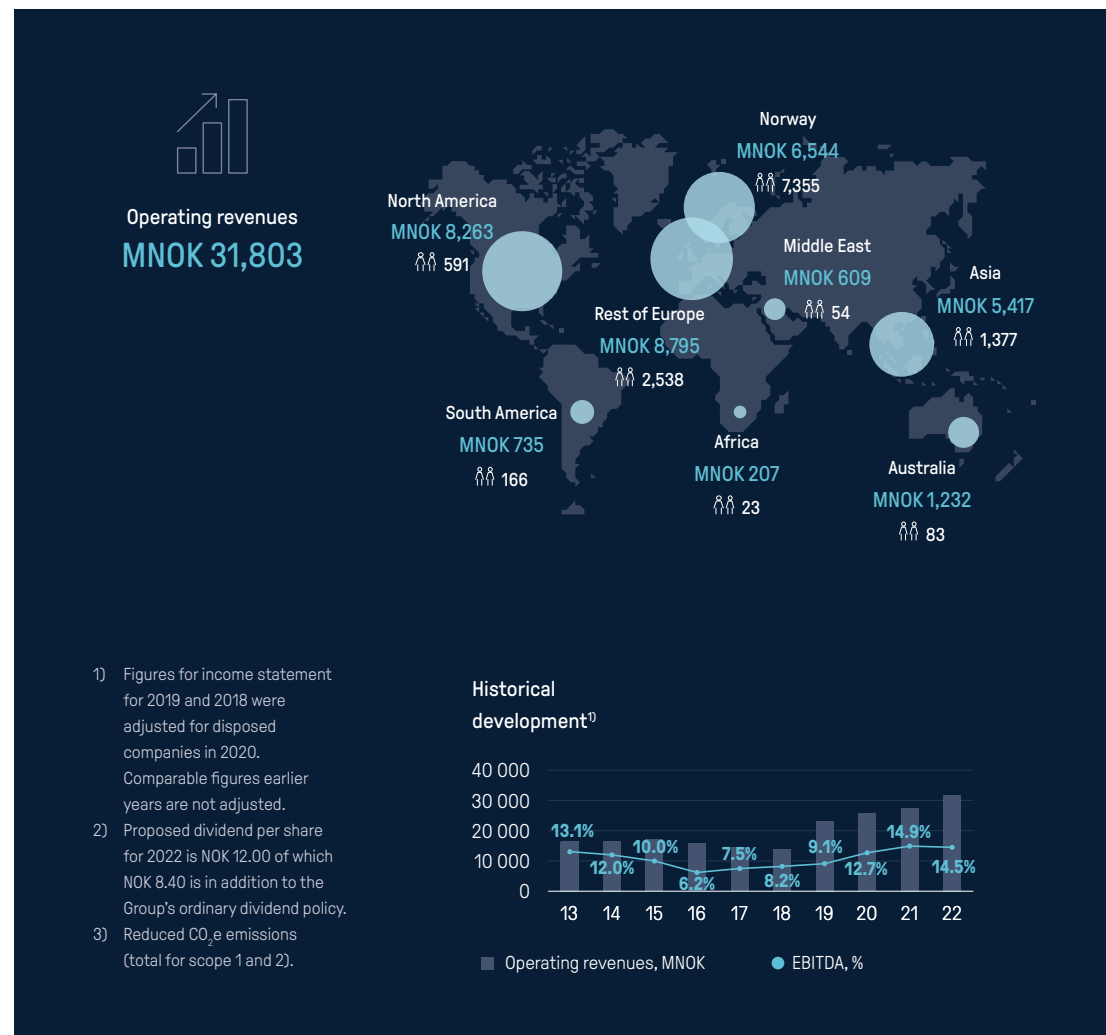
CO₂ emission reductions
3.0 per cent³⁾



Total number of employees
12,187

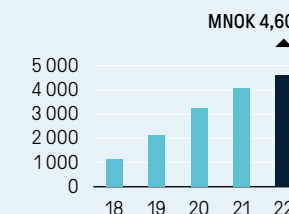


Present in
39 countries

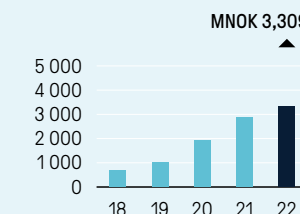


1) Figures for income statement for 2019 and 2018 were adjusted for disposed companies in 2020. Comparable figures earlier years are not adjusted.
2) Proposed dividend per share for 2022 is NOK 12.00 of which NOK 8.40 is in addition to the Group's ordinary dividend policy.
3) Reduced CO₂e emissions (total for scope 1 and 2).

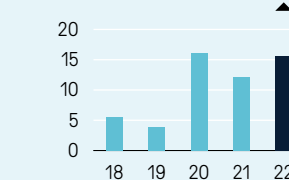
EBITDA



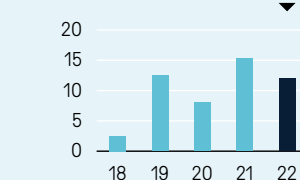
EBIT



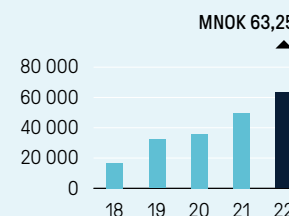
Earnings per share after tax



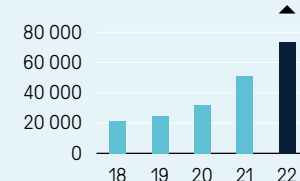
Proposed dividend per share²⁾



Order backlog



Market capitalisation



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Key figures 2022 – KONGSBERG

MNOK		2022	2021	2020	2019 ³⁾	2018 ³⁾	2017	2016	2015	2014	2013
Sales	Operating revenues	31 803	27 449	25 612	23 245	13 807	14 490	15 845	17 032	16 613	16 323
	New orders	45 150	40 979	28 818	31 413	15 879	13 430	14 319	15 238	22 097	15 043
	Order backlog	63 256	49 535	35 947	32 347	16 707	15 629	16 914	19 597	21 020	15 687
	Book-to-bill ratio	1.42	1.49	1.12	1.35	1.15	0.9	0.9	0.9	1.3	0.9
Performance	Earnings before interest, taxes, depreciation and amortisation (EBITDA) ¹⁾	4 602	4 086	3 250	2 113	1 126	1 092	988	1 697	1 998	2 142
	Earnings before interest and taxes (EBIT) ¹⁾	3 309	2 863	1 905	1 029	701	585	462	857	1 196	1 659
	Earnings before taxes (EBT)	3 497	2 922	1 855	833	780	654	729	944	1 285	1 644
	Earnings after tax	2 809	2 290	2 932	717	704	559	651	755	880	1 225
Profitability	EBITDA %	14.5%	14.9%	12.7%	9.1%	8.2%	7.5%	6.2%	10.0%	12.0%	13.1%
	EBIT % ⁴⁾	10.4%	10.4%	7.4%	4.4%	5.1%	4.0%	2.9%	5.0%	7.2%	10.2%
Balance	Equity	13 744	13 618	13 301	12 810	12 626	7 365	6 725	6 127	6 282	6 657
	Equity ratio %	31.8%	34.6%	33.9%	32.8%	45.7%	35.6%	31.7%	32.0%	31.0%	38.2%
	Net interest-bearing debt	(1 479)	(5 668)	(3 949)	(1 565)	(5 706)	384	2 195	(941)	(3 551)	(1 935)
	Working capital ¹⁾	565	(2 003)	(458)	17	(14)	955	2 533	2 698	155	775
	ROACE ¹⁾	33.9%	32.7%	20.8%	10.0%	12.5%	9.1%	8.2%	21.8%	35.9%	32.5%
Employees	Number of employees, total	12 187	11 122	10 689	10 793	6 842	6 830	7 159	7 688	7 664	7 493
	Number of reported injuries per million hours worked (TRI)	2.01	2.2	1.7	2.3	1.6	3.2	3.5	4.1	4.7	3.7
	Number of lost time days per million hours worked (ISR)	12.7	30.0	21.2	31.4	17.6	16.2	32.0	14.2	45.3	15.6
The environment²⁾⁴⁾⁶⁾	Energy consumption (GWh)	178.1	182.8	161.6	178.4	131.2	124.4	122.8	119.35	123.7	127
	CO ₂ emissions (metric tonnes) Scope 1 and 2	53 811	55 504	52 391	56 229	11 120	10 735	10 901	11 037	11 126	11 100
	CO ₂ emissions (metric tonnes) Scope 1, 2 and 3	86 832	79 203	82 020	114 420	35 466	32 517	33 464	39 268	26 006	25 294
	Waste (metric tonnes)	16 193	8 079	7 420	7 830	1 888	1 884	1 986	2 368	1 788	1 935
Owners' value	Market capitalisation	73 691	51 146	31 714	24 839	21 167	18 120	14 940	17 400	14 760	15 300
	Earnings per share after tax (EPS) in NOK	15.64	12.06	16.08	3.89	5.58	4.62	5.44	6.23	7.28	10.24
	P/E in NOK	26.57	23.71	10.82	34.64	30.2	32.7	22.95	23.05	16.77	12.49
	Dividend per share in NOK ⁵⁾	12.00	15.30	8.00	12.50	2.50	3.75	3.75	4.25	9.25	5.25

- 1) See Note 30 for definitions.
- 2) See 'Climate and environmental results and comments' on pages 80–85 for comparable figures.
- 3) Figures in the income statement, orderintake and order backlog for 2019 and 2018 were adjusted for discontinued operations in 2020. Comparable figures earlier years are not adjusted.
- 4) Figures for 2019 have been corrected.
- 5) Proposed dividend per share for 2022 is NOK 12.00 of which NOK 8.40 is in addition to the Group's ordinary dividend policy.
- 6) From 2022, the emissions calculation uses a market based approach for Scope 2 – electricity (previously location based approach). This change has also been implemented for 2019–2021 figures to ensure comparability.

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Key figures 2022 – business areas

Kongsberg Defence & Aerospace



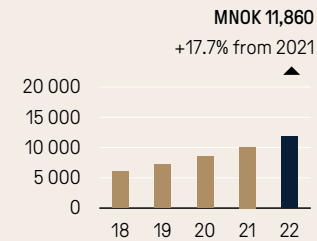
Present in
16 countries



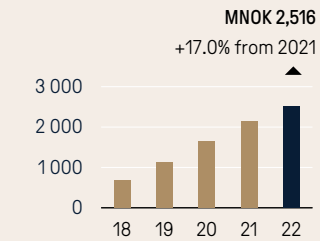
3,879 employees

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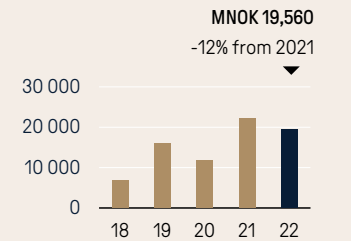
Operating revenues



EBITDA



New orders



Kongsberg Maritime



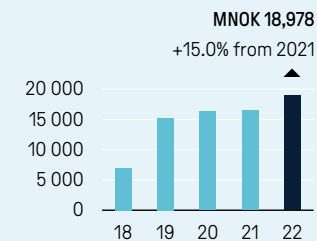
Present in
32 countries



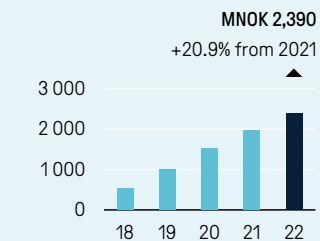
7,114 employees

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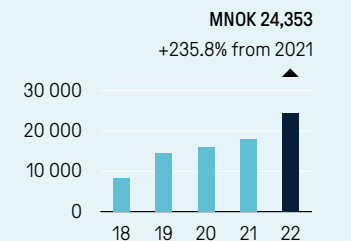
Operating revenues



EBITDA



New orders



Kongsberg Digital



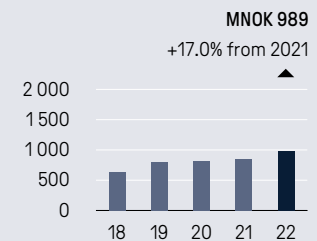
Present in
8 countries



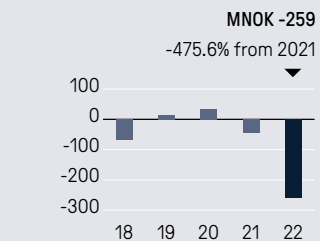
1,088 employees

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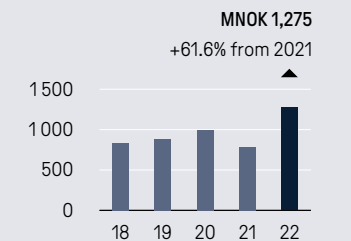
Operating revenues



EBITDA



New orders



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Important milestones 2022

KONGSBERG



Major sustainability moves

- KONGSBERG receives top sustainability rating from Sustainalytics
- Established science based climate targets
- Established Kongsberg Renewables Technologies



Delivered on the financial targets set as ambition in 2019

All time high order backlog of MNOK 63,256



Kongsberg Defence & Aerospace



Expanding the missile customer base

- Strengthened ties between nations and expanded the Naval Strike Missile User Group further

Delivered critical defence systems

- To protect and defend sovereignty, values and freedom, we delivered air defence systems to Ukraine

New Space constellations

- Expanded our space-related activities with new acquisition, opened a specialised facility for technology, and in process of establishing our first satellite constellation

Kongsberg Maritime



Offshore wind contract

- In 2022, MNOK 1,700 of our new sales derived from the renewable market sector, with offshore wind as the main contributor

Hybridisation of existing vessels

- 2022 saw a boost in order intake for retrofits of existing vessels to more efficient propulsion, more advanced energy control and hybridisation

Milestone reached for Remote & Autonomous

- R&A keeps setting us apart from the competition as leading innovators

Kongsberg Digital



Leading energy corporation invests further in digital twin technology

- One of the world's largest energy corporations chose to expand its portfolio of digital twin technology from Kongsberg Digital

Strategic acquisitions

- Acquired software companies Interconsult Bulgaria and the Norwegian company Visavi

Scaling at fast pace

- Kongsberg Digital is growing rapidly with 300 new colleagues in 2022, and the global workforce is now counting more than 1,000 colleagues in total

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President and CEO Geir Håøy

Developing tomorrow's technology today

KONGSBERG took new steps in 2022 and has a record-high order backlog of MNOK 63,256 at the beginning of 2023. As a technology group, we are in a unique position to continue developing technology and solutions that contribute to the security and defence of nations, reduction of emissions, development of sustainable energy sources and digitalisation.

24 February 2022 is a date that forever will be remembered as a sad day in history. I speak for everyone at KONGSBERG when I express my deepest sympathy to all those affected by the brutal consequences of Russia's invasion of Ukraine with its disastrous humanitarian consequences. The war is a reminder of how vulnerable the world order can be, and of the importance of security and ensuring the sovereignty of nations.

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We have delivered on our strategic ambitions for 2022. We achieved increased growth and profitability, and our order book is record high at the beginning of 2023.

As a supplier of defence solutions to Norway and Norway's allies, KONGSBERG feels a great sense of responsibility. The technology and solutions we develop and deliver to nations are key defence capabilities that contribute to the safety and security of nations and their citizens. This is a responsibility we take very seriously and that also motivates us to do our utmost every single day.

2022 was also characterised by increased inflation, food shortages and an energy crisis. At the start of 2023, the world is more uncertain and we are yet another year closer to the global sustainability goals set for 2030 and 2050. With the challenges we face regarding security, the climate and environment, transport, energy, food, natural resources and biodiversity technology, is crucial to drive the change we know is necessary. As a technology company, we are dedicated to making a difference. Our purpose – to protect people and planet by innovating technology today, for a better tomorrow – set the direction for what we, together with our customers and partners, achieved in 2022, and will continue to do in 2023 and beyond.

We have delivered on our strategic ambitions for 2022. We achieved increased growth and profitability, and our order book is record high at the beginning of 2023.

Sustainability is integral to our strategy and the way we work. KONGSBERG is committed to supporting the Paris Agreement's goal of Net-Zero

greenhouse gas emissions by 2050. We have set bold climate targets. In 2022, we committed to the Science Based Targets initiative, with the aim of reducing our own emissions, emissions in our value chain, and emissions caused by our products and solutions. One of our goals is to include two-thirds of our suppliers in setting emission-reduction targets in line with the Paris Agreement within the next five years.

To further contribute to the development of new, sustainable energy sources, we established Kongsberg Renewables Technologies in 2022. This new initiative leverages our strengths and focuses on ways to produce offshore renewable energy and will also concentrate on associated energy chains and energy management to enable faster phasing in and scaling up renewable energy.

Offshore wind is a significant focus area for KONGSBERG, and is one in which we can utilise our current portfolio and where we also have a technology base to develop new solutions that can both scale up offshore wind faster and at the same time ensure we take the environment into account. Our advanced underwater and sensor-technology solutions and expertise are an example of the latter. Here, we are developing solutions that ensure coexistence between different industries and the environment in the ocean space. In the ocean space, solutions for security and surveillance have also become increasingly important, and across our technology portfolio KONGSBERG is in a unique position to deliver solutions. In 2022, KONGSBERG

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had an order intake of around MNOK 1,700 from the offshore wind segment, and the Group's ambition is to have double-digit billion revenue from offshore wind and the renewable energy segment by 2030.

Towards the end of 2022, we decided to establish our Sensors & Robotics division as a separate, and fourth, business area. This will further accelerate technology development and strengthen our growth potential in advanced underwater robotics and sensor technology. The exciting capabilities KONGSBERG brings holds the potential to revolutionise underwater observation, exploration and operations while enabling them to be more intelligent and sustainable.

KONGSBERG is one of the world's largest equipment suppliers to all segments of the shipping industry. More than 33,000 vessels sail with KONGSBERG equipment, and we work closely with shipping companies, subcontractors, authorities and research enterprises to develop solutions that reduce emissions.

In 2022, we delivered several hybrid solutions, propulsion-systems and hull upgrades, and control and monitoring solutions to several ship segments. These solutions have individually and collectively helped to reduce emissions from shipping, and demand for them increased significantly in 2022. An example is the conversion of three Hurtigruten ships, one of which was put into operation in 2022, where KONGSBERG's technology upgrades alone

Demand for KONGSBERG's defence solutions increased significantly in 2022. The Naval Strike Missile was chosen by Australia, Spain, the United Kingdom, the Netherlands and Romania.

contributed to a 23 per cent reduction in CO₂ emissions.

In recent years, we have also taken the global lead in developing autonomous and zero-emission vessels for short sea shipping. In the autumn of 2022, the goods transporter ASKO's two autonomous container transport vessels were put into test operation in the Oslo Fjord. In full operation, these vessels will reduce emissions by 5,000 tonnes of CO₂ annually.

Making use of our customers' enormous amounts of data is key to making operations more efficient and reducing both greenhouse gas emissions and the environmental impact. The pace and adoption of digitalisation in carbon intensive industries continues to increase. KONGSBERG is shaping and changing how people work through its integrated

software platform which enables users to operate within a single digital environment, reducing siloed access to data and a better end-to-end workflow experience, resulting in safer, smarter and greener operations.

In 2022, we continued to scale our digital twin technology, and nine new digital twins were put into operation during the year. At the year-end, 18 digital twins were in operation with over 8,500 users actively using the product. We continued to drive the decarbonisation and digitalisation of the maritime sector and in 2022, we onboarded 45 new shipping companies as users of our digital platform. The largest contract was with Mediterranean Shipping Company, with a fleet of 500 vessels.

Demand for KONGSBERG's defence solutions increased significantly in 2022. The Naval Strike

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Missile was chosen by Australia, Spain, the United Kingdom and the Netherlands in 2022, and recently Romania also decided to buy this missile. Due to its unique capabilities, this missile has now been chosen by a total of 11 nations. The NASAMS air defence system is a world leader in its segment and a crucial capability for many nations' defence against airborne threats. NASAMS has been sold to a total of 13 nations.

In order to meet our customers' defence needs, we are increasing our capacity. This applies to a number of segments, including the production of air defence systems and missiles and provision of maintenance, repair and overhaul services. We are building new facilities and growing our workforce in line with the growth in orders. In 2022, we started to construct a new and modern missile-production factory. We also opened a new maintenance facility at Rygge in Norway and co-located our space business in Kongsberg, in a new building of over 6,500 square metres.

Space technology is an industry segment that is growing rapidly internationally and has a high rate of innovation and technology development. KONGSBERG has been the largest space-industry player in the Nordics for several years and we supply critical components and deliver download and mission control services. In 2022, we acquired majority ownership of Lithuanian company NanoAvionics, a world leader in the production of small satellites, which are increasingly being used for a variety of space-related services. This

strengthens KONGSBERG's position in the space segment by expanding the range of services and products we can deliver to our customers and puts us in a good position for further growth.

I would like to thank our shareholders, customers and all partners for their continuing support and good collaboration in the past year. The biggest thanks go to our employees. Their world-leading expertise, determination and dedication mean that we have behind us a year in which we made a difference to the world and are in a position to take new steps in 2023 and the years ahead.

Geir Håøy,
President and CEO

February 2023

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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, energy, fisheries and aerospace sectors.

We deliver **EXTREME PERFORMANCE FOR EXTREME CONDITIONS.**



Kongsberg Defence & Aerospace

Kongsberg Defence & Aerospace is a respected global technology leader and a leading supplier within defence, surveillance, space, MRO and aerostructures.



Kongsberg Maritime

Kongsberg Maritime provides the technology, equipment and services required to operate at sea in the most sustainable way.



Kongsberg Digital

Kongsberg Digital is an industrial software company shaping the future of work by changing how businesses design, operate and maintain their assets.

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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.

In 2022 we established Kongsberg Renewables Technologies to strengthen KONGSBERG's position in the offshore renewable market.

From Q1 2023 Sensor & Robotics will be separated from Kongsberg Maritime and will be established as a separate business area.

The company's main office is located in Kongsberg, Norway.

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. 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.

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Strategy and ambitions

Secure solutions from deep sea to outer space

KONGSBERG is a world class technology group, supplying products, systems, and services to create sustainable solutions from deep sea to outer space. Our people and knowledge are at the heart of our company, and we are committed to nurturing an inclusive, collaborative and learning-based culture. Combined with a strong focus on technology innovation, our strong partnerships, and robust operational practices, we aim to deliver the smartest, most sustainable, and most secure solutions for our customers and generate long-term sustainable value for our shareholders, employees, partners, and society.

Through our business areas, KONGSBERG delivers strategically important solutions to our customers across the defence, space, energy, maritime and marine resources sectors. We have leading positions in our core markets, and we will continue to grow these, whilst also exploring new and adjacent

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markets, where we can apply our technologies and expertise to deliver products and solutions to meet the evolving needs of our customers and society.

KONGSBERG has a portfolio approach to its business operations. We aim to invest and grow in the business areas, where we can create the most long-term and sustainable value for our stakeholders, and which align with our strategic ambitions across the Group. We will achieve this value creation through organic growth and will consider selected M&A opportunities, where strategically appropriate. In 2022, we established Kongsberg Renewable Technologies (KRT) to strengthen the Group's offering and presence in the offshore renewables market. From 2023, Sensors & Robotics will operate as a separate, new business area, to enable further focus and growth on our products and technologies in this important ocean space market segment. Going forward, we want to further develop our portfolio of companies and manage under a corporate structure that allows for the best possible growth path in our chosen areas of operation.

We are committed to developing the company in a more sustainable direction and to promoting a sustainable mindset that permeates across our operations, our culture and in our business philosophy. We recognise that the way we do business and the actions and behaviours that we demonstrate are vital for the future strength of our business. Building for a sustainable future should be a consideration in everything we do, and in the



▲ We have a leading position in our core markets, and we will continue to grow these, whilst also exploring new markets, where we can apply our technologies and expertise to deliver products and solutions to meet the evolving needs of our customers and society.

decisions we take when developing our company. KONGSBERG's business culture is characterised by high ethical standards and integrity, and we aim to lead with a best practice mindset in how we work and communicate with stakeholders. We are setting many and high ambitions and we are on the journey to develop roadmaps for delivery and to integrating our sustainability agenda across the organisation.

Within the wider sustainability sphere, we are considerate of the environmental challenges of climate change and managing and protecting

nature and primary resources, but it also offers business opportunities for KONGSBERG. We aim to be an accelerator in the energy transition and to further build our businesses within renewables and we have a stated ambition to increase revenues from renewable-energy related business to MNOK 10,000 by 2030. As part of our commitment to a sustainable future, and our ambition to operate with a best practice mindset, KONGSBERG has also committed to the Science Based Targets initiative and has set preliminary targets for 2030 to reduce its scope 1, 2 and 3 CO₂ emissions.

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Technology and its application in innovative and advanced ways is at the heart of our DNA. We have deep domain knowledge and competence, established over many years of research, development and collaboration with our partners and customers. Together with our people and culture, this forms the backbone of how and why we can deliver competitive solutions to our customers. As the world looks to solutions that embrace cleaner energy, increasing digitalisation and greater focus on safety and security, KONGSBERG is well posi-

tioned to draw on its technology expertise from across the Group to offer innovative solutions that give operational flexibility and efficiency to our customers.

In order for KONGSBERG to succeed in our ambitions and deliver on our strategy, it is crucial that we retain and attract highly skilled and dedicated people, who are motivated by the same values and ambitions, and that we create an environment where they can perform at their best to deliver their

best. Employee welfare, leadership development and nurturing a strong culture, where collaboration and partnership; diversity, inclusion, and equality; and continuous learning, improvement and development are all prioritised, are all important elements of our strategy.

Overall strategic focus

- Create long-term sustainable value through a combination of organic growth and selected strategic M&A
- Sustain and grow our leading positions in existing markets and develop and expand our business in adjacent markets
- Be an accelerator in the energy transition and further build our presence within renewables
- Further develop and integrate our sustainability agenda across the organisation
- Advance and further leverage our technology knowledge and expertise to offer innovative and sustainable solutions that meet our customers' needs
- Sustain and build an attractive and caring workplace, where employees can perform at their best, to deliver their best

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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.

WORLD CLASS

– through people,
technology
and dedication



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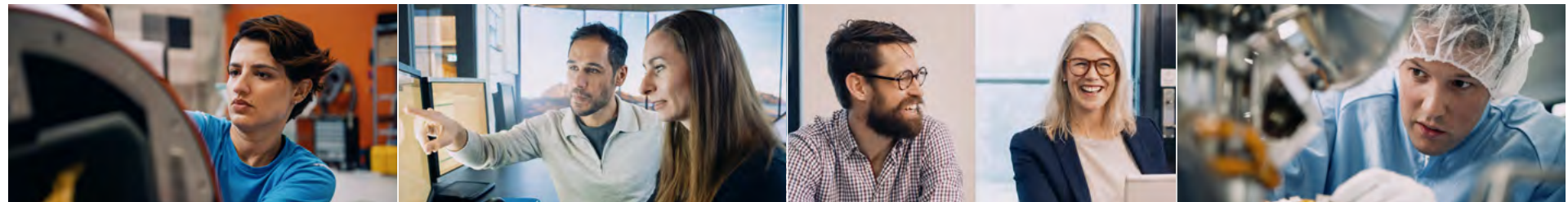
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Our values

Our values comprise 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.

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Corporate Executive Management



Geir Håøy
President and
Chief Executive Officer



Gyrid Skalleberg Ingerø
Chief Financial Officer
Group Executive Vice
President



Lisa Edvardsen Haugan
President,
Kongsberg Maritime



Eirik Lie
President,
Kongsberg Defence &
Aerospace



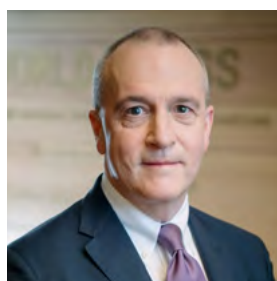
Martin Wien Fjell
President,
Sensors & Robotics



Even Aas
Group Executive Vice
President Public Affairs,
Communication
and Sustainability



Iver Christian Olerud
Group Executive Vice
President Strategy and
Business Development



Christian Karde
Group Executive Vice
President General
Counsel, Compliance and
HR

There have been changes in the group management during 2022, this overview states the management team as of March 2023. Refers to the 'Remuneration report on leading persons in KONGSBERG' where the changes in the group management are stated.

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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 Defence & Aerospace is a respected global technology leader and a leading supplier within defence, surveillance, space, MRO and aerostructures.

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Kongsberg Maritime

Kongsberg Maritime provides the technology, equipment and services required to operate at sea in the most sustainable way.

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Kongsberg Digital

Kongsberg Digital is an industrial software company shaping the future of work by changing how businesses design, operate and maintain their assets.

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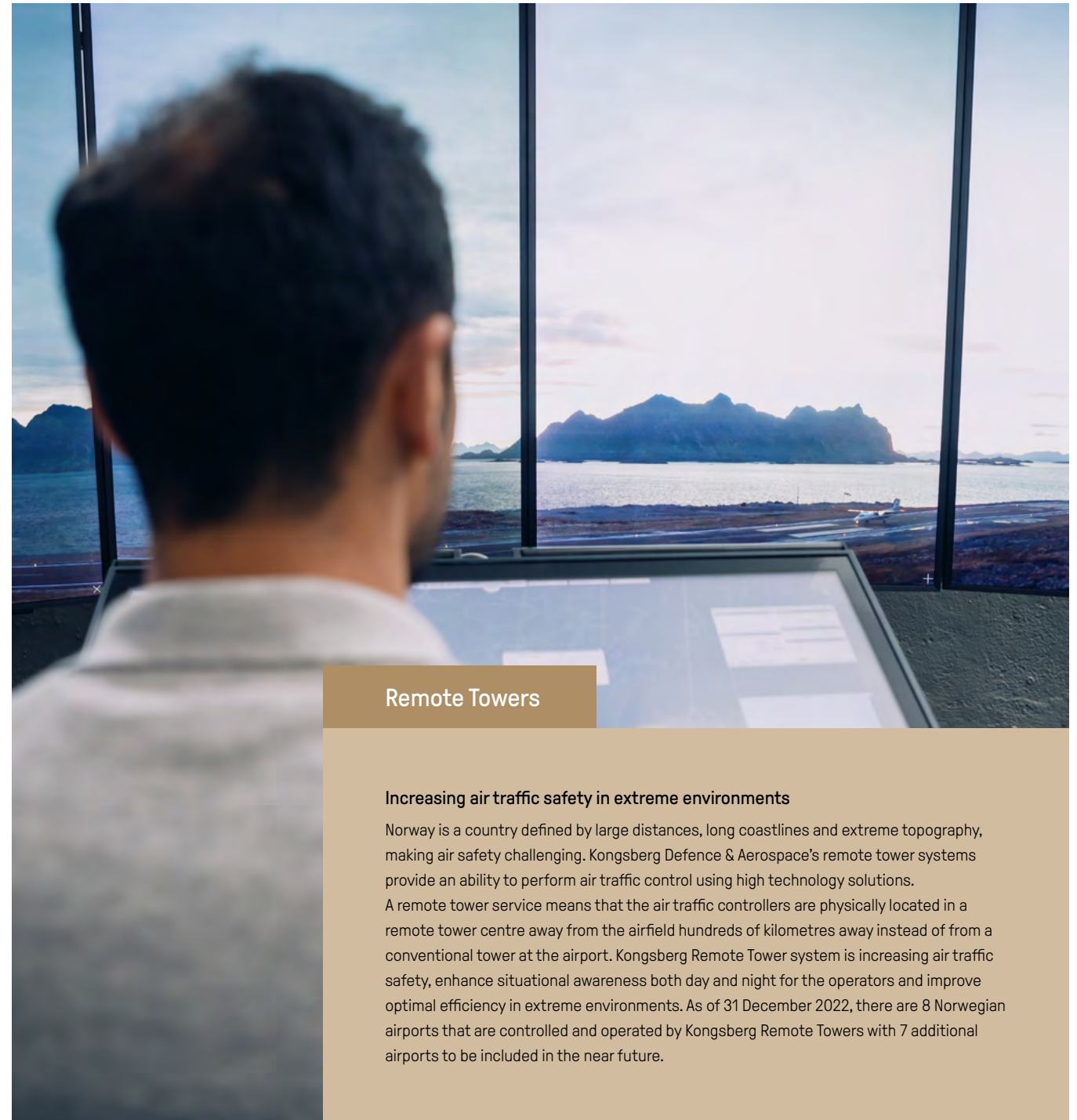
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Kongsberg Defence & Aerospace



Remote Towers

Increasing air traffic safety in extreme environments

Norway is a country defined by large distances, long coastlines and extreme topography, making air safety challenging. Kongsberg Defence & Aerospace's remote tower systems provide an ability to perform air traffic control using high technology solutions. A remote tower service means that the air traffic controllers are physically located in a remote tower centre away from the airfield hundreds of kilometres away instead of from a conventional tower at the airport. Kongsberg Remote Tower system is increasing air traffic safety, enhance situational awareness both day and night for the operators and improve optimal efficiency in extreme environments. As of 31 December 2022, there are 8 Norwegian airports that are controlled and operated by Kongsberg Remote Towers with 7 additional airports to be included in the near future.

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Highlights and key figures 2022



Number of employees
3,879



Present in
16 countries



Expanding the Naval Strike Missile Customer Base

We are proud to have been selected by Australia, Spain, the United Kingdom and the Netherlands to supply their defence forces with our Naval Strike Missile (NSM) – increasing their naval defence, strengthening the ties between our nations and expanding the Naval Strike Missile User Group even further.



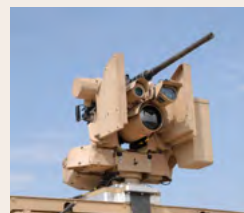
Assisted in deliver critical air defence capability to Ukraine

The U.S. Army awarded our partner Raytheon Technologies a National Advanced Surface-to-Air Missile System (NASAMS) contract for Ukraine. Together with Raytheon Technologies, we worked diligently to deliver this critical air defence capability to help the Ukrainian people defend their nation's sovereignty, values and freedom.



New space constellations

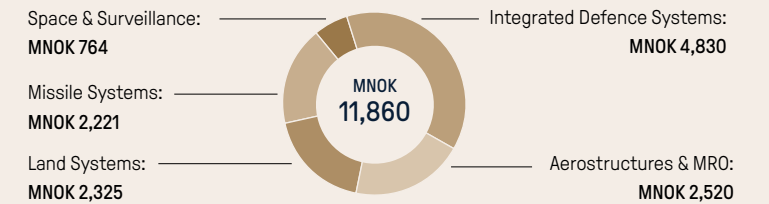
As a continuation of our space strategy, we acquired 77 per cent of small satellite mission integrator and bus manufacturer NanoAvionics and opened Cosmos – a 6,000 m² specialised facility for the development and production of technology to be launched into space. We also announced the procurement of three micro-satellites as a first step of establishing Norway's first satellite constellation.



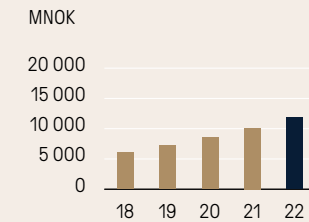
Extending our collaboration with the U.S. Army

An important milestone was reached when the U.S. Army awarded us a new five-year contract for the continued delivery of the Common Remotely Operated Weapon Station. We have delivered more than 18,000 systems to the U.S. and our systems are in-service within multiple U.S. agencies and in every branch of their armed forces - providing protection for combat vehicles, facilities and vessels.

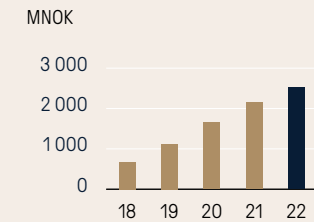
Operating revenues per division



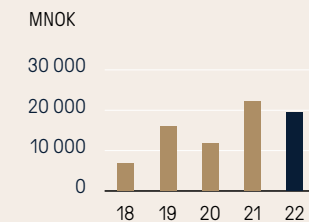
Operating revenues



EBITDA



Order income



Employees per division

Aerostructures & MRO: **904**
 Integrated Defence Systems: **623**
 Land Systems: **697**
 Missile Systems: **654**
 Space & Surveillance: **617**

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▲
Kongsberg Defence & Aerospace is present in 16 countries.

Our contributions to global security have never been greater

Our steady effort to gain market positions with our leading technology and solutions has continued to produce great results. We secured a significant order intake and continued to build up a record-high order backlog. 2022 was characterised by large contracts for missiles, air defence and remote weapon stations, and an increase in our space and surveillance-solution activities.



Divisions

- Aerostructures & MRO
- Integrated Defence Systems
- Land Systems
- Missile Systems
- Space & Surveillance

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Defence readiness and modernisation, the expansion of the NATO Alliance, the energy crisis, climate challenges and concerns tied to critical infrastructure are at the forefront in many nations. Peace is a prerequisite for a sustainable society and when conflict arises, the focus on climate positive technologies and investments quickly changes to address the immediate security situation. Kongsberg Defence & Aerospace's systems and solutions contribute directly to meeting these needs and supporting the objectives tied to readiness and defence of a nation's sovereignty and values. As a defence and aerospace company with some of the most advanced defence-systems in the world, our relevance and contributions to global security and sustainability have never been greater. ▶

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We are proud to have been selected by Australia, Spain, the United Kingdom and the Netherlands to supply their defence forces with our Naval Strike Missile (NSM) – increasing their naval defence, strengthening the ties between our nations and expanding the Naval Strike Missile User Group even further.

Kongsberg Norcontrol celebrated signing a large and long-awaited framework contract with Swedish Defence Material Administration and the Swedish Armed forces to deliver sea surveillance systems to 15 live firing range sites. These systems will provide crucial surveillance capabilities necessary for maintaining safety and security within these sites. The installation of the first system will start at the beginning of 2023.

Reaching important production milestones

The National Advanced Surface to Air Missile System (NASAMS) successfully passed factory acceptance tests in Australia. These results enabled the first shipment of Canister Launchers to the country. Our team in Australia has continued its deliveries of NASAMS fire distribution centres (FDC) and canister launchers to the prime contractor Raytheon Australia in support of the LAND 19 program.

This has demonstrated Australian industry’s ability to deliver Integrated Air and Missile Defence systems – a critical sovereign industrial capability priority. NASAMS will be the new short range ground based air defence capability for the Australian Army.

Key supplier to F-35 Joint Strike Fighter Program

We have continued our strong commitment to the F-35 Joint Strike Fighter Program. Kongsberg Defence & Aerospace has been a key supplier to the program for many years, and in 2022 we signed an agreement with Marvin Engineering to continue our supply of air-to-air pylons for the F-35 Joint Strike Fighter. We have supplied more than 2,000 air-to-air pylons to the F-35 Program to date.

We also signed an agreement with Northrop Grumman Corporation for supply of composite fuselage panels and hatches for the program.

Increased commitment to the F-35 program

Through our maintenance, repair and overhaul and upgrade (MRO&U) company Kongsberg Aviation Maintenance Services, we successfully achieved all initial depot capability requirements for the repair and overhaul of the Pratt & Whitney F135 engine, which powers all three variants of the 5th Generation F-35 Joint Strike fighter aircraft.

This F135 MRO&U capability brings significant industry opportunities to Norway and shows our increased commitment to the F-35 program and to the program’s global maintenance, repair and overhaul network. With this depot, we are contributing to greater aircraft operational availability for both Norway and the F-35 partner nations. Together with our industrial partners, we create a leading high-



◀ We have a 1,200 m² test facility for dynamic components with a flexible multi-purpose test bench capable for the testing and verification of several types of helicopter transmissions and gearboxes.

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tech maintenance environment at Rygge, and build workplaces to the benefit of the F-35 program.

Protecting soldiers and personnel

The PROTECTOR family is the most widely used remotely controlled weapon system in the world, providing commonality among NATO and allied forces. Our Remote Weapon Systems are in-service within every branch of the U.S. Armed Forces and many U.S. agencies, providing protection for soldiers within combat vehicles, facilities and vessels.

It was therefore great news when the United States Army awarded us a five-year IDIQ contract for the continued delivery of the Common Remotely Operated Weapon Station (CROWS). At this point in time, Kongsberg Defence & Aerospace has delivered more than 18,000 systems to the U.S. Armed Forces.

Monitoring the skies

In November, Kongsberg Defence & Aerospace and Lockheed Martin signed a contract to support the delivery of the TPY-4 radar to Norway for the Norwegian Radar Sensor (NORSE) Project.

The TPY-4 is an internationally available, transportable, multi-mission radar that can operate in contested RF environments. The contract with Lockheed Martin exemplifies the importance of

Team member working on NASAMS (National Advanced Surface-to-Air Missile System).



building durable and trusted partnerships to serve both national and international customers. Together, we will deliver world class radar technology to the Norwegian Armed Forces. This contract is not only important for us but also for our subcontractors in Norway.

Maintaining strong industrial partnerships

Our business model is based upon having strong industrial partnerships – not only because of the great opportunities they provide but due to the market access they represent. We have a stronger relationship with industry partners such as Raytheon Technologies, Lockheed Martin, tkMS, Pratt & Whitney, Thales, Northrop Grumman Corporation, Marvin Engineering and BAE Systems than ever before.

Adapting to circular economy

Kongsberg Defence & Aerospace increased the focus on our climate goals and sustainable solutions. In 2022 we began assessing our circularity as a means to adapt to a circular economy. With increasing climate challenges, our future demands more sustainable solutions. That is why we work to ensure circular designs by enabling cyclability and durability in our products and systems, and ensure that renewable, reusable and non-toxic resources are utilised as materials where possible.

Investing in a digital infrastructure to increase efficiency in manufacturing, actively looking for sustainable alternatives in our solutions and challenging our supply chain partners to commit to Science Based Targets are all part of our sustainability activities.

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Our challenge moving forward is balancing governance, our license to operate, with the equally important commitment to ensure responsible consumption of resources and reduce our environmental footprint from products and operations.

Increased focus on health, safety and environment

For us, an attractive workplace must create and develop jobs with focus on HSE, sustainability, and labour rights. We have clear goals and initiatives in place to ensure decent work conditions. In order to continue to strengthen our position as an inclusive, tolerant and responsible employer, we supported two specific activities in 2022; we celebrated Pride Month, for the first time in our company's history, and actively participated in KONGSBERG's first annual *Diversity, Inclusion and Belonging Summit*.

We see diversity as a strength, and by fostering an inclusive and diverse culture we nurture different perspectives and push creativity, which in turn fully utilises our diversity and different perspectives to create positive business results.



Eirik Lie,
President,
Kongsberg Defence & Aerospace

'Proud of our innovative and determined team'

Kongsberg Defence & Aerospace had planned for an ambitious year in 2022. As an innovative and determined team, we have achieved an incredible number of milestones throughout the last 12 months. As Norway's premier supplier of defence and aerospace-related systems and solutions, our aim this year was high performance, on time deliveries and achieving formidable goals.

With changes in the European security landscape and concerns tied to critical infrastructure, defence readiness and modernisation, it was important for us to contribute with our expertise in meeting demand and supporting objectives tied to readiness and defence of a nation's sovereignty and values. Together with our U.S. partner, we worked diligently to deliver our air defence system NASAMS to help the Ukrainian people protect and defend their nation and freedom.

To be able to achieve these results and our growth objectives, we had to increase in size. Not only with our personnel but also with our facilities and locations. We have hired and onboarded 451 new team members – bringing in the right talent, competence and strengthening our teams. We have also expanded our physical space with 2,500 sqm facility in Australia, opened our new space development and production facility called Cosmos, expanded our Norwegian facilities in Bardufoss, Rygge and Moss, and approved plans for our new missile production facility in Kongsberg, Norway.

We achieved the goals we set for ourselves in 2022. Kongsberg Defence & Aerospace is going higher, moving faster and is stronger considering what we have accomplished in the last year. Our steady, long-term and focused effort to gain market positions, with leading technology and solutions, has continued to produce great results.

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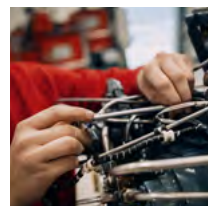
Aerostructures & MRO



Operating revenues
MNOK 2,520



Number of employees
904



Activities range from the manufacture of components for the F-35 Joint Strike Fighter Program, missile development. MRO&U and mechanical production for the NASAMS Air Defence System.

- A key provider of essential helicopter life-cycle support and carries out repair, maintenance and overhaul of helicopters and aircrafts in civil and military service. Performs services on key dynamic helicopter components for Sea King, AW101 and NH-90 helicopters.
- An innovative center for smart manufacturing of complex and lightweight composites and advanced alloy structures.
- Conduct, through Kongsberg Aviation Maintenance Services, maintenance, repair, overhaul and upgrade (MRO&U) of the Pratt & Whitney F135 engine, which powers all three variants of the 5th Generation F-35 Lightning II fighter aircraft.

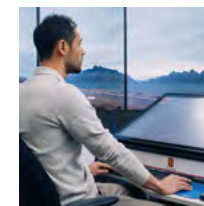
Integrated Defence Systems



Operating revenues
MNOK 4,830



Number of employees
623



Develop and produce the world-leading air defence system NASAMS (National Advanced Surface-to-Air Missile System), monitoring systems and artillery fire power, as well as land- and vessel-based combat systems. NASAMS Air Defence System has been acquired by 13 countries.

- A leading provider of mission critical systems for the conventional submarine fleet worldwide.
- Taken a key role in the design and use of autonomous ships and operations both for commercial and military customers.
- Coastal Defence System (CDS): A high performance ground based system that expands a defended area and enhances the total fighting capability.
- Provides state-of-the-art command, control and system integration solutions for Armed Forces around the world.
- Develop innovative technology for future remote tower related operations; virtual, contingency and remotely controlled towers.

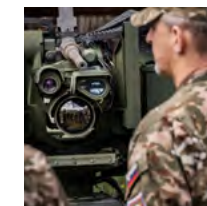
Land Systems



Operating revenues
MNOK 2,325



Number of employees
697



World leading provider of Remote Weapon Systems (RWS) and has to date delivered more than 23,000 PROTECTOR Remote Weapon Systems to 28 nations. This includes the major U.S. program Commonly Remotely Operated Weapon Station (CROWS).

- Designs and manufactures high quality ruggedised equipment to be used in advanced tactical communication systems – tactical communication solutions found in more than 30 countries and have been available for over 40 years.
- Between the M151 and M153 variants of remote weapon systems, Land Systems has delivered more than 18,000 systems to the U.S. Armed Services.
- Provides Through Life Support to increase the operational availability of their products, ensures updated performance of the systems and provides predictable life-cycle cost for customers.

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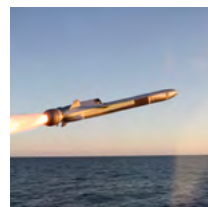
Missile Systems



Operating revenues
MNOK 2,221



Number of employees
654



Over 50 years' experience of missile development and production. Provides state of the art missiles for ships, vehicles, helicopters, patrol and combat aircraft.

- The Naval Strike Missile (NSM) is a long-range, precision strike weapon that seeks and destroys enemy ships at distances greater than 100 nautical miles. It eludes enemy radar and defence systems by performing evasive maneuvers and flying at sea-skimming altitude.
- The Joint Strike Missile (JSM) is based on the well-proven and modern technology of NSM. The only fifth-generation cruise missile designed to be launched from the internal weapons bay of the F-35A fighter aircraft.
- NSM/JSM has been selected by 12 countries.

Space & Surveillance



Operating revenues
MNOK 764



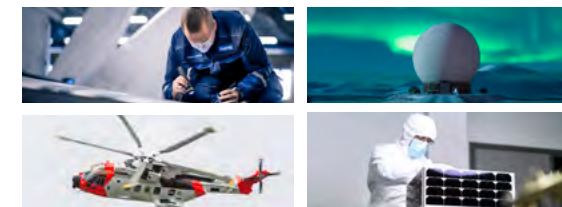
Number of employees
617



Delivers a broad spectrum of equipment, systems and services linked to space and maritime surveillance in more than 40 countries.

- A world-leading supplier of ground stations for the downloading and processing of satellite data.
- Has a strong design & manufacturing capability for satellite onboard electronics with hardware on more than 200 satellites.
- Portfolio includes equipment and components for satellites used for communication, navigation and earth observation, as well as space probes for space exploration.
- Scandinavia's largest supplier of space equipment to ESA, and a leading supplier of equipment to scientific satellites, earth observation satellites and launcher.
- A leading provider of optimised surveillance solutions for Vessel Traffic Services, Offshore Energy and Maritime security.

Partly owned subsidiaries & Associated companies¹⁾



Patria - We own 49.9 per cent of the Finish company Patria, an international provider of defence, security and aviation life cycle support services, pilot training and technology solutions.

KSAT - We own 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.

KAMS - We own 50.1 per cent of Kongsberg Aviation Maintenance Services (KAMS), a world-class supplier of maintenance, repair and overhaul (MRO) services within the aviation industry for both military and civil organisations

Kongsberg NanoAvionics - We own 77 per cent of Kongsberg NanoAvionics, a Lithuanian smallsat mission integrator and bus manufacturer.

¹⁾ See [Note 8](#) Financial statements and Notes 2022 for more information.

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Satellite technology

Satellite technology joins the fight against climate change

As the world's population continues to grow, it is essential to find ways to produce food more efficiently and sustainably. By using satellite technology to monitor soil and moisture levels and crop health, farmers can make more informed decisions about how much water to use for irrigation, which can help conserve water and increase crop yields. This is especially important in areas where water is scarce or where farmers are facing challenges such as drought.

Over the summer months, Kongsberg Defence & Aerospace were joined by exceptional new team members when we entered into an agreement to acquire 77 per cent of the Lithuanian small satellite mission integrator and bus manufacturer NanoAvionics. The acquisition expands our space offering to also include products and technology for manufacturing small satellites.



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Maritime vessel system

VANGUARD for a sustainable future

Our maritime vessel system VANGUARD focuses on sustainability through supplier partnerships, establishing carbon neutral production at the ship yard through solar arrays. Nations' navies have a vessel-turnover of 40 years. Because of the transfer of technology cycle incorporated in the VANGUARD system, our vessel system will provide 30 per cent increase in operational time at sea compared to traditional marine vessels, making the VANGUARD maritime system a more sustainable solution for future maritime domains.

Maximising life-cycles

Sustainability in our day-to-day operations

In addition to our larger ESG initiatives, commitment to reducing emissions and our adaptation to circular economy, we firmly believe that it is important to also have a sustainable approach within our day-to-day operations and at all levels.

As an example of this, our F135 Maintenance, Repair and Overhaul depot includes environments where chemicals, heat and aircraft operations represent wear and tear on employees work-wear. Since the fashion and clothing industry is responsible for nearly ten per cent of global carbon emissions each year – with millions of clothes ending up in landfills every day – it is important for us to minimise our environmental footprint related to work-wear. That is why we ensure that our workers have correct, high-quality clothing and protection, and offer cleaning and repair services in order to maximise the life-cycle of work-wear.



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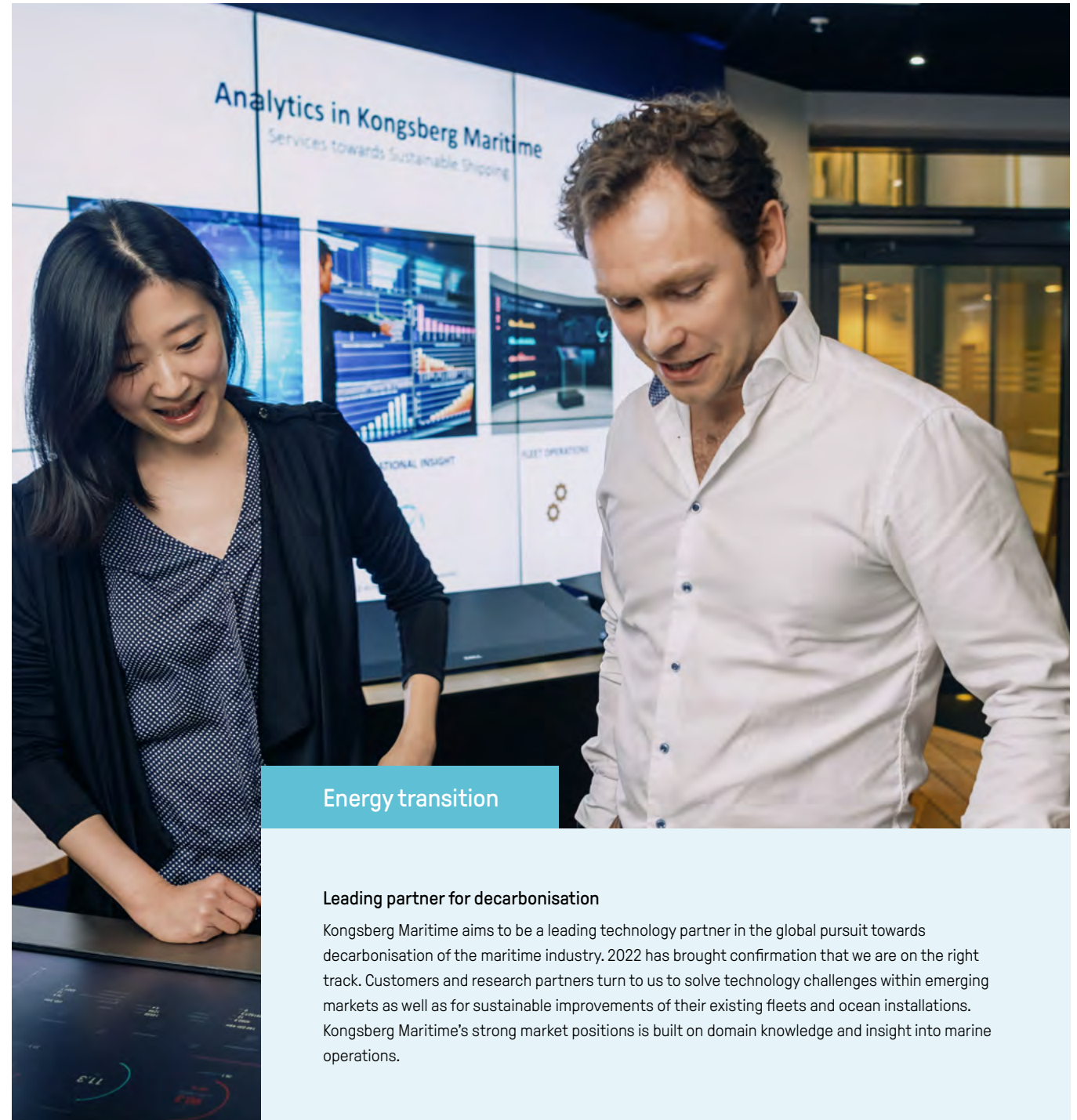
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Kongsberg Maritime



Energy transition

Leading partner for decarbonisation

Kongsberg Maritime aims to be a leading technology partner in the global pursuit towards decarbonisation of the maritime industry. 2022 has brought confirmation that we are on the right track. Customers and research partners turn to us to solve technology challenges within emerging markets as well as for sustainable improvements of their existing fleets and ocean installations. Kongsberg Maritime's strong market positions is built on domain knowledge and insight into marine operations.

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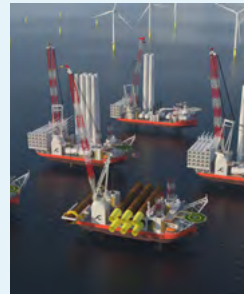
Highlights and key figures 2022



Number of employees
7,114



Present in
32 countries



Offshore wind contracts

- KONGSBERG has a central role in the development of some of the most sophisticated enabling technologies for offshore wind farms and the vessels that make them possible.
- In 2022, MNOK 1,700 of our new sales derived from the renewable market sector, with offshore wind as the main contributor.



Hybridisation of existing vessels

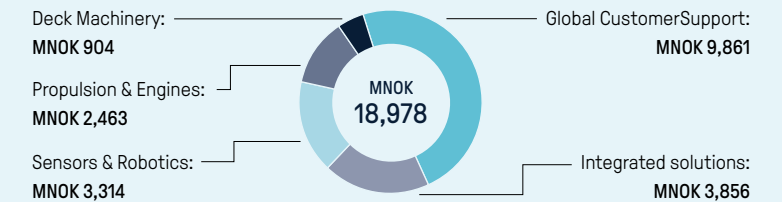
- 2022 saw a boost in order intake for retrofits of existing vessels to more efficient propulsion, more advanced energy control systems and hybridisation. Orders cover passenger expeditions vessels, advanced offshore vessels, ferries, ro-ro vessels, naval ships and more.
- Hurtigruten's first of three ships to be rebuilt went into service this year, reporting a 23 per cent decrease of CO₂-emissions from our technology upgrades alone.



Milestones reached for Remote & Autonomous

- R&A keeps setting us apart from the competition as leading innovators. We are involved in a number of projects and deliveries.
- In April 2022, Reach Subsea and Kongsberg Maritime signed a contract to build the first two game changing Reach Remote unmanned offshore vessels. The year also revealed DB Schenker's plans to run an innovative, zero-emission coastal container feeder in the Ålesund-region of Norway.

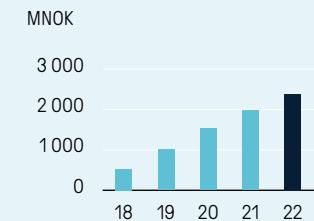
Operating revenues per division



Operating revenues



EBITDA



Order income



Employees per division

Integrated Solutions: **1,779**
 Global Customer Support: **3,026**
 Propulsion & Engines: **579**
 Sensors & Robotics: **1,044**
 Deck Machinery and Motion Control: **423**

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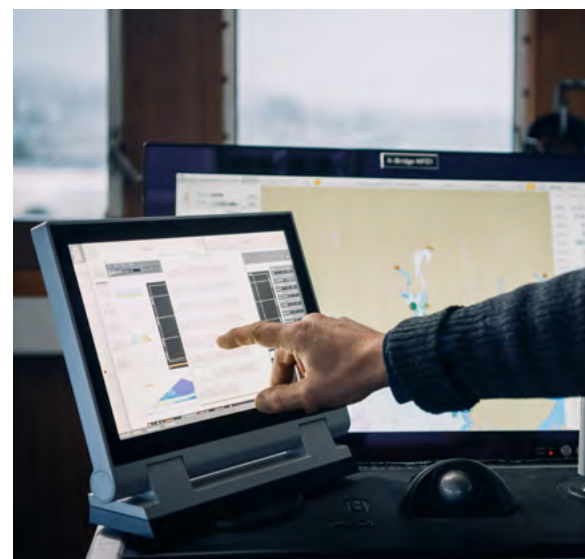
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▲
The map marks the countries where Kongsberg Maritime has a footprint.



Divisions

- Integrated Solutions
- Global Customer Support
- Propulsion & Engines
- Sensors & Robotics
- Deck Machinery and Motion Control

[Read more on page 38](#) →

Shaping the maritime industry

Kongsberg Maritime supplies technology, equipment and services needed for sustainable maritime operations today and in the future. We enable operations on and below the surface across the world's oceans, in arctic waters, in the busiest ports and in the toughest of weather conditions.

The market is highly varied – and covers deliveries to advanced offshore and research vessels, cargo and passenger vessels, large fishing vessels and naval vessels, as well as offshore installations belonging to the aquaculture, oil & gas and wind power sectors.

The technology is developing fast – and includes remote-controlled and autonomous operations, as well as products and systems enabling low and zero emissions. Kongsberg Maritime has a key role in environment-friendly shipping and other sustainable activity in the ocean space, and this attracts customers and partners from all over the world. Through competence, products and integrated solutions, as well as its world-class service network, Kongsberg Maritime is helping to shape the maritime future. Over 33,000 vessels worldwide sail with equipment supplied by us.

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Kongsberg Maritime recruits skilled workers as well as experienced engineers. We have close relationships with schools and universities across the world, and especially in the Nordic countries. Pictured are two of our apprentices at the propulsion assembly line in Ulsteinvik, Norway.



We are the tech team

There is a strong story of many innovations behind the Kongsberg Maritime we know today, originating from the late 1800s. Back then our technology was invented and produced to solve humanity's need for a safer and more efficient operations at sea. Then, as today, we contributed to a profitable ocean economy.

A more efficient propeller, a more precise navigation system, a winch that could pull more fish – our driving force has always been technology development, new ideas and solutions that has created growth for the company. The climate change has added extra motivation; Because with all our knowledge about ships and maritime operations, we now work towards delivering the technology that can lead to a carbon neutral ocean economy.

Pushing towards decarbonisation

The way vessels are fuelled is about to undergo dramatic change, but there is no 'silver bullet' solution. A range of different solutions will be needed – ammonia, LPG, bio or green methanol, synthetic methane and more. Hence, ship owners are faced with tough decisions, and Kongsberg Maritime is a key partner helping them to make informed choices towards carbon neutrality.

As an example, Kongsberg Maritime is a key partner in a project to turn a fully functional and flexible zero emission bulk carrier concept into reality. This backed by an initiative from the Norwegian government, known as the Pilot-E scheme.

Kongsberg Maritime has a significant role in the FlexBulk project. We are involved with deliverables

in the fuel gas supply system (FGSS) along with all aspects of vessel design covering hydrodynamics and stability, safety, machinery and electrical aspects. A new fleet of five vessels, operated by Viridis Bulk Carriers, will have their propulsive power provided by ammonia through this project.

Government-driven demands

New regulatory standards for vessel energy efficiency took effect from January 2023 as part of the ambitions of the International Maritime Organisation (IMO) to reduce carbon by 2050 – the timescale that has become a global target for Net-Zero. This is an example of government-driven regulations and demands designed to push ship-owners to make sustainable technology investments, while maintaining a competitive operation.

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The new standards are the Energy Efficiency Existing Ship Index (EEXI), added by the separate Carbon Intensity Indicator (CII) as the rating scheme for the operational efficiency of a ship. It is estimated that more than 30,000 vessels are affected by these. As with the Energy Efficiency Design Index (EEDI), which applies to new built ships, the EEXI is evaluated based on vessel design parameters such as equipment and technical data. To qualify for the highest ratings, measures can include the installation of more energy-efficient products, systems and technologies on board.

Other measures also involve the adoption of cleaner power sources or the complete alteration of propulsion systems with hybrid or zero-emission solutions.

Vessel owners can prepare their assets for compliance with the support of Kongsberg Maritime's expertise and broad range of solutions developed to deliver according to operational, commercial, budgetary and time requirements. The increase of orders seen within retrofits this year is a testament to the shipping industry's willingness to adapt and make green investments.



◀ The award-winning Sounder USV is a multi-purpose unmanned surface vehicle system with a unique hull design to ensure high performance for hydroacoustic applications. Here photographed at our site in Horten, Norway. This is one of the key products delivered by Sensors & Robotics, a division of Kongsberg Maritime in 2022, but as of 1 January 2023 reports a separate business area of the Group.

Supporting the renewable energy industry

Another example of an area of decarbonisation where Kongsberg Maritime plays a pivotal role is Offshore Wind. Our technology is relevant in the full life cycle of an offshore wind farm.

- **Pre-survey:** With more than 50 years' of experience in oil and gas, KONGSBERG is a pioneer in subsea survey and monitoring. This experience underpins our disruptive technologies for pre-survey, inspection, and maintenance of offshore wind farms.
- **Installation:** By integrating engines, propulsion, dynamic positioning, navigation, automation, electrical and digital systems, we can significantly reduce the cost and risk of wind turbine installation.
- **Operation and maintenance:** Our technologies transform the logistics of wind farm service and ensure safe transport for technicians and tools, essential to maintaining the operational availability of turbines.
- **Life extension or decommissioning:** The same advanced hydroacoustic solutions that enabled the safe and efficient design and installation of the wind farm also help to secure its end-of-life operations.

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We remain competitive

The goal of a carbon neutral ocean economy comes with challenges, as the recent global shocks have demonstrated. Kongsberg Maritime has however demonstrated its ability to adapt and remain profitable in a business sector that has been severely impacted by geopolitical changes in recent years. The company has therefore been able to continue building on its proud history of innovation.

2022 has delivered solid results and a strong order intake for Kongsberg Maritime. We are well positioned to meet the market's environmental and safety requirements through a combination of long experience, innovative thinking and sustainable technology.



Lisa Edvardsen Haugan
President,
Kongsberg Maritime

New President of Kongsberg Maritime

'Kongsberg Maritime is an enabler to help reach the vital target of zero emissions to the oceans from marine operations. Our technology and expertise are needed, and it is our job to ensure we are there to help the customers in their desire to run a sustainable operation. It is an inspirational task for all of us.'

In the Fall of 2022, Lisa Edvardsen Haugan was appointed as the new President of Kongsberg Maritime, the largest business area of KONGSBERG. Edvardsen Haugan has long and extensive experience from both the defence and civil business area in KONGSBERG, including the role of EVP Finance at Kongsberg Maritime and Finance Director at Kongsberg Protech Systems. She came from the position as EVP of the Deck Machinery & Motion Control division of Kongsberg Maritime.

Lisa Edvardsen Haugan has played a significant role in the integration and restructuring of Commercial Marine, a business area acquired from Rolls-Royce plc in 2019. This has been Kongsberg Gruppen's largest acquisition to date. Kongsberg Maritime has experienced significant growth over recent years and had over 7,000 employees spread across 32 countries in 2022.

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Divisions

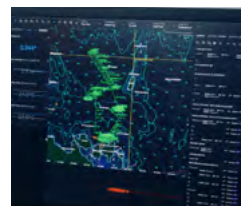
Integrated Solutions



Operating revenues
MNOK 3,856



Number of employees
1,779



Connects everything

- Kongsberg Maritime provides market-leading and pioneering products within dynamic positioning, propulsion control, automation, bridge systems, electric and digital solutions. Combined with our wider portfolio this forms the basis for a range of integrated solutions.
- Seamless integration of mission critical products and systems creates customer value and represents a competitive advantage for both Kongsberg Maritime and our customers.
- Our integrated solutions provide significant benefits in terms of increased operational efficiency, safety, and sustainability.
- The digital dimension represents a key part of our integrated solutions. We leverage our digital frontrunner status with the advantage of being a leading integrator.

Global Customer Support



Operating revenues
MNOK 9,861



Number of employees
3,026



The service heroes

- Global Customer Support assist maritime customers globally through a worldwide network of over a thousand service engineers – combined with technical support, spare parts delivery and upgrades to sailing vessels.
- Global Customer Support 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.
- Through KONGSBERG's digital solutions, we offer support and service also without needing to board the vessel. This safeguards the vessel's uptime and reduces the need for travel.

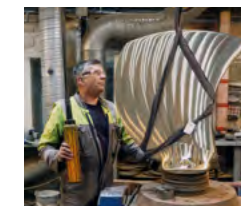
Propulsion & Engines



Operating revenues
MNOK 2,463



Number of employees
579



Provides thrust and power

- Kongsberg Maritime is a world-leading supplier of propulsion systems. The product areas are propeller, rudders, thrusters including electrical PODs, waterjets as well as complete propulsion and manoeuvring systems for offshore, merchant and defence markets.
- Products supplied by Propulsion & Engines adapts to cleaner and zero-emission fuels, high efficiency, electrification, and low noise technologies.
- Propulsion & Engines has a global delivery chain and production in three Nordic countries.
- The division's technology team encompass international leading experts in the field of hydrodynamics, material technology, and a team dedicated to innovative electrical propulsion using permanent magnets (Rim Drive).

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Divisions cont.

Sensors & Robotics¹⁾

 **Operating revenues**
MNOK 3,314

 **Number of employees**
1,044





Understanding the ocean space

- Our portfolio of sensors and sensor solutions is key to mapping, monitoring and understanding the environmental conditions and values of 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.

1) Sensors & Robotics was a division of Kongsberg Maritime in 2022. As of 1 January 2023, Sensors & Robotics reports as a separate Business Area of KONGSBERG.

Deck Machinery & Motion Control

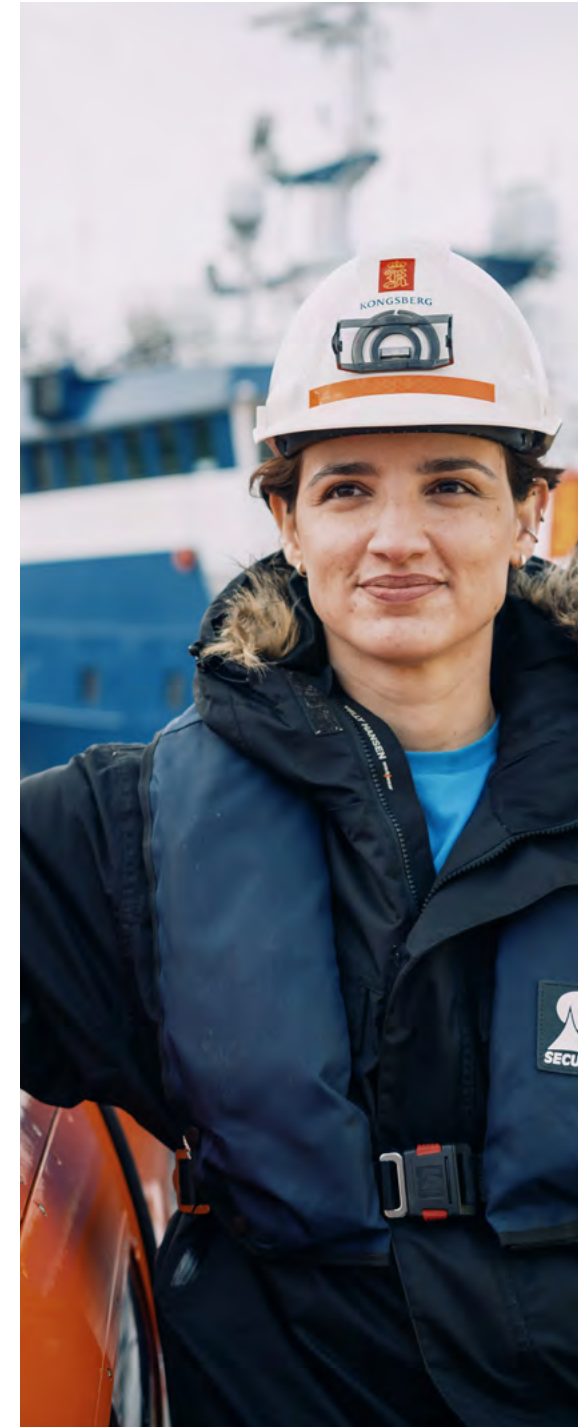
 **Operating revenues**
MNOK 904

 **Number of employees**
423



The efficient handling provider

- We offer an extensive range of products and systems within safety critical deck machinery, from mooring and anchoring winches to anchor handling, specialised winches and handling systems for offshore, merchant, tugs, fisheries, naval vessels and other types of ships and offshore installations.
- The products can be equipped with both electric and hydraulic motors, and they have been thoroughly tested to tackle extreme conditions. 'Safety first' is a mantra for product development.
- The Motion Control products of Deck Machinery & Motion Control includes steering gears suitable for all types and sizes of ships. Our fin stabilisers contribute to secure cargo, steady naval vessels and safe and pleasant cruise voyages.



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The renewables sector

Strong position in the offshore wind market

In Q4 2022, Kongsberg Maritime won a MNOK 300 contract with Pelagic Wind Services to supply advanced vessel design and equipment for two new CSOVs to be built at Cochin Shipyard in India. This contract marked our strong position in the offshore wind market, and joins the series of contracts already awarded in this segment.

The vessels will be designed by Kongsberg Maritime and includes a comprehensive equipment package consisting of a complete hybrid propulsion system driving highly efficient, permanent magnet azimuth thrusters. This is combined with next-generation ship automation, deck machinery, power electrical systems, instruments, bridge consoles and ship monitoring systems.



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Remote & autonomous

Reduced costs and emissions

The Reach Remote project has the impressive ambition of providing a full portfolio of subsea services from a low-emission, cost-effective remote and autonomous fleet. In 2022, Reach Subsea ASA, a provider of subsea services globally, signed a landmark contract with Kongsberg Maritime AS for the construction of the first two in a series of unmanned offshore surface vessels (USVs). The vessels will serve as mobile power banks, data centres and communication modules for underwater ROVs (remotely operated vessels). Both the USVs and ROVs will be operated from an onshore control centre. The Reach Remote project is developed by Reach Subsea jointly with Kongsberg Maritime and Massterly. Reach Subsea expects delivery of the two first Reach Remote systems mid-2023.

The aftermarket

Upgrading to comply with environmental demands

Wallenius Wilhelmsen is one of the shipowners that in 2022 have chosen technology from Kongsberg Maritime to be compliant with the new Energy Efficiency Existing Ship Index (EEXI). This is achieved through minor upgrades and retrofits of propulsion control systems onboard 45 vessels in their Ro-Ro fleet. This is an example of a volume market win where Kongsberg Maritime can deliver small but future-smart. The upgrades for this specific fleet includes a EEXI power limitation solution. To work towards a zero emissions future, Wallenius Wilhelmsen has set an ambitious target to reduce their fleets carbon intensity by 27.5 per cent within 2030, compared with 2019.



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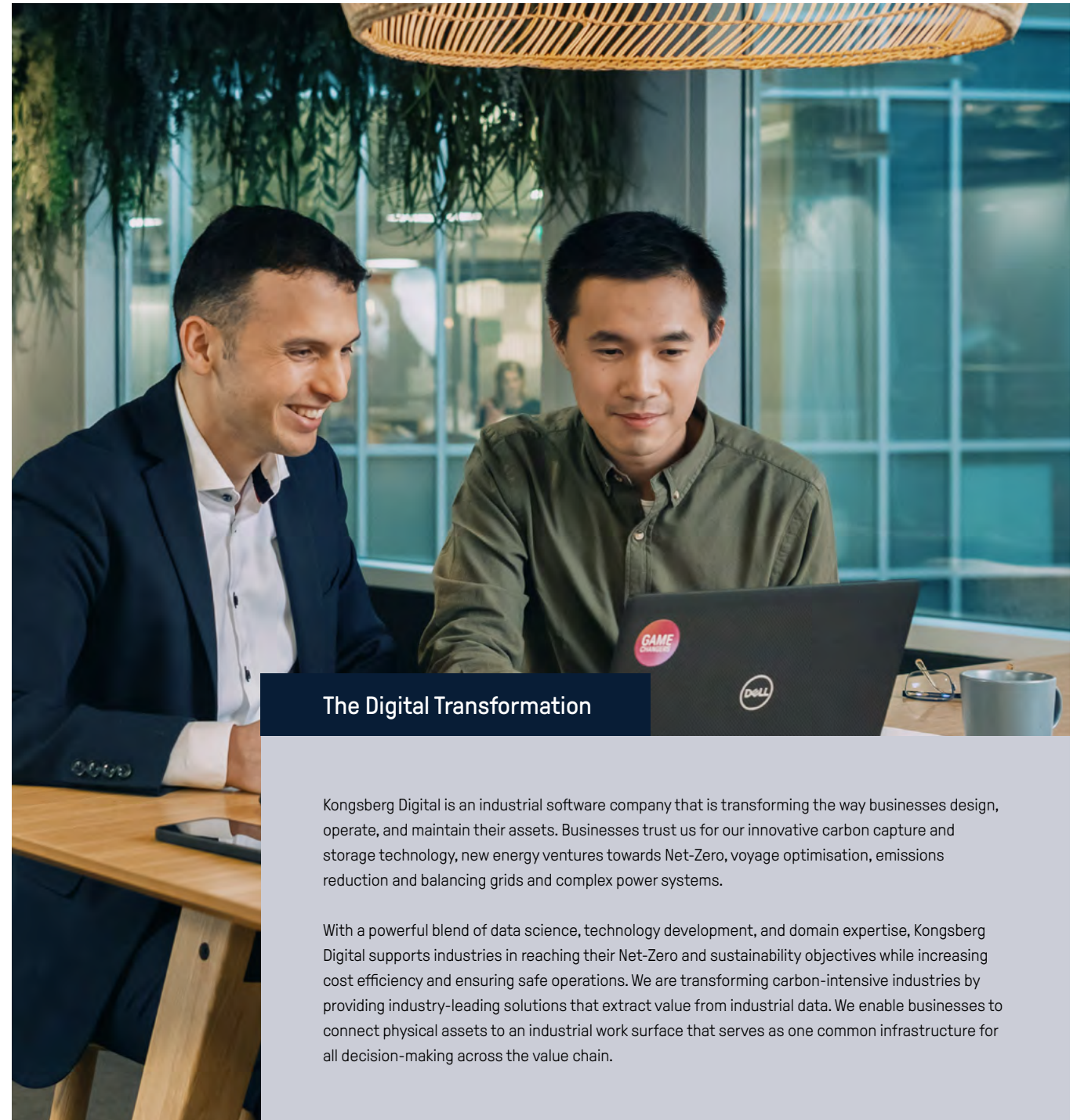
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Kongsberg Digital



The Digital Transformation

Kongsberg Digital is an industrial software company that is transforming the way businesses design, operate, and maintain their assets. Businesses trust us for our innovative carbon capture and storage technology, new energy ventures towards Net-Zero, voyage optimisation, emissions reduction and balancing grids and complex power systems.

With a powerful blend of data science, technology development, and domain expertise, Kongsberg Digital supports industries in reaching their Net-Zero and sustainability objectives while increasing cost efficiency and ensuring safe operations. We are transforming carbon-intensive industries by providing industry-leading solutions that extract value from industrial data. We enable businesses to connect physical assets to an industrial work surface that serves as one common infrastructure for all decision-making across the value chain.

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Highlights and key figures 2022



Number of employees
1,088



Present in
8 countries



Leading energy corporation invests further in our digital twin technology

One of the world's largest energy corporations chose to expand its portfolio of our digital twin technology in 2022. The technology makes it easier to understand, predict and optimise the performance and behaviour of physical installations and systems to improve efficiency.



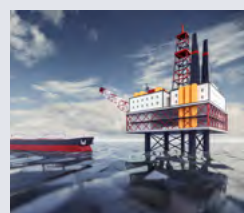
Strategic acquisitions strengthen our core areas

In 2022, Kongsberg Digital acquired the industrial software companies Interconsult Bulgaria (ICB) and the Norwegian company Visavi. The companies provide essential expertise for further scaling, complementing Kongsberg Digital's core areas. The acquisitions are strategically vital to ensure competence and capacity outside Norway.



Scaling at a fast pace

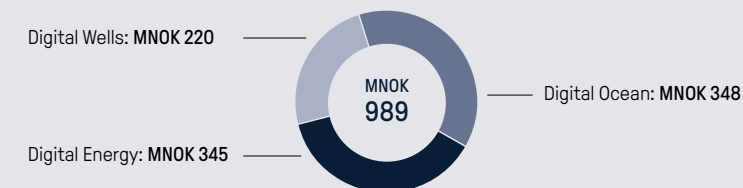
Kongsberg Digital is growing rapidly and has welcomed over 300 new colleagues in 2022. Today, our global workforce comprises more than 1,000 colleagues representing over 30 countries. We have offices in 20 locations in eight countries, including the US, India, and Bulgaria, the largest locations outside of Norway.



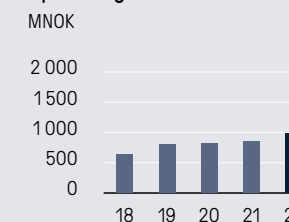
MoU with Shell Marine to decarbonise the maritime industry

In 2022, we formed closer ties by partnering with Shell Marine to develop decarbonisation technology for the maritime industry. The new partnership will bring Kongsberg Digital's data infrastructure solutions, applications, and open ecosystems together with Shell's portfolio of Technical and Digital Services, which aims to improve performance and reduce running and maintenance costs for its marine customers.

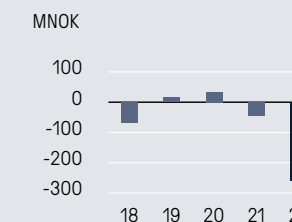
Operating revenues per division



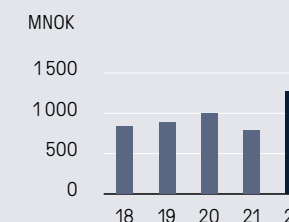
Operating revenues



EBITDA



Order income



Employees per division

Digital Energy: 264
Digital Ocean: 237
Digital Wells: 41
Software Development: 476¹⁾

1) Employees in Software Development work with product development all divisions.

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▲
Kongsberg Digital is headquartered in Oslo, Norway with offices across Europe, the US, Canada, China and India.

Shaping the future of work

At a time when reducing emissions, streamlining operations, and increasing safety are more important than ever, the world's industries face ever-tightening requirements and regulations. Meeting their demand with industry-ready solutions, Kongsberg Digital has become a market leader in digitalising the world's industries for a smarter, safer, and greener tomorrow.



Divisions

- Digital Energy
- Digital Ocean
- Digital Wells

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Today, there are more industrial data than consumer data, representing an enormous potential for large-scale digitalisation of industries in the coming years, and utilisation of existing data is essential for digital and green transformation. Kongsberg Digital develops and implements solutions that give industrial data real value across the entire value chain. Our industrial software is established by linking physical installations and processes to a common data infrastructure that retrieves, structures, and visualises data in real-time. This provides users and operational managers with important information that helps ensure safer, more cost-efficient, and more sustainable operations.

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Optimisation of upstream operations

In the upstream segment, SiteCom® is a prominent platform for real-time data collection and visualisation of drilling operations. It facilitates the use of applications for operational analysis and advanced decision support. SiteCom aids decision-making for optimised drilling and well operations, increases safety, prevents significant downtime expenses, and reduces incidents. In 2022, we improved the user experience and ensured even better support for decision-makers. Through the SiteCom Go application, we have made the platform available on smartphones and added several important functions that provide operational efficiency and security.

In the autumn of 2022, we partnered with Keystone to offer users a comprehensive and detailed solution for planning operations in conjunction with real-time data from SiteCom.

Several strategically important contracts were signed in 2022. Among them, a new three year extension of real-time services and global decision support for Repsol. Another significant milestone was marking more than 14 months without downtime on our largest delivery, where SiteCom is used to support simultaneous operations of over 200 rigs for an operator in the Middle East.

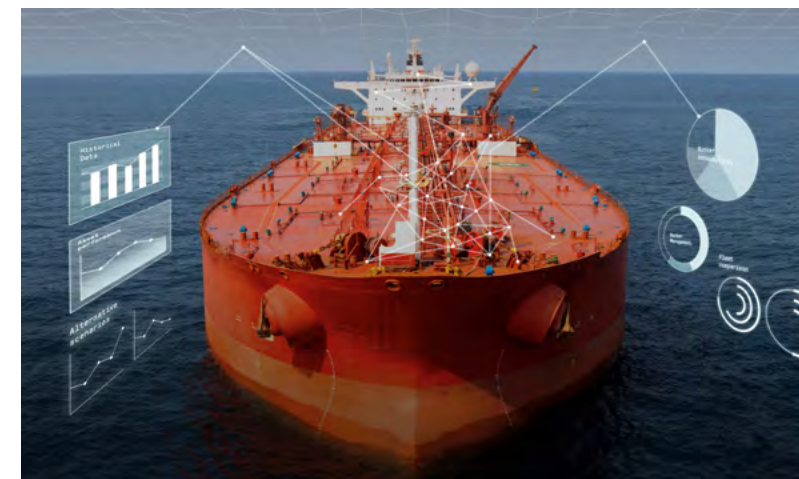
Digitalisation of the maritime industry is gaining momentum

In the coming years, the maritime industry is facing stricter requirements and demands for reduced emissions from the EU and the International Maritime Organization (IMO), the UN agency for the maritime industry. Utilising data from ships will be crucial for the industry to optimise operations and reduce emissions. The focus on reducing emissions also accelerates the market's interest in our services in collecting, contextualising, and utilising data obtained from the vessel's systems.

Through Vessel Insight, Kongsberg Digital delivers cloud-based data infrastructure for the maritime industry. Vessel Insight is used by thousands of

users worldwide. It provides value from high-frequency data obtained from the ship's instruments by connecting the ship's sensors and systems to a shared Edge infrastructure. The collected data is fed into applications that help shipping companies and operators optimise the operation of ships and fleets. Our marketplace allows operators and shipowners to choose from a large selection of applications based on a partner system where Kongsberg Digital and third-party suppliers deliver applications for operation, security, and route optimisation – to mention a few. Today, we have 45 partners connected to the marketplace. In 2022, Kongsberg Digital purchased the K-Fleet and Vessel Performance applications from Kongsberg Maritime to strengthen our market position.

The use of data can help make maritime operations more sustainable by reducing emissions, enhancing crew safety and ensuring compliance with increasingly stringent regulations.



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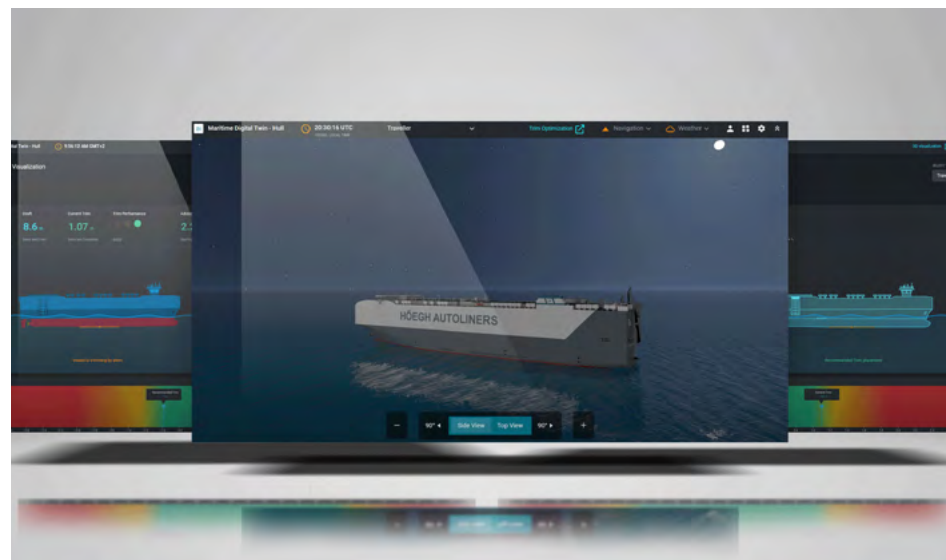
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◀ Trim advisory and 3D visualisation are initial steps toward a holistic digital twin for the maritime industry. Digital twin technology allows new ways of working along with exciting new interaction possibilities and heightened transparency between different stakeholders in the industry.

A total of 45 new shipping companies were connected to Vessel Insight in 2022, with more than 750 ships signed for connection to the infrastructure. The largest new contract was made with Mediterranean Shipping Company (MSC) when they chose Kongsberg Digital to digitalise their merchant fleet of approximately 500 vessels. In addition, Kongsberg Digital entered into an agreement with, among others, Gaslog LNG and Floatel International, and a major operator in the tanker segment with a fleet of over 100 vessels. Since the launch of Vessel Insight in 2019, Kongsberg Digital is now experiencing great interest in Vessel Insight and its ecosystem, seeing a trend of moving from signing individual vessels towards today's situation where ship owners sign entire fleets.

As a market-leading supplier of digital twin technology, Kongsberg Digital launched digital twin technology for the maritime industry in autumn 2022 with Höegh Autoliners as a pilot customer. Through Vessel Insight, data from the vessel is collected to give the operator a real-time 3D visualisation of the vessel and the current weather. In addition, the technology is used to provide decision support for optimal trim of the ship, which makes it possible to reduce fuel consumption. Further development of maritime digital twin technology will be an important focus for Kongsberg Digital in the coming years.

Twin and simulation technology as a catalyst for decarbonisation

Kongsberg Digital's dynamic digital twin technology has taken a market-leading position in the energy sector. Through visualisation, simulations, and physics-based models, our customers and users can make decisions based on real-time visual data to ensure safer, more cost-effective, and sustainable operations.

After successfully implementing two digital twins early in 2022, Kongsberg Digital entered into a new contract with a major energy corporation to digitalise its assets. The company will implement digital twin technology on four further installations

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in addition to the two installations already delivered.

In 2022, Kongsberg Digital put nine deliveries of digital twin technology into operation. This brings the total number of operational digital twins to 18. By the end of 2021, the total number was twelve. In addition, our digital energy division has experienced significant growth in the number of users of the platform, exceeding 8,500 users.

Through the acquisition of Visavi in the autumn of 2022, Kongsberg Digital has further strengthened our digital twin technology's industrial workspace by incorporating complex and integrated maintenance plans into operations for the entire organisation. The technology reads data from relevant source systems and gives users a continuously updated picture of various plans for operation and maintenance. In addition, the user can act on unforeseen events that require changes with writeback to the source systems involved.

CO₂ storage, renewable energy, and optimisation of the power grid

Capturing and storing CO₂ in the ground (in old oil and gas reservoirs or saline aquifers) is an important method of reducing the world's carbon levels. The transportation and injection of CO₂ are essential elements of the carbon-storing process and must be done in a sustainable way. Kongsberg Digital is an industry-leading supplier of simulation

software for carbon transport and storage through LedaFlow® Technologies. In 2022, we strengthened our position through new collaborative research projects supported by CLIMIT – the Norwegian government program for carbon capture and storage. Today, 15 energy companies worldwide participate in our joint development projects to decarbonise the energy sector. LedaFlow offers energy operators improved decision-making to reduce costs and support the energy sector in achieving their Net-Zero ambitions by 2050.

In 2022, we strengthened our strategy and deliverables related to offshore wind and assist our customers in improving efficiency and decision-making for the entire lifecycle of offshore wind projects.

Digitalising the power grid using digital twin technology can help utilise existing power grids and be a support tool for new investments and the operation of a more complex energy system. This summer, we launched our digital twin technology



▲ Kongsberg Digital is re-imagining the way businesses design, operate and maintain their assets. Businesses trust us for our cutting-edge technology in carbon capture and storage, new energy ventures towards Net-Zero, voyage optimisation, emissions reduction, and balancing grids and complex power systems. ▶

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on the Microsoft Azure Marketplace, making it available to a broader market. We ended the year by entering into a new project with Glitre Nett, where our digital twin technology will automate the process for new network connection requests for Glitre Nett's customer centre.

A better tomorrow

In 2022, Kongsberg Digital developed its first sustainability strategy. We are committed to fully integrating sustainability into our operations and ensuring sustainability is a business development driver. Our ambition is to be part of the solution. Kongsberg Digital can play a key role in accelerating the energy transition by actively supporting and challenging our customers on their sustainability journey. In partnership with our clients, Kongsberg Digital is already taking this role, driving innovation to reduce emissions, secure safety for their people, and increase digital competence.

An increased focus on sustainability is all about the opportunities and how we will create value for our clients in their green transition and transformation. Kongsberg Digital will strive to be the preferred partner for our clients on their digitalisation journey for a better tomorrow – for people, businesses, and society.



Shane McArdle
President,
Kongsberg Digital

'Smarter, safer, and greener'

Kongsberg Digital will support and accelerate the digital transformation of our customers and partners - from the maritime sector to power grids, seabed minerals, and energy. We are shaping the future of work for a better tomorrow. Our mission is to create smarter, safer, and more sustainable operations. It is a mission that defines who we are. It is our DNA. Our employees and our technology make us a market-leading supplier of industrial software.

As an industrial software company, we codify our in-depth industrial domain knowledge into our software products to provide intuitive experiences for our end users. By utilising industrial data, we create significant value for our customers and drive positive behaviours that impact industries for the better. We ensure increased operational insight on the vessels, platforms, and control centres. This, in turn, results into increased efficiency for our customers while emissions are reduced, and operations are run more sustainably. This is what separates Kongsberg Digital from other suppliers who are either purely software or industrial companies.

We see this in the reflection of how quickly our products have been adopted and become part of our customers' everyday work and the feedback we get from our user community.

At the same time, as we keep our eyes fixed on our core competence areas within the maritime, energy, and renewables, we are also looking for new areas of opportunity. As KONGSBERG's digital arm, we look at how the Group's digital journey and agenda can be further strengthened. Our perspective adds value to the other business areas in the group.

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Divisions

Digital Energy



Operating revenues
MNOK 345



Number of employees
264



Digital Energy develops and supplies industrial software to carbon-intensive industries such as energy, utilities, and renewables, accelerating the transition to Net Zero.

- Our digital twin technology provides actionable insight and automated workflows for optimised operations and facility management.
- By the end of 2022, Digital Energy had delivered 18 operational twins with more than 8,500 users through Kognitwin®.
- The division also supplies industry-leading simulation and machine learning technology for the energy industry through LedaFlow® and K-Spice®.

Digital Ocean



Operating revenues
MNOK 348



Number of employees
237



Digital Ocean develops and supplies advanced software and simulator solutions for the maritime industry. The division uses industrial software to enhance performance and lower emissions by optimising operations in the maritime sector.

- Digital Ocean delivers Vessel Insight where users can utilise their data through SaaS applications in the marketplace. Vessel Insight has over 7,000 users.
- The technology is D-INF(P) type approved and SP1 certified by DNV.
- The division currently has approximately 100 shipping companies in its customer portfolio and collaborates with over 40 partners.
- Digital Ocean also supplies digital twin technology for the maritime industry and offers advanced and dynamic simulators that give students and crew realistic and practical training in maritime operations.

Digital Wells



Operating revenues
MNOK 220



Number of employees
41



Digital Wells develops and supplies advanced industrial software for well and drilling operations in the upstream sector.

- The SaaS platform SiteCom® supplies clients and operators with software and applications for data collection and visualisation of drilling operations in real-time, as well as applications for operational analysis and advanced decision support. The platform ensures safer, more reliable, and more efficient well operations.
- Through its partnership with Keystone, Digital Wells delivers a comprehensive and detailed solution for planning operations in conjunction with real-time data from SiteCom®.
- SiteCom® has over 30,000 users globally.

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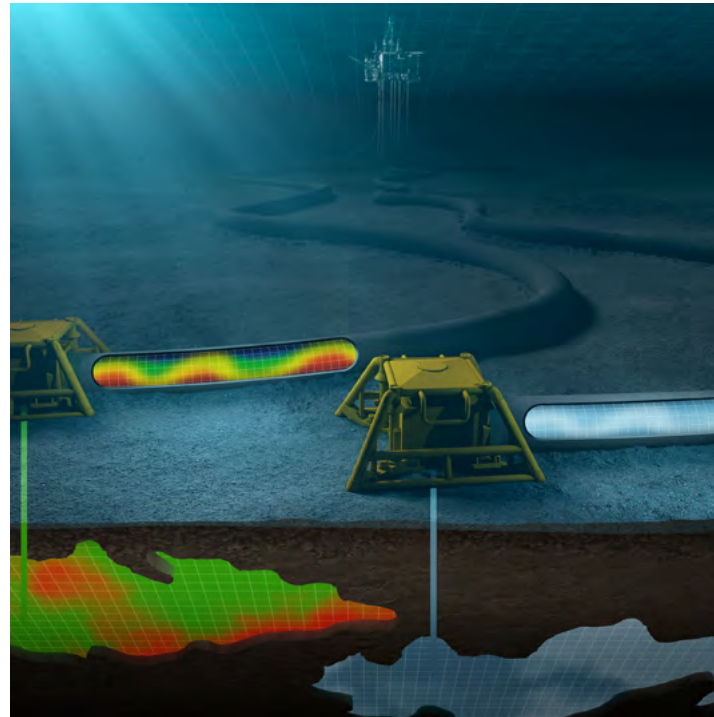
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Simulation technology

Simulation of carbon storage provides significant cost savings

Kongsberg Digital is an industry-leading carbon transport and storage solutions supplier via the joint venture with LedaFlow Technologies. LedaFlow® provides energy operators with improved decision-making capabilities, reduces costs, and helps the energy sector deliver on their Net Zero ambitions. Reducing greenhouse gas emissions from the energy industry is critical to delivering on the UN climate goals. Our partners believe in our collaborative way forward in developing LedaFlow for multiphase transport of CO₂ and CO₂ injection (CCS). The purpose is to optimise CCS facilities via design, reuse the simulator in CCS operations, and integrate and manage CCS operations, for example the interaction between transportation pipelines, well, and reservoir systems. Accurate forecasts are also crucial for energy- and cost-effective operations and will help minimise risk through simulations of various operational scenarios. The simulation technology can be implemented in our digital twin technology, which provides a visualised overall picture of the simulations in real-time. This technology ensures that the CO₂ footprint when developing oil/gas fields is minimised through reduced use of, for example, steel and energy and enables cost-effective and safe operation.

Certification

Certification and type approval from DNV

In April, Kongsberg Digital received the certificates D-INF(P) type approval and SP1 certification for Vessel Insight's end-to-end data infrastructure and cyber security from DNV. Kongsberg Digital received this D-INF approval as the industry's first. The certifications are quality marks for Kongsberg Digital's technology and affirm that the data collected from the ships' automation, navigation, and sensor systems are processed safely and according to industry standards.



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FlexOps

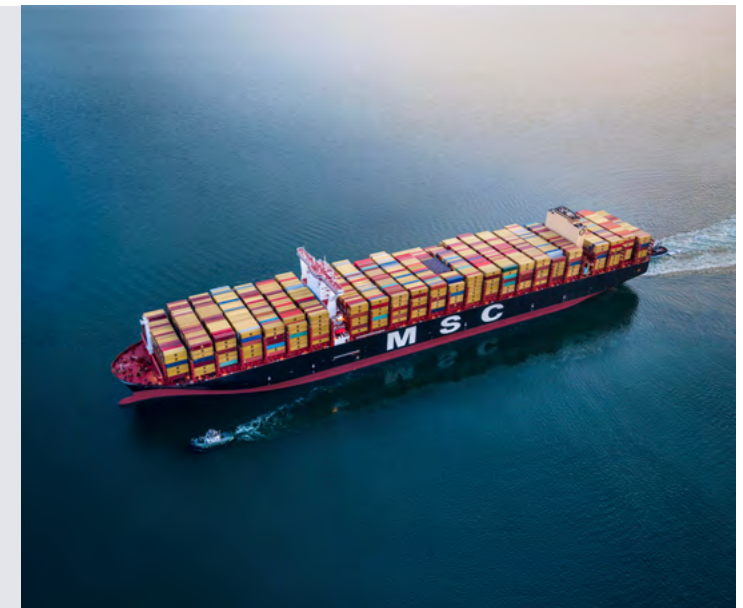
Better utilisation of the power grid

As the world's energy system is transitioning, grid operations are becoming more complex. The rapid introduction of EVs, Solar Panels (PV's), and smart home devices have changed how we consume electricity – challenging the grid operators. However, this technology is also an opportunity for grid operators worldwide. That is why Kongsberg Digital has engaged with the grid community and initiated the FlexOps project. The project aims to develop software that enables flexibility in grid operations by ensuring grid operators know what's coming their way and allowing them to simulate different solutions. The project is built on digital twin technology from Kongsberg Digital. Kongsberg Digital leads the project with Tensio, Elvia and Mørenett Pixii, the Smartgrid Center and SINTEF Energi as project partners. The Research Council, Innovation Norway, and Enova co-finance FlexOps.

Green shipping

The world's largest container shipping company is going green

The maritime industry faces strict sustainability and emission reduction requirements in the coming years, and digitalisation is essential for a greener maritime industry. The UN maritime organisation IMO has decided that all operators must report figures for emissions and reduction of fuel consumption and will score ships based on an energy efficiency index. The Mediterranean Shipping Company (MSC) sees operational optimisation and emissions reduction as important criteria for becoming more efficient and sustainable. In June, it became known that MSC chose Kongsberg Digital to supply digital infrastructure through Vessel Insight for their entire owned fleet. The rollout of Vessel Insight on their fleet, consisting of nearly 500 vessels, started in 2022 and will continue in 2023. Together, MSC and Kongsberg Digital are working for a greener, safer, and more sustainable maritime industry.



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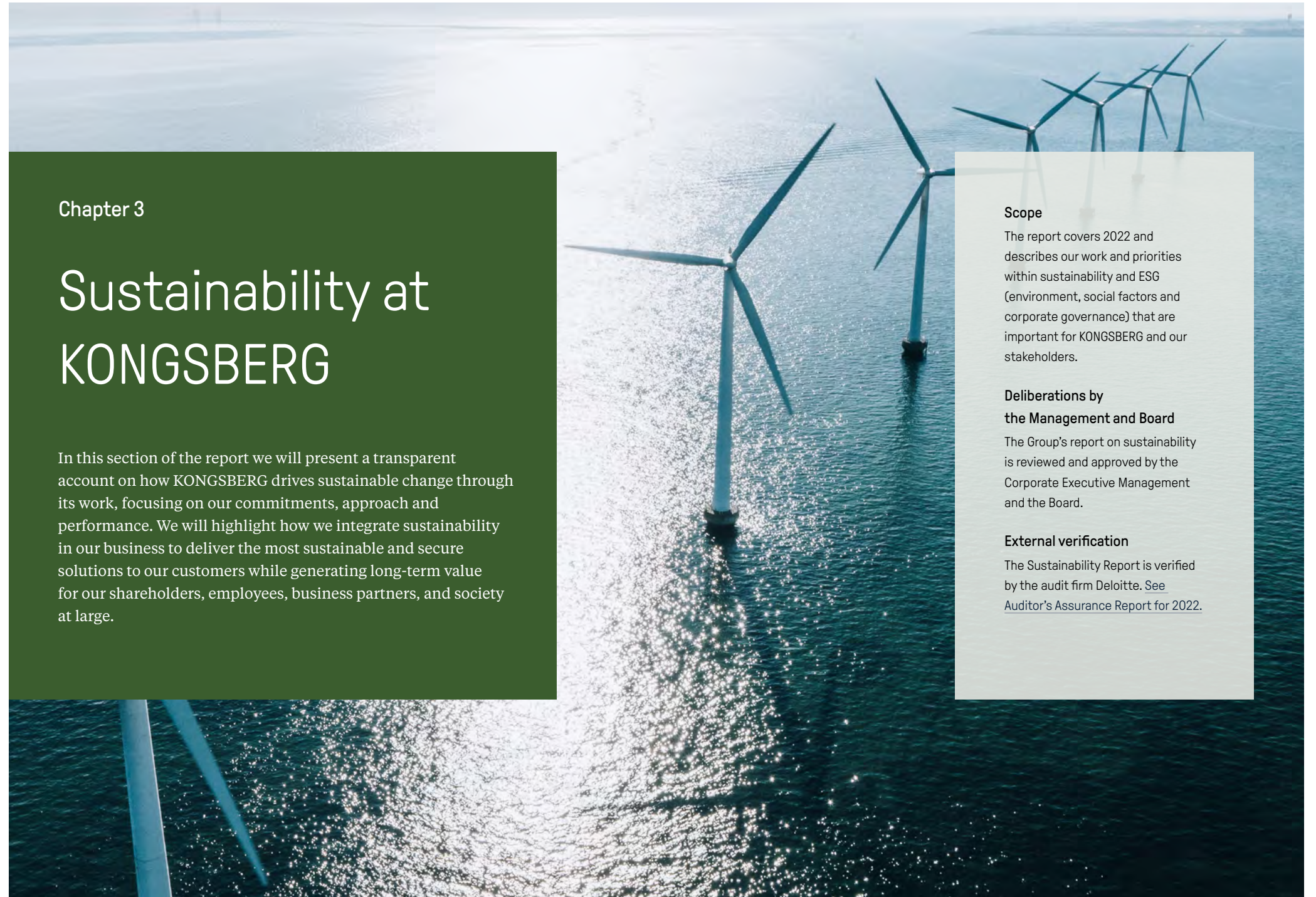
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Chapter 3

Sustainability at KONGSBERG

In this section of the report we will present a transparent account on how KONGSBERG drives sustainable change through its work, focusing on our commitments, approach and performance. We will highlight how we integrate sustainability in our business to deliver the most sustainable and secure solutions to our customers while generating long-term value for our shareholders, employees, business partners, and society at large.

Scope

The report covers 2022 and describes our work and priorities within sustainability and ESG (environment, social factors and corporate governance) that are important for KONGSBERG and our stakeholders.

Deliberations by the Management and Board

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

External verification

The Sustainability Report is verified by the audit firm Deloitte. See [Auditor's Assurance Report for 2022](#).

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2022 Performance highlights



We fully integrated sustainability in our business strategy process.



We performed a new materiality assessment in line with the principle of double materiality.



We delivered the first EU Taxonomy report on voluntary basis.



We disclosed the sustainability and climate key performance indicators linked to executive compensation.



We achieved solid external ratings and was once again recognised as an ESG industry Top Rated company by Sustainalytics.



We have continued to reduce our GHG emissions with 3.0 per cent reduction in absolute numbers, and 16.3 per cent reduction relative to sales (total for scope 1 and 2).



We developed science-based climate targets in line with the ambitions of the Paris Climate Agreement and submitted our targets to the Science Based Targets initiative for verification and approval.



We developed guidelines to assess circularity, Life Cycle Assessment and materials in our product management and design processes.



We achieved the target of increasing the share of women across the company.



We improved our safety performance towards our 'Zero vision'.

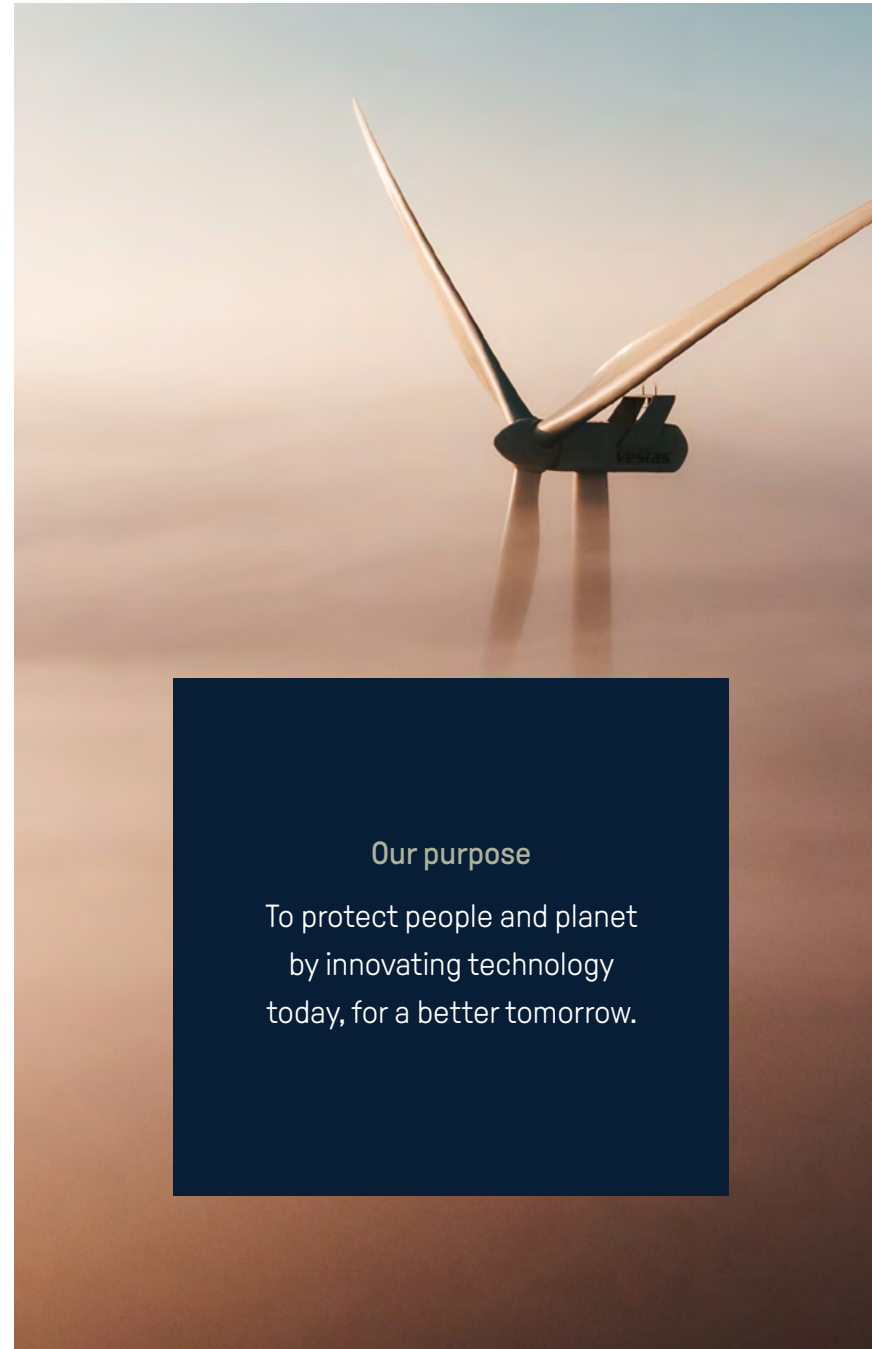


We implemented a comprehensive human rights due diligence program and updated our governance, policy and risk assessments.



We are on track with our anti-corruption program and the concerns raised have covered a variety of compliance topics and resulted in improvements and actions as appropriate.

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Driving sustainable change

Building on years of sustainability progress, 2022 represents a milestone in the KONGSBERG journey, as we established our commitment to driving sustainable change as core to our purpose, business strategy and operations.

KONGSBERG is a purpose driven company with a strong identity reflecting our values – determined, innovative, collaborative, and reliable. The purpose defines our reason for existence and reflects our belief that we are an integral part of a larger ecosystem, with mutual interdependence with society and nature. It drives us towards delivering higher performance while contributing to solving the challenges of people and planet. Our values guide how we work, the decisions we make and how we engage with our stakeholders.

Our culture is founded in high integrity and ethical standards, and we maintain a best practice mindset in both our performance and delivery. Our people are our most valuable resource in delivering lasting value for our shareholders and society.

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Sustainability at the core of our business strategy

KONGSBERG is a world leading technology group, supplying products, systems, and services of strategic importance to our customers across the defence, space, energy, maritime and marine resources sectors. We recognise our role in contributing to safe and stable societies and their sustainable development. We are committed to responsible business conduct, and we consider sustainability a business imperative.

In 2022, changes in the global geopolitical situation reinforced the importance of security to sustainable development. Global sustainability challenges, such as climate change, were impacted by Russia's invasion of Ukraine and the ensuing energy crisis. There were ongoing threats to democracy and the potential of an economic recession continued to form. At KONGSBERG, we acknowledge the urgency and work to address the near- and long-term challenges in tandem by integrating sustainability in our core business strategy. We believe this builds business resilience, while impacting positively the industries we serve and creates positive social and environmental outcomes. As part of our 2022 corporate strategy process, we further developed our sustainability agenda towards 2030.

Through our core business and positions, we are well placed to make a difference in solving global environmental and social challenges. In 2022 we made progress on climate action and submitted our

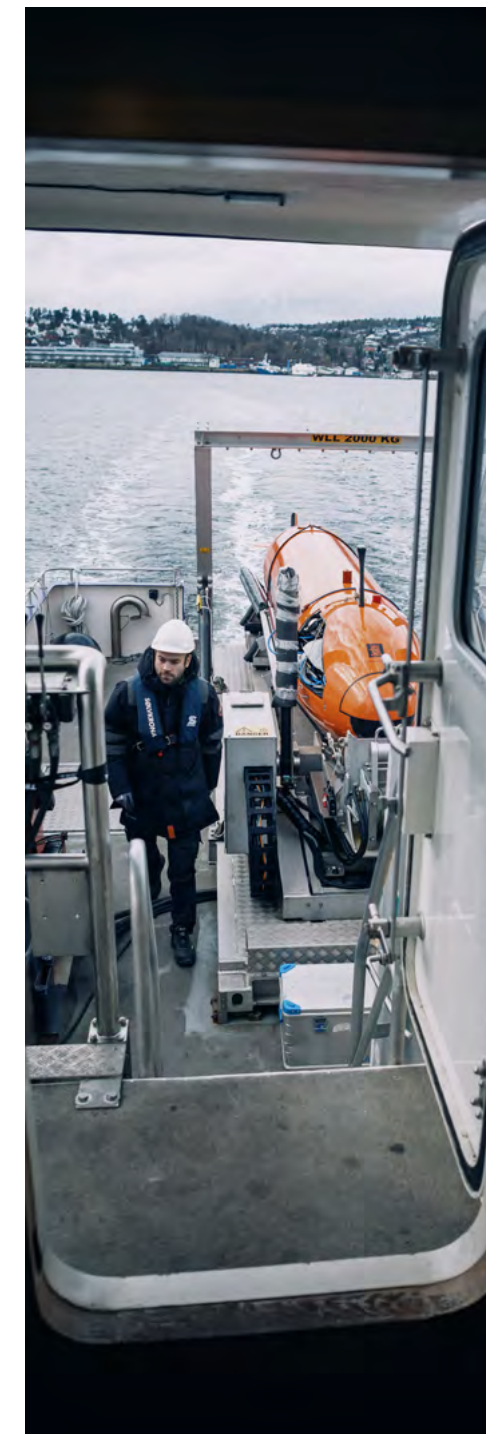
climate targets for approval to the Science Based Targets initiative. We established a new business aera, Kongsberg Renewables Technologies, and we progressed our position as a leading partner in the decarbonisation and sustainable management of the maritime industry.

Our commitment to responsible business conduct means that we never compromise on business ethics and integrity in our operations and our value chain. We have a continuous focus on employee wellbeing, health, and safety, which is critical for our licence to operate and to drive sustainable change everywhere we are.

Sustainability assessments in investment processes

Sustainability is considered in many of KONGSBERG's investment processes, and in 2022 we identified the need for a more structured and consistent approach to assessing sustainability, within the area of climate and environment in particular.

By embedding sustainability as both a motivation and criteria in corporate development, we aim to further strengthen our business model. We believe this is an effective measure in identifying and prioritising investments that have the potential to provide positive societal impact and superior value creation.



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In 2022, we developed guidelines to include circularity, Life Cycle Assessments and materials as part of the product management process requirements, enabling our designers and engineers to consider sustainability early in the design phase of new product and system solutions. Going forward we will implement the guidance and mature our approach, including exploring ambition level for investments in sustainable products and projects. In addition, we further strengthened our M&A due diligence processes by reviewing and expanding the workstream dedicated to climate and environmental assessments.

Training and capacity building

Promoting a sustainable mindset is a core element as we develop our operations, culture and business philosophy. To build capacity and awareness, everyone in KONGSBERG is required to do mandatory training on our Code of ethics and business conduct. In addition, we organise targeted specialist training and voluntary courses. In 2022, all employees have been invited to sustainability e-learning on the UN Sustainable Development Goals and KONGSBERG's approach, strategy, and commitment. We engage with our business partners and suppliers to support capacity building also beyond the borders of our organisation.

Sustainability priorities, goals and strategic activities

We aim to improve our sustainability performance across the environmental, social and governance (ESG) agenda. Our priorities are informed by our materiality assessment, business positions, the geopolitical situation, our commitment to responsible business conduct and the UN Sustainable Development Goals (SDGs).

Overall	<ul style="list-style-type: none"> • Further embed sustainability in our strategy and the decisions we make
 Environment	<ul style="list-style-type: none"> • Establish a Net-Zero transition plan including a carbon emission reduction pathway in line with the Paris Climate Agreement and Science-Based Target initiative (SBTi) • Establish a structured plan supporting the transition to a circular economy • Implement science-based emission reduction targets across the group and in our supply chain • Further develop climate scenario analysis in our strategy processes • Develop strategy and targets for biodiversity and nature
 Social	<ul style="list-style-type: none"> • Sustain and build an attractive and inclusive workplace, where employees can perform and deliver at their best • We put safety first, and never compromise on health and safety, either for our employees, customers or partners in our global operations • We respect and promote human rights in our operations and value chain
 Governance	<ul style="list-style-type: none"> • We have zero tolerance for corruption throughout the value chain • We conduct thorough due diligence when selecting business partners and emphasise sustainability and ESG in our assessments • Protect personnel, information, physical assets and technology to avoid damage, misuse and breakdowns.

A more comprehensive presentation of our performance and ambitions in each of the material areas is included in the corresponding chapters.

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Contributing to sustainable development

The UN Sustainable Development Goals (SDG) set a common global agenda, and guide our sustainability priorities, strategy, and collaborative approach. To achieve the SDGs, the private sector plays an important role. At KONGSBERG we contribute to finding and implementing solutions that can drive sustainable development and future-proof our business.

KONGSBERG is committed to contributing to sustainable development and supports all 17 SDGs. We have identified six SDGs where we through our core business, have the most significant impact.



Goal 4: Quality Education

KONGSBERG invests significantly in the areas of science, technology, engineering, and mathematics (STEM).

We use our strong position and expertise to engage and foster future-relevant skills through strategic cooperation with the research community and universities, as well as providing training for young people.



Goal 9: Industry innovation and infrastructure

As a global technology group, KONGSBERG delivers innovative technological solutions to accelerate sustainable industrialisation and enable decarbonisation. With our innovative solutions, we support retrofitting of

the maritime sector to enable their Net-Zero transition. We actively participate in and support scientific research to unleash the power of technology and innovation for the advancement of sustainable development. Merging our expertise from the digital, marine, space and defence sectors, KONGSBERG provides solutions to combat climate change and environmental degradation.



Goal 13: Climate action

KONGSBERG provides and applies innovative, technological solutions that contribute to the reduction of GHG

emissions and accelerate energy transition. In parallel, we are working continuously on reducing CO₂ emissions in our own operations and across the value chain. In 2021, KONGSBERG committed to the Science-Based Target initiative and, in 2022, we submitted emission reduction targets for approval and verification. We have embarked on the transition to a circular economy and we are building out Kongsberg Renewables Technologies.



Goal 14: Life below water

For KONGSBERG, an ocean company, protecting marine ecosystems is a priority. Healthy and productive oceans

unify climate solutions, biodiversity, food security and safety at sea. We strive to be the leading partner in the decarbonisation of the maritime industry. Our technologies and systems for monitoring and surveillance from deep sea to outer space, offer solutions critical for sustainable ocean management and a thriving, blue economy.



Goal 16: Peace, justice, and strong institutions

A modern defence force is essential for all nations' security, democracy

and freedom, and a prerequisite for sustainable development. KONGSBERG delivers world leading defence systems and is a strategic partner to the Norwegian Armed forces. KONGSBERG is promoting just and peaceful institutions and contributes to building inclusive societies through its strong governance and promotion of human rights, anti-corruption and anti-discrimination.



Goal 17: Partnerships for the Goals

We work with international organisations such as the UN Global Compact, academia, our business partners,

employees, owners, and other stakeholders to share knowledge, learn and identify opportunities where we together can increase positive and minimise adverse impacts on society and the environment. Our partnerships with academic institutions and global research communities are central in delivering positive environmental and social outcomes to advance sustainable development.

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Governance

At KONGSBERG, all of our employees are engaged in driving more sustainable outcomes. The CEO and President is accountable for ensuring our sustainability ambitions and priorities are being monitored, managed and integrated into the company's strategy and culture. The business line is accountable for implementing the agreed strategy and for managing related risk and performance. In 2022, the topic of sustainability was regularly on the agenda of the executive management team's meetings¹⁾. The CEO and his

direct reports have individual sustainability performance targets linked to their compensation and these are described in the following table.

KONGSBERG's Board regularly reviews, monitors and discusses the group's sustainability and climate related strategies, performance, risks, and disclosures. In 2022, the mandate of the Board Audit and Sustainability Committee was expanded to include sustainability. The Board Audit and Sustainability committee will act as a preparatory body and assist the Board in fulfilling its oversight responsibilities with regards to sustainability. The members of the

committee have extensive knowledge and experience within sustainability and across the ESG agenda.

Sustainability and climate-related risks and opportunities are regularly monitored and managed through our Enterprise Risk Management process. We consider risks that our operations can pose to the environment and people, and risks that can have a potential negative impact on the value of our organisation. Where these risks are considered to be significant, they are notified to the Board.

ESG targets linked to executive compensation

	2022	2023
Environment	Prepare and submit science-based emission reduction targets for approval to the Science-Based Targets initiative for external validation and approval	Establish a Net-Zero transition plan, including a carbon emission reduction pathway in line with the Paris Climate Agreement
Social	Gender distribution (21 per cent females in total workforce)	Gender distribution recruitments L1-L3 (30 per cent females)
	Total Recordable Injuries (TRI) Target: 2.13 TRI rate	Total Recordable Injuries (TRI) Target: 1.91 TRI rate
Governance	Leadership aligned with our values and the Code of Ethics and Business Conduct	Leadership aligned with our Values and the Code of Ethics and Business Conduct

¹⁾ Please refer to chapter on Risk Factors and Risk Management in the Directors' Report on page 182 for a more detailed account of the Enterprise Risk Management process of which Climate risk is part of.

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Material topics and stakeholder engagement



◀ In taking a double materiality approach in 2022, we are gaining a wider perspective on how ESG risks and opportunities may affect our business. At the same time we are positioning ourselves to respond to the upcoming EU regulatory reporting requirements and further integrate ESG factors into our strategic business decision-making.

Materiality assessment

KONGSBERG conducted a materiality assessment in 2022 to identify, assess and prioritise its most material sustainability topics, across the areas of environmental, social and governance (ESG), for reporting.

Considering double materiality of ESG topics

KONGSBERG is preparing for the upcoming implementation of the European Union's Corporate Sustainability Reporting Directive (CSRD), requiring large and listed companies to disclose material ESG information. The proposed new European Sustainability Reporting Standards (ESRS) require reporting entities to take a double materiality approach, considering both the impact the company has on the society and environment, as well as ESG topics which may impact the value of company.

KONGSBERG has begun taking this double materiality approach in 2022, and alongside its traditional assessment of ESG impact materiality, is now also considering the materiality of topics which may impact enterprise value – these potentially

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financially material topics include climate, transition to a circular economy, human rights, anti-corruption and sustainable supply chain.

Materiality determination process

The materiality determination process was conducted through a series of internal workshops, including contributions from different levels and functions of the organisation’s business areas, Kongsberg Defence & Aerospace and Kongsberg Maritime. The analysis collated and considered stakeholder feedback, systemic materiality, benchmarking of the material topics of industry peers, internal and independent external expert opinion.

When assessing the relative materiality of ESG topics, both sectoral and global geopolitical factors were considered, as well as KONGSBERG’s specific sustainability context across our own activities and value chain, including our business relationships. The materiality determination process focused on identifying KONGSBERG’s most significant impacts on the environment and society; potential risks and opportunities for enterprise value creation; and assessing each identified impact based on its significance (consequence and likelihood). The materiality determination process followed the GRI 3 Materiality Standard. The recommended material ESG topics for reporting were adopted by management and approved by KONGSBERG’s Board of Directors.

The materiality assessment process was concluded in late 2022. We adhere to high standards and aim to improve and measure our progress and performance in every area where we have a positive or negative impact. Our priority for 2023 and beyond is to further develop our approach to financially material topics in line with our strategy and regulatory developments.

The table on the next page provides an overview of the material topics, indicating all new topics in bold and using icons to depict in what sense they are material – impact, financial or both.



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Overview of all the material topics, indicating all new topics and their double materiality

	Financial materiality	Impact materiality on the environment	Description of topic
Environmental		Climate	GHG emissions and climate impacts
		Transitioning to circular economy	Raw material use, waste and end of life impacts
		Biodiversity and nature New topic	Impacts on biodiversity and nature including use of chemicals and hazardous substances
Social		Health, Safety & Well-being	Maintaining and improving the health, safety, and well-being of employees
		Human rights	Human and labour rights in own business and supply chain
		Caring for people	Diversity, inclusion, training and development
		Local communities	Impacts on and support of local communities
Governance		Anti-corruption	Anti-corruption and bribery
		Security and cybersecurity	Security of information and personal privacy
		Responsible supply chain	Governance of and ESG impacts of supply chain
		Political engagement New topic	Engagement with and influence on policy makers and regulators
		Tax New topic	Tax payments to governments and approach

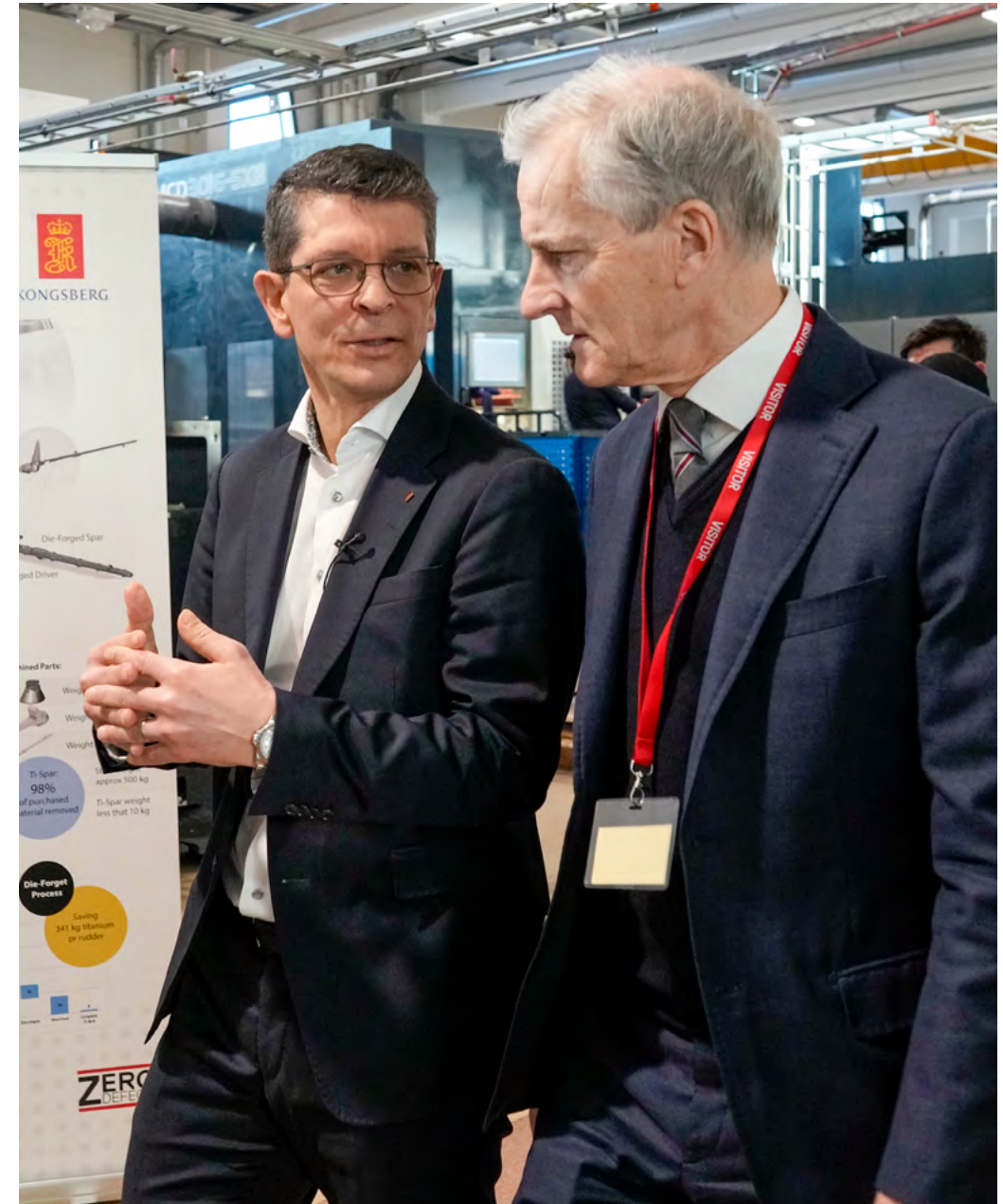
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Stakeholder engagement

Feedback from our internal and external stakeholders plays an important role in informing our actions and ambition to create sustainable value. The views of our stakeholders are taken into consideration when determining which ESG topics are material. KONGSBERG has a regular dialogue with its stakeholders, which include employees, investors, Governments, customers, local communities, suppliers, academia, civil society and intergovernmental organisations. This ongoing dialogue allows us to capture invaluable insight into our stakeholders' interests and expectations and to build respectful relationships and trust that support us in realising our ambitions and delivering on our strategy.

The table on the next page presents an [overview of KONGSBERG's main stakeholders, the nature of our engagement and prioritised topics for each stakeholder group.](#)

▶ Prime Minister of Norway, Jonas Gahr Støre and CEO and President of KONGSBERG, Geir Håøy, visiting the facilities of Kongsberg Defence and Aerospace.



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Stakeholder	Why we engage	How we engage	Prioritised topics for stakeholders
Employees	We engage to have a good understanding of our employees' needs and expectations, to ensure that their interests are taken care of. To inform employees about the strategic goals of the organisation, facilitate for high performance and wellbeing. Nurture a value-based culture.	Regular performance dialogues, employee survey, townhalls, teambuilding events, formal and on the job training, social media, ongoing collaboration.	Work-life balance, purpose-driven company culture, flexible working possibilities, health and well-being, diversity & inclusion, equal opportunities, responsible business conduct, climate change.
Shareholders/ investors	We engage to provide specific, regular and consistent information on our company's activities supporting our shareholders/investors in taking informed decisions.	Dialogue through stock exchange disclosures, press releases, general assemblies, presentations and one-to-one meetings with both investors and analysts. External information (annual reports, quarterly reports and company presentations) on our website.	Climate and environment, supply chain, cyber security, governance.
Governments	We engage in dialogue to both understand and impact regulatory frameworks affecting KONGSBERG.	Direct dialogue through meetings and other arenas, public hearings, and public discussion at events and in media.	Regulations and framework conditions, including technology development programs, market access, education and others.
Customers	We engage to provide our customers with a good understanding of our products and services, capabilities and deliveries. To build good relations, partnerships and trust.	Direct and digital meetings with customers on a regular basis. Exhibitions, conferences and other industry specific arenas.	Technology, system integration, and product offerings. KONGSBERG looks after the customers' needs and deliveries.
Local communities	We engage to build trust, understand local needs and expectations and ensure our license to operate.	Dialogue with local politicians, other businesses in our communities, NGOs working with local community or business issues. Direct dialogue through meetings and other arenas, common events, and joint statements, press releases.	Local issues such as ensuring an attractive local community for potential employees and their families, business issues for local suppliers, education, and supporting local events.
Suppliers	We engage with our suppliers, through daily business interface and strategic relationships to ensure good and productive cooperation, work towards responsible supply chain.	Direct engagement through meetings, webinars, site visits and conferences.	Responsible supply chain, environmental and social issues.
Academia and research institutions	To ensure that both sides benefit from knowledge exchange, promote research, influence new studying topics and motivate students.	Direct dialogue, collaboration initiatives, research programs.	Climate change, innovative technologies, research and development, collaborations.
Civil society and inter-governmental organisations	We engage to inform, enhance and challenge our sustainability priorities. We exchange knowledge and views on relevant policy developments such as climate policy aligned with the Paris Climate Agreement and sustainable ocean management.	Regular dialogue in bilateral and collective meetings, locally and internationally. Organisations we engage with include, but are not limited to, labor unions, industry associations, non-governmental organisations and the UN system.	Sustainability related themes where KONGSBERG have a significant opportunity for positive impact, such as climate change and threats to ecosystems and the environment. Topics across the ESG agenda such as responsible business conduct, employee relations and human rights.

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Value creation

KONGSBERG has a holistic approach to value creation. We believe in doing business that works for people and the planet, ensuring that the long-term interest of both shareholders and stakeholders is met.

Driven by purpose and desire to innovate

Our endeavors of delivering long-term value creation are driven by our purpose, *‘To protect people and planet by innovating technology today, for a better tomorrow’*, and our strong desire to innovate. We believe a long-term approach and deep understanding of societal developments are required for KONGSBERG to remain a competitive, industrial technology pioneer also for the next 200 years.

KONGSBERG creates value across the environmental, social and governance spectrum. Our biggest contribution lies in providing technological solutions enabling secure societies, sustainable ocean management and the energy transition.

As a global organisation, we create value by socio-economic contributions, such as job creation and tax contributions. We also build strong partnerships with supply chains across the globe and

actively promote skills for the future among the youth. In partnerships with academic and research institutions we aim to expand the borders of knowledge to improve societal development.

Socio-economic value creation

Job creation

KONGSBERG creates jobs, both directly through our operations, and indirectly through our supply chain, promoting economic growth and people development. In 2022, KONGSBERG had 12,187 employees globally, of which 81 per cent are in Europe (9,893). In Norway, we employ more than 60 per cent (7,355) of a total global work force.

Tax contribution

Tax contributions are a crucial aspect in public finances and economic development. Through our tax contributions we build shared prosperity in the societies where we operate. In 2022, KONGSBERG’s



Total spend on supply chain

MNOK 18,056

total global tax contributions were MNOK 414. The biggest share of our corporate global tax, 69 per cent, was paid in Europe, including Norway.

Suppliers

With 9,000 suppliers worldwide, procurement is a significant contribution to economic development. In 2022, total global spend on supply chain was MNOK 18,056, out of which 80 per cent in Europe. KONGSBERG’s biggest group of suppliers is in Norway, with a total spend in 2022 of MNOK 8,090, which constitute 45 per cent of the total global spend.

The table on the next page provides an overview of KONGSBERG’s socio-economic value creation. ▶

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KONGSBERG's socio-economic value creation in 2022

	Number of employees ¹⁾	Number of suppliers	Total spend on supply chain	Value added ²⁾ (revenues)	Tax contributions ³⁾
Total (globally) in MNOK	12 187	9 614	18 056	31 803	414
Europe	9 893	77.1%	80.2%	79.7%	69.1%
Asia	1 377	8.6%	5.3%	7.9%	12.8%
North America	620	6.8%	12.7%	9.3%	10.1%
South America	120	5.1%	1.2%	1.0%	6.0%
Oceania (including New Zealand)	83	1.4%	0.2%	1.1%	0.5%
Africa	23	0.7%	0.1%	0.2%	1.0%
Middle East	54	0.3%	0.2%	0.8%	0.7%

1) Permanent employees globally

2) Value added is defined as revenues created out of the country/region

3) Paid taxes in the region

Securing a better future through education

As an international technology group, KONGSBERG invests in nurturing the younger generations' interests and skills in the areas of science, technology, engineering and mathematics (STEM). To achieve a future fit business and sustainable development, we are dependent on both current and future relevant expertise.

Read more about our efforts to support education and fostering future skills, in the ['Local communities'](#) chapter.

Innovation and product development

Innovative environmental solutions

KONGSBERG spends considerable resources on innovation and product development every year. In 2022, this amounted to a total of MNOK 1,980 of which MNOK 1,675 was expensed and MNOK 305 capitalised (MNOK 1,721 of which MNOK 1,507 was expensed and MNOK 214 capitalised). A significant share of investments in the defence sector are customer funded and not part of these numbers. Within our maritime market

segments, we maintain a high share of investments related to sustainable solutions and the energy transition.

In 2022, we have established activities related to circular economy across the business areas. Kongsberg Renewables Technologies was established in the second half of 2022 to strengthen the group's offering and presence within the renewables sector. These are examples of important initiatives to accelerate the energy transition which are not immediately visible from our reported figures on investments and product development.

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In 2022, we are reporting for the first time on the [EU Taxonomy](#), on voluntary basis. In our first report we have concentrated the reporting on the KPI related to revenue. During 2023, we will expand the reporting to also cover the KPIs related to investments in CAPEX and OPEX.

We define sustainable solutions according to these main criteria. The definitions will be further advanced in 2023 taking regulatory developments and green financing standards into account.

- Increased operational efficiency, reduction of energy consumption and environmental impact for maritime industries
- Observation, monitoring and management of marine natural resources and satellite monitoring of rainforests
- Carbon-neutral solutions, such as offshore wind and zero-emission vessels

A committed partner in research and development

KONGSBERG has a clear commitment in terms of participation in national and international research and development programs. We look to contribute to sustainable development across sectors, such as maritime energy solutions, advanced sensors, autonomy, and circular and materials technology.

In 2022, KONGSBERG participated in several national programs through the Centre for Research-based Innovation (SFI), Norwegian Centers of Excellence (SFF) and Centers for Environment-friendly Energy Research (FME).

We spend considerable resources on innovation and product development every year to accelerate sustainable technologies.



In European research, Autoship, a program for development of autonomous shipping for reduction of transport on land, is among the largest. Since 2013, KONGSBERG has also played a central role in the HySeas III-program, aiming to deliver the world's first sea-going vehicle and passenger ferry, fueled by hydrogen produced from local renewable energy sources.

In 2022, KONGSBERG was actively involved in the European Defence Fund with several research projects and a leading role. Projects included the Famous 2 project focusing on amongst other the protection of critical infrastructure.

Total funding from EU projects in 2022 amounted to MEUR 35, placing KONGSBERG as the second

largest company in Norway in terms of receiving funding from the European Commission.

Partnerships with academia and research institutions

In 2022, KONGSBERG strengthened our partnerships through updated strategic collaboration agreements with the Norwegian University of Science and Technology, the University of South-Eastern Norway, Massachusetts Institute of Technology and SINTEF to increase development of knowledge, technology and competence for the energy transition and sustainable social development. The goal of the agreements is to bridge the needs and developments of industry with academic development.

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Sharing knowledge and taking actions to unlock a Climate-Smart Ocean

Throughout 2022, KONGSBERG has been an active contributor to the UN Global Compact's 'Ocean Stewardship Coalition' where we have engaged in the action areas of zero-emission maritime transport and harnessing offshore renewable energy. KONGSBERG is a long-standing technology advisor to the High-Level Panel for a Sustainable Ocean Economy, a global initiative serving world leaders working to build momentum towards a sustainable ocean economy in which effective protection, sustainable production and equitable prosperity are the key components.

We have also been engaged in the UNESCO Seabed 2030 project, which will map the entire global

seabed by 2030. KONGSBERG holds both knowledge of technology and solutions needed, and a portfolio of sensors and underwater and surface vehicles needed to map the oceans.

Technology enabling the energy transition

Zero-emission maritime transport

KONGSBERG aims to be the leading partner in the decarbonisation of the maritime industry.

In 2022, Yara Birkeland, the world's first fully electrical and autonomous zero-emissions container ship, was put in operation. Compared to traditional solutions, the Yara Birkeland will cut nearly 1,000 tonnes of CO₂, equivalent to around 40,000

truck journeys per year. This technology is a result of collaboration and elements derived from multiple areas, including defence technology. The same technology can be used in a number of different projects for autonomous zero-emission vessels and KONGSBERG spearheaded the continuous development in several other projects in 2022.

In 2022, ASKO received two autonomous zero-emission vessels designed by Naval Dynamics Norway using our systems. In operation the two vessels will replace two million kilometers of road transport a year and contribute to the reduction of 5,000 tonnes of CO₂ emissions per year. In September 2022 the two vessels began test operations.

In May 2022, KONGSBERG signed a pre-study agreement with international logistics company DB Schenker and furniture producer Ekornes to develop a concept for zero-emission and autonomous transport between Ekornes' own port, at Ikorntnes, to the port of Ålesund, completing a 43 km voyage. before the freight is transported further to ports in Europe.

Hybridisation and retrofit of the sailing fleet

To reach the global climate targets, the sailing fleet is also transitioning. KONGSBERG contributes through enabling hybrid solutions, propulsion upgrades, hull improvements and control and monitoring technology. Hybridisation introduces new efficiencies for ships, enables smarter, more profitable operation through fuel reduction and electrification.



◀ KONGSBERG aims to be the leading partner in the decarbonisation of the maritime industry.

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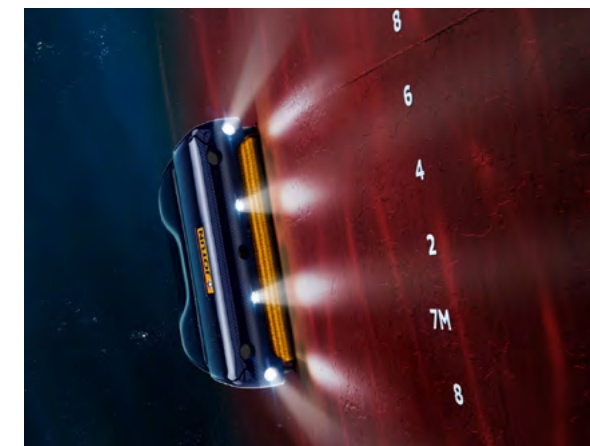
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In 2022, our order intake growth from 2021 exceeds 22.4 per cent for sustainable upgrades with significant opportunities in the pipeline to continue the growth that we have seen.

The Hull Skating Solutions reduce fuel consumption, costs and CO₂ emissions. By proactively cleaning the hull of a ship, it reduces the risk of spreading invasive species across geographies.



Sustainability related upgrades are being supported by increasing regulation from the International Maritime Organization (IMO) and European Union (EU). As our customers look to meet the expectations and contribute to reversing climate change, they look to us due to our leading system integration position combined with a broad product portfolio to help them deliver. In 2022, our order intake growth from 2021 exceeds 22.4 per cent for sustainable upgrades with significant opportunities in the pipeline to continue the growth that we have seen. Read more about this in [the chapter about Kongsberg Maritime](#).

In 2022, we secured a contract with Allseas for hybridisation of three of their vessels – Solitaire, Audacia and Fortitude. Allseas is a world-leading contractor in the offshore energy market with a long history with KONGSBERG. They are now

investing in 10 MWh of KONGSBERG's own battery technology to make its fleet greener and more efficient. This is the largest aftermarket battery delivery to one single vessel globally.

New robotic technology aiming to solve global biofouling challenge

Hull cleaning is the process of removing old paintwork, fouling by algae and marine organisms – biofouling–from the hull of a ship, posing a risk to the environment. It serves as a vector for the spread of aquatic invasive species and decreases the propeller efficiency, leading to increased fuel consumption, costs and CO₂ emissions.

To help solve the problem of biofouling, Jotun and KONGSBERG have together developed the Hull-Skater technology, launched in 2022. The cleaning, underwater robot will help reduce emissions and

scrub the hull proactively timed to reduce the risk of spreading invasive species through early and proactive removal of hull fouling at its geographical origin. This innovation is considered a step forward in solving a long-standing challenge for the shipping industry, and yet an example of how technology and collaboration enable sustainable change. In 2022 we delivered the solution to 20 vessels.

Offshore renewables

In 2022, we established Kongsberg Renewables Technologies to strengthen the group's offering and presence within the renewables sector. Our ambition is to enable a faster, more cost effective and environmentally sustainable scale-up of offshore renewables, including achieving at least MNOK 10,000 group revenue from offshore wind and the renewables segment by 2030. In 2022, MNOK 1,700 of our new sales²⁾ derived from the renewable

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market sector, with offshore wind as the main contributor.

KONGSBERG's technology spans from environmental mapping and field development to operations and decommissioning, including applications and features for smart data and decision support for wind farms, vessel concepts for operation and maintenance.

Our primary focus is on solutions to produce renewable energy offshore, but also energy management systems and adjacent parts of the value chain to enable a significant scaling up and roll-out of renewable energy.

Space technology in combating climate change

KONGSBERG's space technology creates significant value to the environment and society by enabling environmental monitoring, which allows for enhanced environmental protection and better understanding of climate change. We have an extensive product and service portfolio within the space sector, from satellite loading systems and launch products to antennas and ground stations. Many of our solutions are routinely used for earth observation and monitoring, from oil spill detection and tracking illegal fishing to the analysis of ice in Arctic areas. As an example, Kongsberg Satellite Services, together with its partners Planet

and Airbus, have delivered satellite-based optical images relating to deforestation, monitoring and control to Norway's International Climate and Forests Initiative (NICFI).

In 2022, KONGSBERG acquired a 77 per cent ownership stake in NanoAvionics. The Lithuanian smallsat mission integrator and bus manufacturer is an international innovative leader and expands our portfolio to also include products and technology for designing and manufacturing small satellites. In 2022, Kongsberg NanoAvionics signed an agreement to supply German company Constellr. Constellr aims to develop the world's first globally scalable water stress monitoring system for agriculture and Kongsberg NanoAvionics will supply it with two of its flagship microsatellite buses. The project has a goal of saving 60 billion tons of water globally. The satellite buses are also applied to observe biodiversity for the world's only biosphere atlas and to measure greenhouse gas emissions.

KONGSBERG's space technology offers environmental protection and better understanding of climate change.



MNOK 1,700

of our new sales derived from the renewable market sector



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ESG ratings and benchmarks

KONGSBERG's ESG performance is regularly assessed by third party data providers and rating agencies. In 2023, KONGSBERG was once again recognised as a top ESG performer and awarded the *Industry top-rated* badge by the ESG analysis company, Sustainalytics¹⁾. An overview of assessments we actively engage in is available below.



	<p>Score: B</p>		<p>Read more in our 2022 CDP Climate Change Report, available on Reports and Presentations – KONGSBERG</p>
	<p>ESG risk rating 24.0 Medium risk</p>		<p>Read more about our results on www.sustainalytics.com/esg-rating/kongsberg-gruppen-asa/1008754100</p>
	<p>Score: A</p>		<p>Read more on https://www.positiongreen.com/advisory/esg100/</p>
	<p>Score: AA</p>		<p>Read more on www.msci.com</p>

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EU Taxonomy

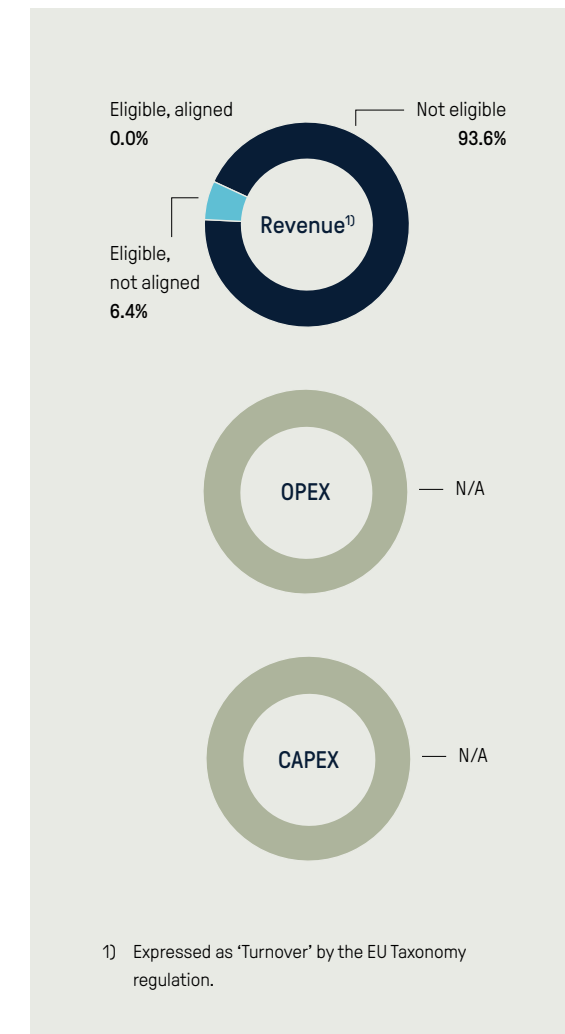
The EU Taxonomy is a classification system established to make clear what can be classified as an environmentally sustainable economic activity. It is a tool to reach the objectives of the European Green Deal. The regulation aims at directing investments towards sustainable projects and economic activities to ensure resilience of economies, businesses, and societies. The Taxonomy has been established on a methodology to incentivise public companies to make positive contributions to reach the Paris Agreement objective of limiting global warming to 1.5 degrees Celsius.

Activities described and prioritised by the Taxonomy aim to make a step change in a sustainable direction where significant improvements are possible. As such, non-eligible activities are not synonymous with unsustainable activities.

During 2022, we have worked thoroughly to understand the implications the EU Taxonomy may have on the company. We focused our efforts to mature the concepts of the taxonomy related to relevant activities on Substantial Contribution and Do No Significant Harm as well as Minimum Safeguards to improve on our reporting preparedness. The prioritisation of the Taxonomy regulation leads to a large share of KONGSBERG's activities outside the scope of the EU Taxonomy, meaning that they do not fit under any of the defined activities.

For instance, the construction of a zero-emission, autonomous coastal container feeder vessel for Ekornes in Norway meets defined Substantial Contribution criteria of the EU Taxonomy, but since KONGSBERG is a supplier to the ship manufacturer, our contribution falls outside the scope of the EU taxonomy. We expect more relevant activities to be introduced later.

We welcome the introduction of the EU Taxonomy and will use the framework to inform our strategy and as guidance for strategy decisions and investments in the future. Hence, as a first step we report EU Taxonomy performance related to the Revenue KPI on voluntary basis for 2022. Please refer to the [full EU Taxonomy report published on our website](#).



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Important definitions related to, for instance Nearly Zero Emission Buildings and Primary Energy Demand, was only made available by the Norwegian government at the end of January 2023. Hence, it has not been possible to evaluate eligible activities according to the Significant Contribution criteria of the EU Taxonomy for activities which rely on these definitions.

Since these are important in order to prepare a complete report on alignment performance on the OPEX and CAPEX KPIs, we have decided to focus on the revenue KPI¹⁾ for this first voluntary report.

The current scope of the Taxonomy regulation limits reporting to the first two Environmental Objectives; Climate Change Mitigation and Climate Change Adaptation. As a result of our work, we have identified four relevant activities under the Climate Change Mitigation environmental objective; production of heat/cool using energy recovery, retrofitting of sea and coastal freight and passenger water transport, acquisition and ownership of buildings, and data-driven solutions for GHG emission reductions.

We will continue to follow the developments on the EU Taxonomy closely, including the implications of the remaining four Environmental Objectives. During 2023, we will also further develop the maturing of the reporting requirements and monitor how the market adopts to requirements.

1) Expressed as 'Turnover' by the EU Taxonomy regulation.

Data-driven solutions for GHG emission reductions represent one relevant activity described by the EU Taxonomy. Here represented by EcoAdvisor, launched by Kongsberg Maritime in 2022. EcoAdvisor is an intelligent and dynamic decision support system for optimising a range of vessel operations.



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Environment

Protecting the planet



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Climate



KONGSBERG's climate ambitions – aiming for Net-Zero

Climate change is widely recognised as the single most important global environmental and societal issue of our time, and can impact our operations and our vast supply chain in negative ways. Managing these impacts, at the same time as meeting the opportunities to play an important role in the energy transition, will be an integrated part of KONGSBERG's strategy going forward.

Our approach

In 2022, the Intergovernmental Panel on Climate Change (IPCC)¹⁾ has stated that GHG emissions need to be substantially reduced to prevent severe impacts on the environment, biodiversity and societies.

KONGSBERG has a Net-Zero ambition by 2050, and is committed to actively combatting climate change by using our strong market position, long industrial experience and technical expertise.

Our climate strategy is focused on providing environmentally sound technological innovations to mitigate climate change and simultaneously reducing our direct and indirect GHG emissions.

¹⁾ The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change.

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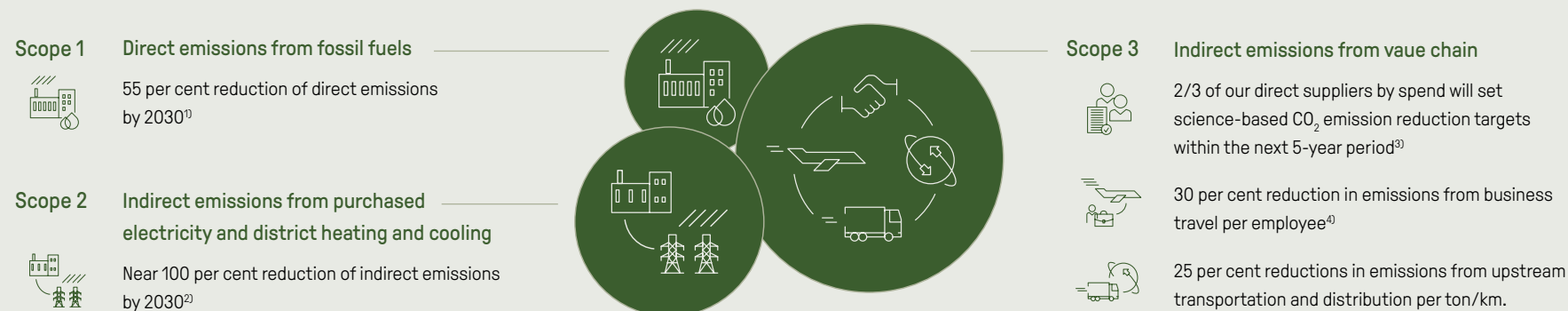
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KONGSBERG's climate targets 2030 – in line with Science Based Targets and the ambitions of the Paris agreement



- 1) Reductions in use of fossil fuels, includes all sources in Scope 1 and all emissions from district heating in Scope 2.
- 2) By purchasing certified renewable electricity, will be phased in from 2023.
- 3) By supplier engagement program and Supplier Quality Requirements.
- 4) Business travels by air, except customer paid travels.

We aim to create long-term value within the thresholds set by the Paris Climate Agreement by working actively with our supply chain, investing in research and development and building environmentally beneficial partnerships.

To build business resilience and capitalise on business opportunities related to the low-carbon transition, KONGSBERG continues to develop a robust climate risk management. A comprehensive account of how we manage climate-related risks can be found in our chapter '[Climate risks and opportunities](#)'.

KONGSBERG's ambition is to be the leading partner in decarbonisation in our business segments. We work to align our business and strategies with the latest science and to supply solutions that enable transition to a low carbon future.

As an ocean company, we provide solutions that enable the maritime sector to decarbonise. We unleash the power of technology, and our robust expertise from the space and defence sector, to enhance a better understanding of climate change and to enable monitoring and protection of the environment.

We develop renewable energy solutions to contribute to the acceleration of offshore renewables and energy transition.

Read more about our sustainable innovations and solutions in the chapter '[Value creation](#)'.

We address climate in our Code of Ethics and Business Conduct, and in our Supplier Conduct Principles. All our business areas are certified in accordance with ISO 14001 Environmental Management, ensuring quality, comparable management and reporting throughout the Group.

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How we will reach our climate targets by 2030

Climate target	Scope	Boundary	Actions	Base year
55 per cent reduction in direct emissions from fossil fuels.	1	Includes all sources burning fossil fuels.	<ul style="list-style-type: none"> Reductions in use of fossil fuels, explore possibilities for fuel switch and change of energy sources. 	2019
Near 100 per cent reduction of indirect emissions from purchased electricity and district heating and cooling (milestone: reach 80 per cent renewable energy in 2025).	2	All purchased electricity and district heating and cooling.	<ul style="list-style-type: none"> Central (KOG) procurement of certified renewable electricity for all sites (milestone: reach 80 per cent renewable energy in 2025 and 100 per cent by 2030) To be phased in from 2023. Engage providers of district heating and cooling to reduce emissions with 55 per cent by 2030. In total this will give near 100 per cent reduction in scope 2 by 2030. 	2019
67 per cent of suppliers to have set science based targets.	3	All direct suppliers by spend with emissions calculated in Scope 3 categories 'Purchased goods and services' and 'Capital goods'.	<ul style="list-style-type: none"> Implement and report according to Supplier engagement program and Supplier Quality Requirements. 	2019
30 per cent reduction in business travel (intensity target).	3	All business travels by air, except customer paid travels (opex only).	<ul style="list-style-type: none"> Reduce air travel per employee by using digital meeting, reduce number of employees travelling to conferences etc. 	2019
25 per cent reduction in emissions from transportation and distribution (intensity target).	3	Transportation and distribution paid for by KONGSBERG companies.	<ul style="list-style-type: none"> Optimise mode of transport and reduce overall emissions per tonne kilometer. 	2020

In 2023, we aim to further develop our climate engagement by establishing a Net-Zero transition plan, including a carbon emission reduction pathway in line with the Paris Climate Agreement and the Science Based Targets initiative's (SBTi).

Climate strategy for our internal operations and value chain

KONGSBERG recognises that to effectively combat climate change we have to work in parallel on providing low-carbon solutions to the market, and reduce emissions in our own operations and across our value chain.

In 2022, we set science-based emission reduction targets and worked actively with our supply chain. We strive to reduce emissions through continuous efforts in improving design, choice of raw materials, manufacturing and waste management of our products.

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In 2022, we started our journey to incorporate Life Cycle Assessment considerations in our business. We are also actively working on embedding circular economy in our operations, starting from the design stage and enable transition to a low carbon future through innovative solutions.

Read more on our emissions and results in the chapter '[Climate and environmental results and comments](#)'.

Compared to the emissions in our value chain, KONGSBERG's operations have very low direct emissions. During 2022, the focus has been to further develop emission calculations for our own operations, our entire value chain, and on creating ambitious reduction plans out to 2030 and beyond.

Since our President and CEO Geir Håøy signed and submitted a Commitment letter to the Science Based Targets initiative (SBTi) in October 2021, KONGSBERG has been refining our climate targets.

Our goal for 2022 was to have a reduction plan in line with the SBTi methodology, and a decarbonisation trajectory according to what is required to keep global temperature increase below 1.5 degrees Celcius compared to pre-industrial levels.

In December 2022, we submitted our targets to SBTi and will go through their validation and approval process in 2023. The targets KONGSBERG have set, cover scope 1 and scope 2 (market-based) emissions as well as at least 67 per cent of the value chain

emissions in scope 3. Most targets are measured against a 2019 baseyear, mainly due to this being the last normal year before the COVID-19 restrictions.

- For Scope 1 and emissions from district heating in Scope 2, KONGSBERG will reduce absolute emissions by 55 per cent by 2030 from a 2019 base year.
- Remaining emissions in Scope 2 (electricity - market based) are covered by a renewable energy target, where KONGSBERG has committed to purchasing 100 per cent renewable energy by 2030. In addition to sourcing renewable energy, KONGSBERG has established an internal program for energy efficiency to support the SBTi target, with an ambition to reduce energy consumption by 25 per cent.
- In total, combined Scope 1 and 2 emissions are to be reduced from 56,229 tCO₂e in 2019 to 1,480 tCO₂e in 2030, which is a reduction of 97.3 per cent (often referred to as 'near 100 per cent').
- Setting and committing to science-based targets, will drive emission reductions in our supply chain. For Scope 3, KONGSBERG has set an engagement target for Purchased goods and services and capital goods, where 67 per cent of KONGSBERG's direct suppliers (by spend) are to set their own science-based targets by 2027. In addition to this, KONGSBERG has also identified intensity targets for reducing emissions from Business travel per employee by 30 per cent, and Upstream transportation and distribution by 25 per cent per ton/km.



▲ KONGSBERG has established an internal program for energy efficiency to support the SBTi target. The program will include initiatives to reduce the emissions from the entire life cycle of our buildings, consumption generated from our production processes, services rendered, and how all employees can contribute to reduce consumption from human behaviour. See case study '[Our Facility Sustainability Program](#)'.



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Performance commentary

2022 was a significant step forward on KONGSBERG's journey towards a Net-Zero transition. We have submitted our science-based targets to the Science Based Targets initiative for validation and approval in 2023, fulfilling one of the main KPI's for our Group management team in 2022. We are on track to start implementing, monitoring and reporting on the targets from 2023.

In the reporting year, we have rapidly increased our investments in product development and efforts in decarbonisation solutions, such as offshore wind, zero-emission vessels and renewable energy to ensure that KONGSBERG is well positioned in seizing climate-related opportunities while accelerating the energy transition.

Read more about this in the chapter '[Value creation](#)'.

Read about our performance and results in the chapter '[Climate and environmental results and comments](#)', and in the appendix '[Climate and environmental accounts for 2022](#)'.

None of our business areas have reported non-compliance or significant fines or sanctions for violations of environmental laws and/or regulations.

Forward focus

Our ambition is to establish a Net-Zero transition plan, including developing a carbon emission reduction pathway beyond 2030, in line with the Paris Climate Agreement.

As part of our commitment to SBTi, we are going to implement, monitor and report on our science-based emission reduction targets across the group and in our value chain.

To further increase the data quality in the reporting, and consequently our performance, we will fully implement digital software tool to manage, monitor and report on HSE data, including the emission and reduction programs.

We will continue our efforts in further building internal environmental expertise, tools and processes for analysis and digital reporting.



For 2022 we reported to the Carbon Disclosure Project (CDP), achieving Category B. [Read our CDP report here](#)



In February 2021, Kongsberg Gruppen and ZERO, a Norwegian Environmental NGO, signed a three-year collaboration agreement. The main intention for the collaboration is to accelerate the shift to renewable and emission-free solutions.

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Reducing emissions

Our Facility Sustainability Program

To support our science-based climate targets, we have established an internal group wide program for energy efficiency, with the ambition to reduce energy consumption by 25 per cent by 2030.

The program will include initiatives to reduce the emissions from the entire life cycle of our buildings (construction-use-phasing out), consumption generated from our production processes, services rendered, and how all employees can contribute to reduce consumption from human behaviour.

The program will be implemented from the beginning of 2023, and includes

- Implementation of digital tool for planning, monitoring and reporting
- Energy analysis by third party specialists and internal resources, starting with owned buildings in Norway
- Central Team to analyse, identify, and prioritise opportunities, cost and investments for emission reductions across KONGSBERG sites
- Training and campaigns for employees
- Establishing of local teams to define local objectives and KPIs as part of local sustainability plans for site/location
- Improved reporting processes to monitor consumption and status across KONGSBERG sites



Fuel switch for district heating

During 2022, Kongsberg Technology Park (KTP) conducted a feasibility study to explore possibilities to switch from using fossile fuels to using biofuels. The fuels are used for the generation of district heating in KTP for both KONGSBERG's own operations and to other companies within the park.

During 2021 there was an increase in the use of heating oil, and the increased levels continued into 2022, resulting in scope 1 emissions. The conclusion of the feasibility study was

that current equipment and machinery could be used with biofuels without other refurbishment than to be cleaned.

In November 2022, biofuels were filled to the tanks and will considerably lower the emissions related to the generation of district heating within KTP. The fuel switch and subsequent reduction is part of KONGSBERG's efforts to reduce emissions, and will lower the climate impact of all companies and units connected to the district heating.

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Climate and environmental results and comments

In December 2022, KONGSBERG submitted our targets to the Science Based Target initiative, and we will go through the validation process for the targets in 2023. This chapter presents emissions and results for 2022. More details are available in the [appendix 'Climate and environmental accounts for 2022'](#).

In 2022, we have continued to reduce our GHG emissions, measured both in absolute terms (total) and relative to turnover and number of employees. The basis for the emission figures used for 2022 are total Scope 1 and 2 figures, using the market based approach for Scope 2.

	2021	2022	Change from previous year
CO ₂ e emissions ¹⁾²⁾ (total for scope 1, 2)	55 504	53 811	-3.0%
CO ₂ e emissions (scope 1, 2) relative to sales (metric tonnes/MNOK)	2.02	1.69	-16.3%
CO ₂ e emissions (scope 1, 2) relative to person-years of labour (metric tonnes/person-years of labour)	4.99	4.42	-11.5%

1) Market based tCO₂e 2) Metric tonnes (MT)

In 2022 we have increased the number of reporting units from 44 to 63, and together with improvement of our data gathering processes this has resulted in an increased amount of data points. The chosen consolidation approach for KONGSBERG's climate accounting is 'Operational control'. KONGSBERG reports on all locations that are not offices, and offices having more than 20 Full Time Equivalents (FTE). The reporting covers more than 98.3 per cent of all FTE, and emissions excluded is estimated to be under 1.7 per cent. The work we initiated in 2021 to improve the quality of the data in our accounts and updating conversion factors has continued in 2022, resulting in some minor changes in historical figures. KONGSBERG has previously reported only location based emissions for Scope 2. In this report we provide data for both location based and market based calculations in our detailed climate and environmental accounts.

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Performance commentary

We are satisfied that our emissions in all scopes measured relative to revenue and full time employees (intensity measures) show significant reductions, compared to 2019 which is our base year for our science-based climate targets. This shows that we have managed to grow our activities without corresponding increase in emissions.

KONGSBERG has been through major structural changes over the last 3–4 years and the way we measure emissions both within our operations and our value chain has evolved. We have also been through two years where the way we work has been affected by the global pandemic. This means that comparison with historical emission figures will have some limitations, which is evident in the following tables and explanations.

Emissions in our own operations (Scope 1 and 2)

We are also satisfied to see that our combined scope 1 and 2 has slightly decreased (3.0 per cent) in total emissions compared to 2021. We also managed to lower our electricity consumption by 5.7 per cent which resulted in corresponding decrease in scope 2 emissions.

Our direct scope 1 emissions have increased significantly by 157.5 per cent from base year 2019, and by 32.1 per cent compared to 2021. This is mainly due to the increase in use of burning oil for the generation of district heating in the KONGSBERG technology park (KTP), together

with an increase in number of reporting business units (from 44 in 2021 to 63 in 2022) and data points (fossil fuel sources) included in the reporting for 2022. As from November 2022, we have switched to biofuels related to the generation of district heating within KTP, which will considerably lower the emissions in scope 1 for 2023.

Indirect emissions from purchased electricity and district heating and cooling (scope 2) has decreased by 4.7 per cent in total numbers, due to reduced consumption and energy efficiency initiatives.

Emissions in our value chain (Scope 3)

For scope 3 emissions related to business travel (flights), emissions have had an expected increase compared to the previous years. Travel was limited during 2020 and 2021 due to restrictions following the COVID-19 pandemic. The amount of travel and emissions are still significantly lower than in 2019, which is the most recent year without travel restrictions. Air travel has decreased by 53.4 per cent compared to 2019, which also is our base year for most of our science-based climate targets. Compared to 2021 it increased by 144.8 per cent.

Emissions from upstream transportation and distribution have remained relatively stable, even though more transport providers have been added to the calculation.

For scope 3, KONGSBERG has focused on creating a carbon inventory that covers all relevant categories in the value chain. The relevant categories are:

Purchased goods and services, Capital goods, Fuel and Energy related activities, Upstream transportation and distribution, Waste, Business travel, Employee commuting, Upstream leased assets, Downstream transportation and distribution, Use of sold products, End-of-life treatment of sold products, and Downstream leased assets.

The categories that are not relevant are: *Processing of sold products, Franchises and Investments.*

All relevant categories have been calculated, but for some, we are working to improve the data quality before disclosing the figures externally. The categories included in this report are *Fuel and Energy related activities, Upstream transportation and distribution, Waste, Business travel, Upstream leased assets, and Downstream leased assets.* We aim to present quality data for all material categories for FY 2023. Our initial calculations show that *Purchased goods and services, and Use of sold products* constitutes above 90 per cent of our total Scope 1, 2 and 3 emissions.

Please find related climate data on the next pages.

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Climate data and results¹⁾

Absolute emissions Metric tonnes (MT)	2019 ²⁾ Base year SBTi	2020	2021	2022	Changes compared to 2021	Changes compared to base year 2019
Scope 1 (Direct emissions)	1 255	1 076	2 447	3 232	32.1%	157.5%
Scope 2 (Indirect emissions – market based)	54 974	51 034	53 056	50 579	(4.7)%	(8.0)%
CO ₂ emissions total Scope 1 + 2 (in metric tonnes)	56 229	52 391	55 504	53 811	(3.0)%	(4.3)%
Scope 3 Flights	33 782	7 979	6 430	15 737	144.8%	(53.4)%
Scope 3 Transportation	24 409	21 931	17 270	17 283	0.1%	(29.2)%
All scopes, comparable emissions	114 420	82 020	79 203	86 832	9.6%	(24.1)%
Scope 3 total new categories reported from 2022 ³⁾				5 919		

Intensity measures	2019	2020	2021	2022	Changes compared to 2021	Changes compared to base year 2019
CO ₂ emissions relative to sales	2.42	2.05	2.02	1.69	(16.3)%	(30.1)%
CO ₂ emissions relative to person years of labour (FTE)	5.21	4.90	4.99	4.42	(11.5)%	(15.3)%
CO ₂ emissions related to flights per revenue	1.45	0.31	0.23	0.49	111.3%	(66.0)%
CO ₂ emissions related to flights per FTE	3.13	0.75	0.58	1.29	123.4%	(58.7)%
CO ₂ emissions related to transport per revenue	1.05	0.86	0.63	0.54	(13.6)%	(48.3)%
CO ₂ emissions related to transport per FTE	2.26	2.05	1.55	1.42	(8.7)%	(37.3)%

1) Please also see more detailed information in appendix 'Climate and environmental accounts'

2) Travel was limited during 2020 and 2021 due to restrictions following the COVID-19 pandemic. 2019, is the most recent year comparable year without travel restrictions.

3) New categories include Waste, Upstream and Downstream leased assets and Fuel and Energy related activities

CO₂e

When reporting CO₂ emissions according to the GHG protocol, KONGSBERG gathers consumption data and apply emission factors for CO₂ equivalents (CO₂e). The emissions factors and figures used in the calculations stated in this report includes any other gases that contribute to global warming, quantified in one single metric called CO₂e.

Non GHG emissions

KONGSBERG reports on the use of fossil fuels and GHG emissions from this consumption. Currently measurements or calculations on non-GHG emissions such as particulate matter (PM), Volatile Organic Compounds (VOCs), mono-nitrogen oxides (NOx), Sulphur dioxide (SO₂), and Carbon monoxide (CO) from the burning of fossil fuels are not part of the reporting as they are not considered material.

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CO₂ emissions



Please see [pages 80-81](#) for performance commentaries, and [appendix 'Climate and environmental accounts for 2022'](#) for more details.

The environmental accounts include the following sources of CO₂ 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 CO₂ emission factors used for electricity are market based and in accordance with the GHG Protocol Scope 2 Guidance.
- **Emissions from our value chain (Scope 3):** Emissions from business travel (flights) and emissions associated with the transport of goods and merchandise.

The most significant changes from our reporting in 2021 are:

- Extension of scope 3 with more categories reported
- Increased reporting units from 44 to 63.
- More data points for fossil fuel sources have been included.

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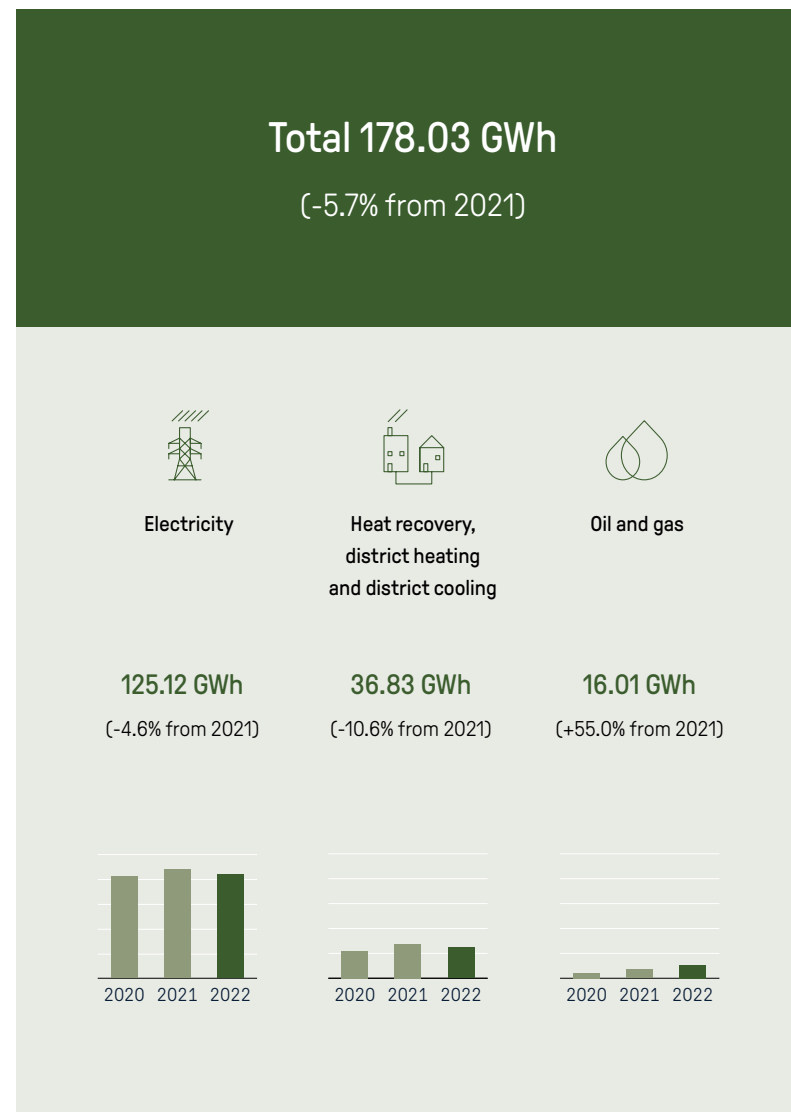
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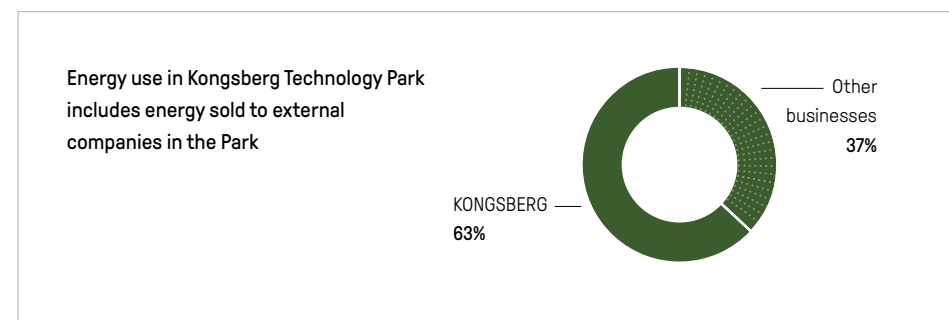
Energy consumption



KONGSBERG uses energy in the form of electricity, district heating, district cooling, and different fossil fuels in its operations. In addition heat is recovered at Kongsberg Technology Park that produces district heating, district cooling and compressed air for businesses based in the technology park in Kongsberg. Efficient technology makes it possible to recover in the range of 20–27 GWh heat at the facility at Kongsberg Technology Park. A total of 27 GWh was recovered at Kongsberg Technology Park in 2022. Approximately half of the recovered heat is supplied to other businesses in the park. Read more about our initiative to reduce fossil fuels in our operations here: [‘Fuel switch for district heating’](#).

We have started an Energy efficiency program in 2022 for our facilities. This will be further developed during 2023 and includes digital reporting on energy use and sources.

Read more about [‘Our Facility Sustainability Program’](#) and [‘Our initiative to reduce fossil fuels in our operations’](#) here.



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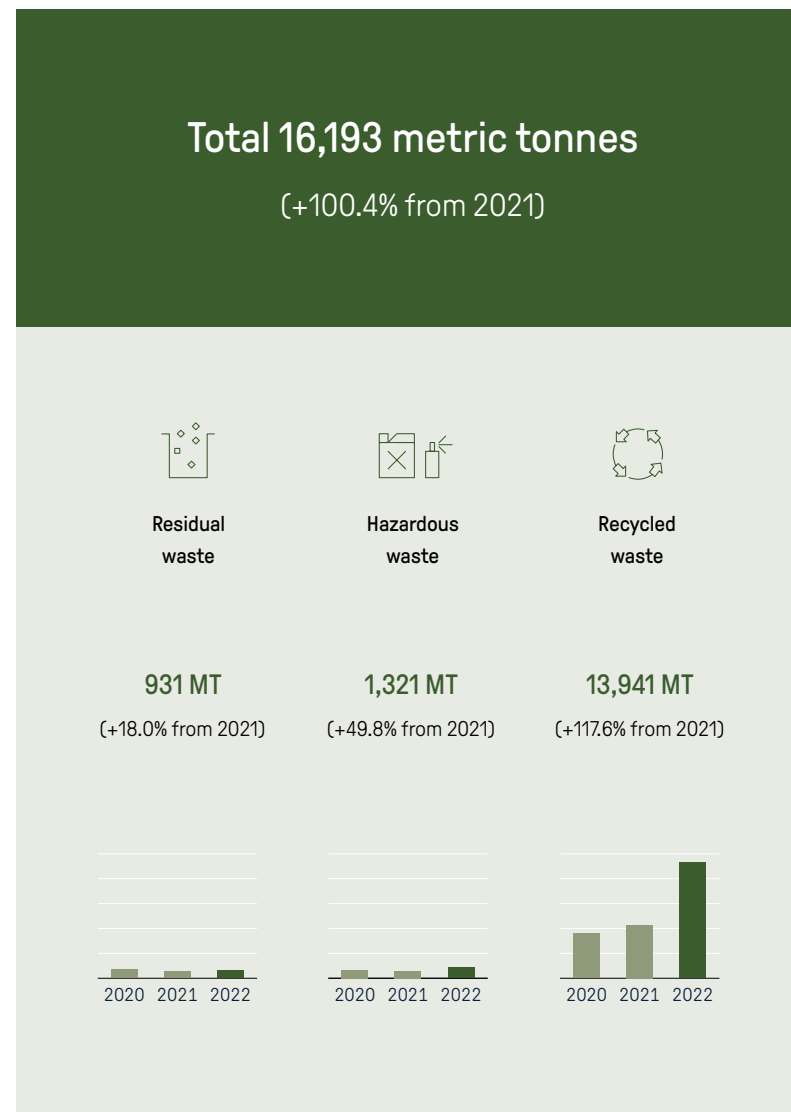
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Waste



We have reported on waste in volumes for several years, and this page shows comparison for volume in metric tonnes. For 2022 we report for the first time on emissions from waste, please find details in [the appendix 'Climate and environmental accounts for 2022'](#). Read more about our waste handling in ['Transitioning to circular economy'](#).

Performance commentary

- We have increased the number of reporting units, from 44 in 2021 to 63 in 2022, which together with our improved data gathering process constitute the main reason for increased reported volumes for waste.
- The total reported amount of residual waste is comparable to 2021 per reporting unit.
- The increase in hazardous waste is mainly related to increased data quality and extended scope for reporting from the Kongsberg Defence & Aerospace units, who have a specific focus on management of chemical materials, mainly due to the nature of their business.
- The amount of recycled waste has increased significantly, due to improvements in waste management.
- Our business areas are certified according to ISO 14001 Environmental management systems, which we use as a tool to improve and identify measures to reduce waste and overall environmental impact, as well as enhance the company's efficiency.

Forward focus

- The Energy efficiency program initiated in 2022 for our facilities, also includes setting targets for waste handling and developing our digital reporting. These will be important elements in the transition to a more circular business model.

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Climate risk and opportunities

Climate change has the potential to significantly impact societies and businesses around the world. We believe that businesses that address and respond to climate risk and opportunity while taking climate action, build resilience and are more robust in a world of significant uncertainty.

As a technology company, we strive to be ahead when it comes to improvements and innovations that support the transition to a lower-carbon, more energy-efficient economic system. KONGSBERG is facing considerable opportunities to develop competitive technology which responds to the market's changing demands for low-emission products and services. A significant part of our revenues originates from the maritime sector. This sector is generally exposed to transitional risks, considering the exposure to the Oil & Gas industry. For instance, transportation by sea is moving from fuel-intensive to hybrid and electric technology and alternative technologies for propulsion systems are being explored. Maritime sector also faces regulatory risks related to decarbonisation regulations. There is an increasing focus on value chains and circular economy. By considering climate risk and opportunity in our technological development we actively respond and aim to capture value and build resilience as the energy transition develops.

In 2022, KONGSBERG continued developing our approach to climate-related risks and opportunities, based on the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD). This chapter address the TCFD recommended disclosures on the Strategy topic. Please refer to the [TCFD reference table in the appendix](#) to find our disclosures related to the Governance, Risk Management and Metrics and Targets topics defined by the TCFD recommendation.

During the year we further developed our risk process to include stress testing against climate-related risk scenarios to our business strategy. In the first phase of this work, KONGSBERG performed a high-level assessment, identifying climate-related risks and opportunities that could have substantial impact on KONGSBERG's businesses, strategy, and financial planning. The risk assessment, integrated in our Group wide Enterprise Risk Management (ERM) process, was used as a basis to rank risks according to their potential impact and degree of uncertainty. Read more about the ERM process, including how we identify, assess and

manage risks, in the [chapter on Risk Factors and Risk Management](#) in the Directors' Report.

Financial and strategic impact was considered based on an evaluation of consequence and likelihood. Consequences range from very low, low, medium, high, to very high. Financial consequences were evaluated based on impact relative to EBITA, while separate criteria were defined to rate consequences relative to Safety, Health & Environment, reputation, and business objectives. Likelihood estimates the probability that a risk event will occur in the future from near certainty (>90 per cent) down to remote (<10 per cent).

Overview of risks and opportunities

The output from the first phase of the climate-related risk and opportunity assessment is summarised in the table on the next page. The risks have been evaluated based on a risk horizon of short to medium term.

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Overview of risks and opportunities

Risk category	Climate related risks		Climate related opportunities	
	Description	Potential financial impact	Description	Potential financial impact
Physical	<ul style="list-style-type: none"> Acute risks, such as hurricanes and extreme weather events, pose physical threats related to personnel and asset operations Acute risks, such as extreme weather events, cause supply chain disruptions Chronic risks, such as changing precipitation patterns and types, can affect critical suppliers long term 	<ul style="list-style-type: none"> Lost revenue due to production downtime Increased cost due to sourcing alternative raw materials at higher cost Claims from customers due to inability to deliver according to contractual obligations 	<ul style="list-style-type: none"> More extreme weather can lead to increased demand for surveillance and communication technology to monitor climate changes and its consequences Higher demand for products that endure extreme weather conditions can lead to increased demand for KONGSBERG products 	<ul style="list-style-type: none"> Increased revenues from existing solution offerings on surveillance and communication technology Increased revenues from existing solutions and products developed to meet requirements for high endurance for extreme weather
Market	<ul style="list-style-type: none"> Need to establish new revenue streams related to markets, such as renewables, to replace declining Oil & Gas revenues Transition to renewable revenue streams not balanced with market demands for existing and new technologies (too fast or too slow) Reduced access to capital due to inability to meet sustainability requirements for KONGSBERG or suppliers 	<ul style="list-style-type: none"> Lost Oil & Gas revenues not replaced by renewable revenue streams. Possibly lower margins for renewable revenue streams With a late entry we risk losing out on revenues, both short term and longer term, as competitors benefit from early mover advantage to increase their market share. With early entry we risk losing out on revenue from established products and solutions as we pursue markets which are not mature for renewable products and solutions Higher cost of capital for KONGSBERG due to less access to sources of funding. Reduced access to funding for suppliers increases their cost of capital which result in higher cost of raw materials for KONGSBERG 	<ul style="list-style-type: none"> Able to succeed from early entry to new industries or technologies such as aquaculture, offshore wind, hydrogen, digitalisation, alternative fuels 	<ul style="list-style-type: none"> Increased revenues from new solutions and products

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Overview of risks and opportunities, cont.

Risk category	Climate related risks		Climate related opportunities	
	Description	Potential financial impact	Description	Potential financial impact
Technology	<ul style="list-style-type: none"> Investments in technology development not balanced with market demands for new technologies 	<ul style="list-style-type: none"> Loss of revenue due to technology not adopted by the market or costs spent to develop solutions not demanded by the market 	<ul style="list-style-type: none"> Increased demand for optimisation and navigation technology to deal with extreme weather and climate change Increased demand for circular products can increase attractiveness of products and solutions offered Disruptive technologies, such as maritime fuel transition, open new markets well suited for integrated solutions and services 	<ul style="list-style-type: none"> Increased revenues from existing solution offerings Circular products can increase the attractiveness of KONGSBERG and ensure we remain regarded as a technology powerhouse Increased revenues from new solutions and products
Policy & Legal	<ul style="list-style-type: none"> Introduction/increase of carbon tax, carbon pricing, volatile energy prices, etc. More stringent criteria related to energy efficiency and emissions for real estate Reduced access to public funding for R&D due to less available funds, stricter requirements, etc. Increase in reporting requirements for climate and sustainability 	<ul style="list-style-type: none"> Increased cost of raw materials Higher costs related to real estate facilities due to tougher sustainability requirements Increased cost of R&D due to lower access to funding Increased administration expenses to meet reporting requirements 	<ul style="list-style-type: none"> Tougher regulatory requirements (e.g., IMO, EU ETS, Fit for 55) create demand for KONGSBERG solutions 	<ul style="list-style-type: none"> Increased revenues from existing products and solutions
Reputation	<ul style="list-style-type: none"> Insufficient contribution to the green transition can make KONGSBERG less attractive for critical talent and other stakeholders 	<ul style="list-style-type: none"> Increase recruitment and retention costs due to status as less attractive employer. Miss out on revenue as the organisation is not able to meet growth expectations due to lack of skilled employees. 	<ul style="list-style-type: none"> Transparency and commitment to sustainability with proven track record of products impact on climate change 	<ul style="list-style-type: none"> Lower recruitment and marketing costs

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Stress testing risks against scenarios

Central to the TCFD recommendations is the assessment of risks and opportunities across future time horizons and climate scenarios. Two opposite scenarios have been chosen to capture a range of assumptions about uncertain futures. The well-established global scenarios chosen are published

by the IPCC¹⁾. Please refer to the below table for a description of the two scenarios. As we are still maturing the framework on scenario analysis in the organisation, we address the medium-term horizon, 2030, in this first assessment.

The outcome of the second phase of the stress testing is presented in the table on the next page.

Those risks that were considered to have the highest potential impact on KONGSBERG's business, and those with a high degree of uncertainty were selected for the analysis in this phase. The focus is on our presence in the maritime industry representing a broad physical international exposure and a relatively large scope of services connected with the Oil & Gas industry.

	Low emission scenario	High emission scenario
IPCC reference	SSP1-1.9	SSP3-7.0
Climate	This scenario is in line with the Paris Agreement and global emissions reach Net-Zero CO ₂ emissions around the middle of the century. Global warming is limited to approximately 1.5 degrees Celcius above preindustrial levels in 2100. Physical climate risk resulting from events such as floods and drought is low.	Greenhouse gas emissions roughly double from current levels by 2100 and the global temperature rises to 4 degrees Celcius above preindustrial levels. Changes in the climate system become larger, including increases in the frequency and severity of extreme weather events such as heatwaves, floods, storms, droughts, fires, and tropical cyclones.
Socioeconomic development	Countries cooperate to achieve common development and environmental goals, leading to reduced inequality. The world is characterised by an open, globalised economy and consumption is oriented towards low material growth and energy intensity. Economic value creation decouples from material consumption.	The world has de-globalised and fails to implement effective policies to mitigate climate change. There is little progress in reducing resource intensity and fossil fuel dependency, and the world is separated into regions with high inequalities within and across countries. Policies are oriented towards security, and countries focus on achieving energy and food security goals within their own region.
Carbon price	Carbon prices are anticipated to be high, peaking in the second half of the century due to increasing mitigation efforts.	In a world where environmental concerns are not addressed and with large unmitigated emissions, carbon prices are low.
Oil & Gas production	Due to a rapid shift towards renewables, Oil & Gas production peaks before the middle of the century and decreases markedly towards the end of the century.	There is slow technological change in the energy sector. Regional rivalry in a fragmented world leads to the use of local energy resources. Oil & Gas production rises in line with high population growth.
Technological development	Technology development is directed toward sustainable solutions including clean energy technologies, and there are rapid shifts toward universal access to clean and modern energy in the developing world.	Low investments into research and technology development slow down economic growth, and barriers to trade lead to reduced technology transfer.

1) The Intergovernmental Panel on Climate Change (IPCC) is the United Nations body for assessing the science related to climate change.

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Risks in this table are ranked based on an evaluation of likelihood and consequence and we have focused on qualitative evaluations of impact for our scenario analysis at this stage. Impacts have been

evaluated for the specific purpose of this scenario analysis. The speed of the development and transition from fossil fuel technologies to renewable energy technologies represent the key aspect for

KONGSBERG to maintain focus on in the future. This will ensure we address the transition risk and maximise the opportunities it presents.

Scenario analysis of key climate-related risks in a 2030 time horizon

Risk category	Risk	Impact	
		Low emission scenario	High emission scenario
Physical	Acute risks, such as extreme weather events, cause supply chain disruptions	● There are no significant risks for extreme weather events in the low emission scenario.	● Own facilities have a low risk for physical climate impact, but there will be larger potential impacts in the supply chain. Transportation routes may be particularly exposed. Most suppliers are in Norway.
Market	Transition to renewable revenue streams not balanced with market demands for existing and new technologies (too fast or too slow)	● There is a risk of too low investments in new products and solutions or investing too early in technologies that are later rejected.	● There is a risk of too high investments in new products and solutions while the demand remains to be on more established products and solutions. Under this scenario the portfolio of sold products and solutions are characterised by high margin with less need for R&D.
	Reduced availability of raw materials due to geopolitical, global markets, or physical risks	● High demand for certain type of components, which are required to deliver on new products and solutions such as electronics, may limit access to critical raw materials.	● Geopolitical instability could make access to raw materials sourced internationally more difficult.
Technology	Investments in technology development not balanced with market demands for new technologies	● Evaluated similar to Market risk.	● Evaluated similar to Market risk.
Policy & Legal	Reduced access to public funding for R&D due to less available funds, stricter requirements, etc.	● Current strategy aims for investments within low-emission products, which is aligned with the policies to meet the low emission scenario. Presumably continued access to funding.	● Current strategy aims for investments within low-emission products, which is not aligned with the policies to meet the high emission scenario. Presumably reduced access to funding.

● High to very high ● Medium ● Low to very low

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KONGSBERG’s business strategy is founded on the delivery of high-tech products and services to our customers in an international market. Our strategy provides the direction and principles that form the basis for our success in the future. In line with this, we assert that the organisation is well prepared to address the different future climate-related risk scenarios that exist. In completing our first comprehensive end-to-end assessment, we note that relevant considerations have already been well established in certain Business Areas. For some time, strategic initiatives have been defined to ensure we have focused product development efforts to meet the demands driven by the energy transition. Through the scenario analysis it is made clear that the timing element of this transition is of critical importance. Too late investments can mean that we miss the chance to capture important first mover advantage and reputational damage, while too early investments may lead us to waste unnecessary resources on technologies that never become relevant, while at the same time, missing out on revenues from opportunities related to established and mature offerings. Continued high attention to this aspect in our product and business development remains critical.

Forward focus

A natural development of the analysis is to introduce a more detailed quantitative analysis and to expand the time horizon beyond 2030. While we found that our supply chain organisation already



has a thorough risk evaluation process established, we will investigate further whether a more detailed physical climate related risk assessment can improve the vendor due diligence process.

Strategy with regards to climate-related risks and opportunities

Mitigating risks and seizing opportunities is at the heart of our business strategy. Our ambition is to be at the forefront of the energy transition, balanced with strong economic and environmental perfor-

mance and value creation, where our technology is part of the solution. This is the rationale behind our efforts, including identifying the need for diversification into other industries and segments, as well as development of new products and services within existing Business Areas.

Read more about our climate strategy in the chapters on [climate](#) and [value creation](#).

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Transitioning to circular economy



Circular economy is material for us

The circular economy is a framework of three principles driven by design: elimination of waste and pollution, keeping products and materials in use, and regenerating natural systems.¹⁾ A circular mindset considers investment and product development from the perspective of delivering the best customer outcomes, utilising resources efficiently, and applying smart technology solutions.

Circular business models are essential for KONGSBERG in the future, in both the maritime and the defence and aerospace sectors. Our approach aims to keep products, materials, equipment and infrastructure in our own or other value chains for the longest amount of time to improve productivity.

This also supports building business resilience, and helps avoid unexpected disruptions and scarcity of raw materials in complex supply chains. At KONGSBERG, we recognise that the types of materials used, consumption rates, and the availability and accessibility of raw materials are legitimate stakeholder interests.

In the defence and aerospace sectors, where energy and resource inputs are intensive, prioritising the circular economy will help KONGSBERG and its

1) Inspired by <https://ellenmacarthurfoundation.org/topics/circular-economy-introduction/overview>

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customers reduce their carbon footprints and their need for virgin raw materials. In the maritime sector, the circular economy will help us achieve the goals of the International Maritime Organization's GHG strategy, through modular designs and standardisation of vessel parts that enable refurbishment, repair and recovery of components and resources at end-of-life.

We believe that taking a strong course on circular economy is one element in realising our global Net-Zero ambition. Therefore, for KONGSBERG, the circular economy is a material topic and integrated in our business strategy. Our approach to the circular economy aligns with our broader mission of providing sustainable solutions to our customers while also benefiting society and the environment.

Our approach

KONGSBERG's ambition to support the transition to a circular economy is an integral part of our business strategy, approved by the Board of Directors in 2022. We work to incorporate circular principles into our business models, policies and processes, with a particular emphasis on product design, material technology, using circular products, waste management and limiting disposal by end of life for products. All business areas will contribute to the Group's transition to more circular business models, considering and including circularity principles in their operations, product design, and product management processes.

The nature of KONGSBERG's business includes designing products to last for decades, with a high degree of service, repair, maintenance, obsolescence management, and overhaul, enabling

Our transition to a more circular business model means that we consider and include circularity principles in our operations, product design and product management processes.



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customers to benefit from long operational lives. Additionally, parts of the company’s business provide capabilities for suppliers to provide recycled materials or our customers to re-sell products or return products after use – further extending the lifetime of the product. This specific approach to products and waste allows KONGSBERG to create societal and environmental value by promoting circular economy principles throughout the entire value chain.

Our impacts

KONGSBERG’s integration of circularity principles into its operations aims to support the sustainable use of natural capital and climate solutions while

also increasing productivity, profits, and strengthening its resilience against unexpected supply chain disruptions. As we embed circular economy principles in line with customer demand, revenues will increasingly derive from circular products and solutions that positively impact a sustainable future. By applying KONGSBERG’s full set of competencies, we aim to use both sustainability and regulatory requirements to create a competitive advantage.

Although KONGSBERG’s has a strong circular character, there is room for improvement in the general level of using virgin materials for both products and operations. Certain areas of the business, especially in the defence sector, do not support a full circular profile. Being a strategic

Product efficiency, through-life safety, and serviceability are critical to KONGSBERG, and the company has investigated the optimal materials composition of components and products for decades, making them lighter, more efficient, or more durable depending on their intended use.

security partner in national defence is a great responsibility that subjects Kongsberg Defence & Aerospace to comprehensive legislations and restrictions. Complying with these requirements is a fundamental commitment. The challenge moving forward is to balance governance and license to operate, with our commitment to ensure responsible consumption of resources and reduce the environmental footprint from our products and operations.

Circular economy assessment

In 2022, Kongsberg Defence & Aerospace led a pilot project for circular economy assessments in the business area, to develop tools, identify improvements and programs for implementing them. KONGSBERG has started exploration of a digital tool to provide current status and performance within key elements of the circular economy for some of our main products, which also provides an overview of their circularity performance. The circular economy assessment has provided users with basic training and an introduction to the circular economy framework. Twenty-five employees have gone through a full-day workshop, completing the assessment and getting insights into how different parameters can affect all aspects of the product.

Life Cycle Assessments (LCAs)

Considering the whole value chain of KONGSBERG’s products from raw materials to reuse or recycling is significant in achieving our transition to a regenerative business model. Understanding material flows and impacts in the

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We will further develop a structured plan for the transition, and continue to implement policies and improve processes in line with the circular economy principles.



full cycle of production enables the company to control the total footprint of its products, which, in turn, is an enabler for innovation. Product efficiency, through-life safety, and serviceability are critical to KONGSBERG, and the company has investigated the optimal materials composition of components and products for decades, making them lighter, more efficient, or more durable depending on their intended use.

Analysing the carbon footprint in the life-cycle of KONGSBERG's products and sub-components is a natural next step. The company acknowledges the potential for this information to benefit its customers, as well as the design of its future products and services for generations to come. To strengthen its internal capabilities, Kongsberg

Maritime has, in collaboration with SINTEF, developed an internal tool to support our specialist personnel assess the carbon footprint of their products. Although this was implemented on a limited basis, it has provided tangible insight and motivation to further strengthen related capabilities and toolsets in 2023.

KONGSBERG also acknowledges that future use of carbon analysis across the business will require significant improvement in data sharing between actors in the value chain, and increased levels of industry standardisation. We will work with our suppliers to enable future reporting and analysis, to enable collaborative design and delivery of products with the lowest possible carbon footprint across entire value chains.

Forward looking – transitioning to a circular business model

KONGSBERG has started the transition to a circular business model and has been developing assessment frameworks and analytical tools for evaluating its current status through 2022.

In 2023, we will further develop a structured plan for the transition and continue to implement policies and improve processes in line with the circular economy principles. KONGSBERG will focus on design and increasing circularity related to raw materials, recycled materials, components and substitutes, lifespan of products, reducing and avoiding toxic substances, and developing business models for recycling services for our customers.

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Frameworks such as the EU's Circular Economy Plan and EU Taxonomy, alongside Norway's national strategy for a green, circular economy will be guiding our efforts.

Waste

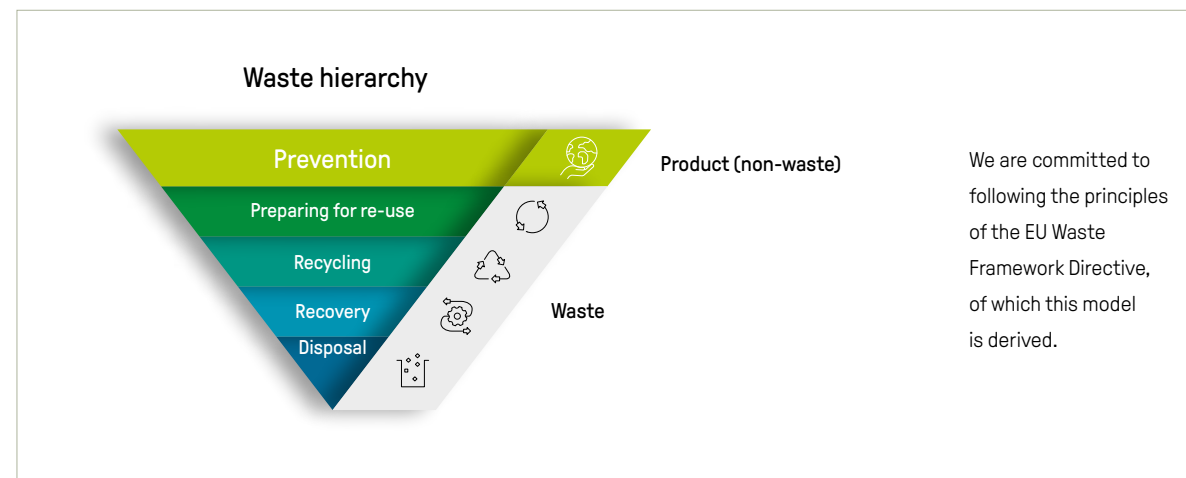
KONGSBERG aims to continuously improve our waste streams by increasing waste recycling, optimising material management, and implementing a greater degree of circularity in our activities. We intend to challenge the status quo and explore possibilities that can positively impact innovation, the environment, and value creation. In 2022, KONGSBERG updated the internal guidelines for handling and reporting on waste, requiring a minimum standard for reporting on waste from all Group entities.

KONGSBERG will follow the principles of the EU's waste directive, in addition to the relevant legislation in the respective countries. The company will prioritise the categories following the EU Waste Framework Directive.

Performance commentary

KONGSBERG has made significant progress in reporting and data collection. All production sites and offices with more than 20 employees report on waste, and in 2022, the boundary was lowered for reporting, resulting in 63 reporting units covering all Norwegian units, all production units, and major offices abroad. We have also improved our data gathering processes. In 2023, we plan to further strengthen waste handling and reporting for prevention, treatment and disposal, including implementing targets across the business.

The increase in hazardous and recycled waste is directly linked to the increased number of reporting units, improved waste handling and improved data collection processes. Effective chemical management is a key focus area for all the Group business areas, with particular emphasis on Kongsberg Defence & Aerospace because of their products' extreme conditions of use. The increase in hazardous waste is primarily due to the increase in defence units reporting and progress in material management programs. Data collection of material declarations, reporting, compliance management, supplier support programs, and internal training are important elements of hazardous waste management, with the objective to reduce hazardous materials, find alternatives, and ensure chemical safety.



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All KONGSBERG business areas comply with regulatory requirements such as RoHS (Restriction of Hazardous Substances in Electrical and Electronic Equipment) and REACH (Registration, Evaluation, Authorisation and Restriction of Chemical Substances) and are certified according to the ISO 14001 Environmental Management System. These frameworks and requirements are essential tools that help reduce waste, environmental impact, and enhance the company's overall efficiency.

KONGSBERG launched an Energy Efficiency program for our facilities in 2022, which will be further developed in 2023, with targets set for waste management and digital reporting. This program will be a critical component of KONGSBERG's transition towards a more circular business model.

Please also see more information about waste and related CO₂ emissions in the chapter '[Climate and environmental results and comments](#)'.

Performance

Waste categories ¹⁾	2020	2021	2022	Change 2022-2021
 Residual waste	1 029	789	931	+18.0%
 Hazardous waste	969	882	1 321	+49.8%
 Recycled waste	5 422	6 408	13 941	+100.4%

1) Amounts in tons

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Kongsberg Defence & Aerospace

Kongsberg Defence & Aerospace business model has proven a strong circular character

In the circularity assessments made in 2022, Kongsberg Defence & Aerospace's business model and some of our main products have proven a strong circular character. This is because the designs are made to last for decades with a high degree of service, repair, maintenance, obsolescence management and overhaul.

This enables our products to have a continued long operational life. In November our subsidiary Kongsberg Aviation Maintenance Services, signed the contract for delivering support, maintenance and training of technical personnel for the Norwegian Government enabling them to resell 32 F-16 aircrafts.

Kongsberg Defence & Aerospace is continuously seeking to improve its waste processes and has been working in 2022 to find a qualified supplier that would be able to manage obsolescence and adhere to the strict regulatory restrictions in the defence sector. For as many processes as possible the goal is to turn waste from cost to value. Our Division Aerostructures, have reduced the consumption of cutting fluids by improving routines in production. In addition to this, investments have been made in modern equipment like painting cabinets, boosters etc. to reduce power consumption.

Kongsberg Defence & Aerospace also collaborate with national and international industry interest groups on circular economy topics.



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Kongsberg Maritime

'Proactive Drive Support Pool' – a complete and circular economy approach to drive maintenance

Drives are an essential part of the propulsion system on diesel-electric powered ships, and one key component is the power module. Kongsberg Maritime has presented an alternative to non-scheduled downtime and time-consuming maintenance, based on the replacement of the ship's complete set of power modules. Replacement of the whole drives from an exchange pool is an effective alternative to dismantling the drives on-board to replace components, which also is a costly process for equipment with limited lifetime. A new or factory-overhauled module will ensure further reliable operations using only the newest generation drives, providing predictable cost, yard stay and service life.

The customer returns their used modules to Kongsberg Maritime after the exchange, and they are then evaluated following strict criterias for quality control. Accepted modules will be overhauled and enrolled into the pool, making them available for any customer needing the same type of modules. All modules will have full history, and those with previous failures will not be included in pool.



Reach Remote Project

Calculating the Life Cycle CO₂ emissions of Kongsberg Maritimes deliveries provides not only verification of impact, but also insights into optimisation of future designs. Through Kongsberg Maritimes Sustainability Ambassadors in Deck Machinery and Motion Control (DMMC) a pilot project for Cradle to Gate Calculation of CO₂ emissions has been carried out, for the winch system delivery to Reach Subsea, specifically the Reach Remote Project, a project where downstream emissions are already drastically reduced. Our calculations are based on production input factors such as material type and weight, energy consumption in manufacturing and production, and emissions related to freight and logistics. The pilot is a part of DMMCs Sustainability Program and resulted in deeper understanding of component impacts across functions as logistics, engineering and supply chain. For 2023 – operationalising both Cradle to Gate and Cradle to Grave Life Cycle Assessment will be prioritised by Kongsberg Maritime.

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Biodiversity and nature



KONGSBERG is committed to contribute to the realisation of the global biodiversity agenda

As a global technology company operating across sectors, KONGSBERG is committed to managing our impacts on biodiversity and ecosystems in a responsible manner. KONGSBERG’s business activities, technologies and the materials we use may impact both terrestrial and marine biodiversity. However, being an ocean technology company, the protection of marine ecosystems is a continuous focus area that we aim to impact positively.

Context

The biodiversity and nature crisis received increased public and political attention in 2022, spurring a sense of urgency and expectations to governments, companies, and society to acknowledge and act upon the associated risks. At the United Nations Biodiversity Conference (COP15) representatives from nearly 200 governments agreed ambitious actions and targets when adopting the Kunming-Montreal Global Biodiversity Framework. This agreement paves the way towards a Net-Zero and nature-positive world by 2050 together with the Paris Climate Agreement.

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The urgency of halting biodiversity loss is also reflected in the emerging legislative landscape. The European Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS) and the EU Taxonomy will set concrete requirements for businesses with regards to biodiversity protection and restoration. KONGSBERG closely monitors changes in the regulatory landscape to manage emerging requirements that may have implications on our operations and business partners.

Our approach

KONGSBERG is committed to contributing to the realisation of the global biodiversity agenda and endorsed the declaration: 'No Paris without Montreal: righting the ship for the ocean and its biodiversity', organised through the Ocean and Climate Platform at COP 15. The declaration called on the parties to the COP15 to establish an ambitious policy framework to bridge the biodiversity and climate regimes and enabling the UN 2030 Agenda for Sustainable Development.

KONGSBERG's overall approach to the environment is anchored in our Code of Ethics and Business Conduct and operationalised through our management system.

Our Environmental Management System is governed according to ISO 14001 which enables us to enhance our environmental performance.

We aim to systematically manage our risks, including the environmental impact of our products and services. If the risk cannot be mitigated, we put in place efforts to minimise its negative impact. Material environmental risks are integrated in our Enterprise Risk Management system.

Through environmental assessments and active engagement with our business partners, KONGSBERG strives to ensure that our commitment to the environment is also respected throughout our value chain. Our approach is reflected in our supplier requirements and communicated and implemented through our Supplier Conduct Principles applied to all contractual agreements.

Building productive coalitions

KONGSBERG has been an active contributor to the UN Global Compact's 'Ocean Stewardship Coalition' since its inception in 2018. The coalition convenes ocean related industries, academic institutions, financial actors, governments and UN,

forming a valuable arena for learning, partnerships and progress towards a healthy and thriving blue economy. KONGSBERG has been particularly involved in the action areas of zero-emission maritime transport and harnessing offshore renewable energy, including the working group 'Offshore Renewables and Sustainable Ocean Planning'. The aim of this work is to identify, communicate, and address the challenges associated with marine spatial planning for offshore renewables on a global scale.

Transparency and knowledge of the sea are both essential for its sustainable management. KONGSBERG is committed to contribute to developing a sustainable offshore renewable industry, and we engage on behalf of the marine biodiversity also on a local scale. Since 2021 we have been engaging through the government public consultation process related to the process of awarding acreage and opening of new areas for offshore wind in Norway. Our positions are publicly available.



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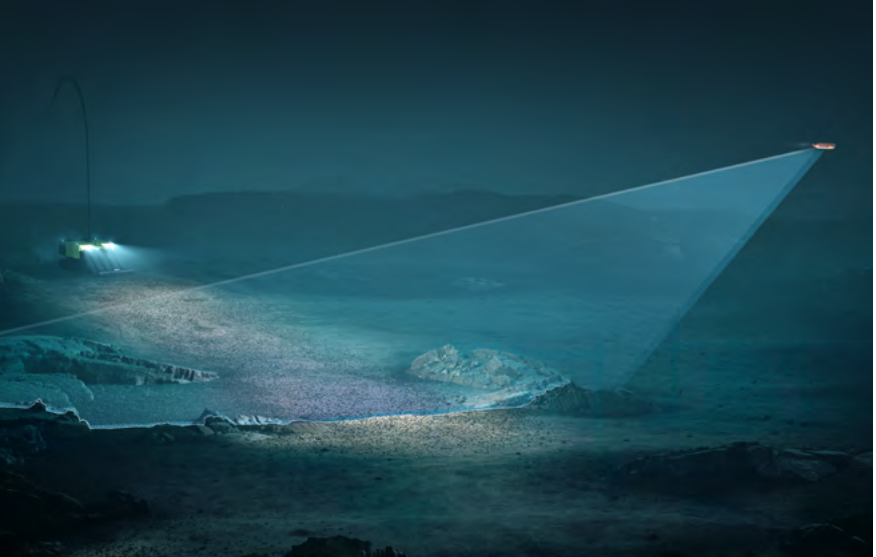
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As society needs more energy and less emissions, an acceleration of the development of the offshore wind industry is needed. KONGSBERG believes that society should accelerate the mapping and monitoring of the ocean environment and ecology to increase the knowledge about how wind parks affect the marine ecosystems. These developments can happen in parallel, addressing both the climate and biodiversity issues.



Protecting nature with technology

Enabling understanding of marine ecology

A prerequisite for sustainable management of the marine ecosystems is to measure environmental variables, to map the seabed and characterise seabed habitats, and not least to monitor the abundance of marine life in the water column. KONGSBERG is committed to continuing to deliver innovative technologies which increase the world's knowledge and ability to sustainable ocean management.

We deliver world leading hydroacoustic sensors for seabed mapping and fish stock assessment. More

and better data leads to knowledge about marine ecology and enable co-existence between industries and life below water.

KONGSBERG's fish finding sonars, high-resolution seabed mapping systems and underwater robotics are applied across markets and sectors for commercial and research purposes with the aim of contributing to a healthier ocean economy.

We supply equipment for most of the worlds scientific research vessels, and for projects like fish stock estimation our market share is above 90 per cent. KONGSBERG's HUGIN is a world leading AUV used for high resolution seabed mapping, pipeline

inspection, gas leakage detection from shallow waters to the deep sea.

Implementing circular economy

Circular economy is a key in halting biodiversity loss and restoring balance in nature. KONGSBERG works actively on implementing circular principles in our operations and strategy to properly manage our negative impacts and drive positive change in restoring biodiversity loss. Please read more on our circularity journey in the chapter '[Transitioning to circular economy](#)'.

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Looking ahead

Going forward, KONGSBERG will focus on building organisational capacity and on developing strategies which contribute to protecting, preserving, and restoring biodiversity and ecosystems in line with the Kunming-Montreal Global Biodiversity Framework.

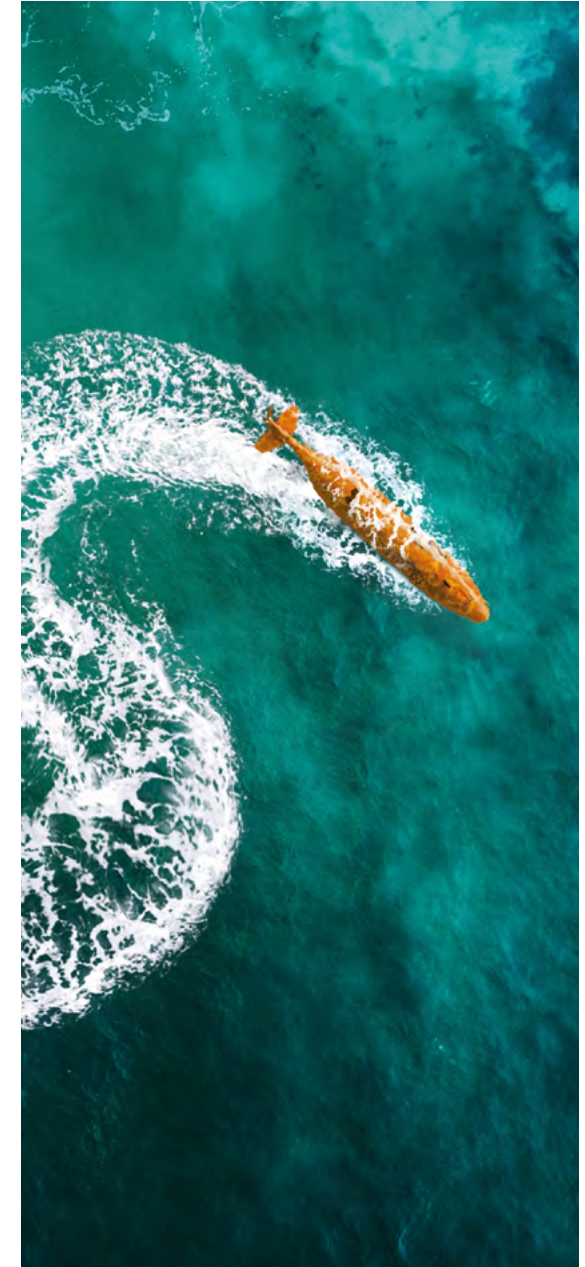
We will enhance our efforts to better understand our impacts on biodiversity and nature. This will be achieved through conducting risk assessments and by setting relevant, science-based targets that will help define our actions.

We will also explore how the Taskforce on Nature-related Financial Disclosures (TNFD) framework can serve as a tool for decision making and risk management, as well as guiding our reporting of nature-related risks.

We will continue focusing on building collaborations for the advancement of science and knowledge sharing to drive positive change. Using our strong market position, leading technologies and voice, we believe we can make a difference amplified through productive cooperation.

We will consider our impacts, risks, and opportunities, through the prism of the five main drivers of biodiversity loss as defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), in particular considering:

- Land use change and nature deterioration
- Overexploitation
- Climate change
- Invasive species
- Pollution



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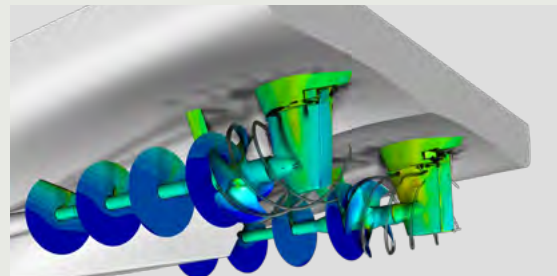
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Protecting nature with technology

Fighting noise pollution

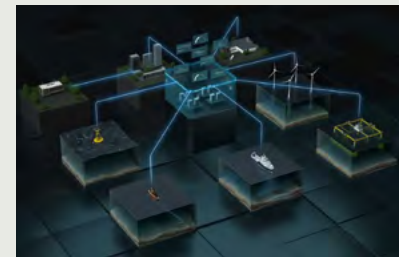
The underwater radiated noise from a ship's propeller causes anthropogenic noise pollution that impacts marine ecosystems and biodiversity. Underwater noise potentially affects the migratory, reproduction and feeding patterns of marine life, such as dolphins, whales and other species. KONGSBERG works actively to address this issue through our innovative propulsion technologies. Our hydrodynamics research center has tested and developed world leading marine propulsion including offering more silent propellers to the markets we serve. We aim to deliver the quietest and most fuel-efficient propellers. Electric propulsion systems have less noise pollution, and due to environmental regulatory developments, the demand is increasing. Movement of water is complex and KONGSBERG's scientific approach includes minimising the adverse impacts of our products.



▲ **Advanced Computational Fluid Dynamics tools for the complete propeller/hull interaction is critical to maximise efficiency and reduce noise and vibrations, both inboard and underwater.**

Mapping the world ocean floor by 2030

The Nippon Foundation-GEBCO Seabed 2030 Project is an international effort between the Nippon Foundation of Japan and the General Bathymetric Chart of the Oceans (GEBCO), aiming to bring together all available bathymetric data to produce the definitive map of the world ocean floor by 2030 and make it available to all. KONGSBERG is a proud partner in the program, contributing with technology and knowledge. A vast majority of the data is collected by KONGSBERG's innovative acoustic systems. In 2022, the Project announced an increase in ocean data equating to the size of Europe, reflecting an increase of 10.1 million square kilometers of new bathymetric data compared to 2021.



◀ **In addition to technology for data collection, Kongsberg Maritime provide Seabed 2030 users Blue Insight, KONGSBERG's, cloud-based, modular platform for the secure visualisation, processing and sharing of ocean data.**

Biodiversity protection through space technology solutions

Kongsberg Satellite Services, together with its partners Planet and Airbus, deliver satellite-based optical images relating to deforestation, monitoring and control to Norway's International Climate and Forests Initiative (NICFI). Other important solutions for earth observation and monitoring, include oil spill detection, tracking of illegal fishing and analysing the ice conditions in Arctic areas.



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Health, Safety and Well-being



We never compromise on health and safety

For KONGSBERG, an international organisation, safety is a top priority. KONGSBERG employs 12,187 people in 39 countries and we believe that it is our responsibility to ensure a safe and healthy work environment for all of them, safeguard our assets and protect the environment.

Our approach

Safety first

We will never compromise on health and safety, either for our employees, customers or partners in our global operations. To realise this goal, we work continuously, openly and proactively to build a strong HSE culture at all levels in the organisation.

Putting safety first means that our employees and partners have a full mandate, and are expected to, stop any work that poses a threat to life and health.

We believe in collaboration where all employees have a personal responsibility, making KONGSBERG a safe and healthy workplace – on all levels, and in all business areas. Everyone has to contribute to improve our HSE result, while the overall responsibility lies with our leaders.



◀ We work proactively to build a strong HSE culture in the organisation

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The overall HSE work and strategy is carried out in collaboration with the business areas – led by Corporate HSE. The Corporate Management team (CMT) of KONGSBERG are accountable for HSE across the Group, including subsidiaries. This involves setting overall goals and priorities, as well as following up on actual performance, challenges, opportunities as well as injuries and high-risk-incidents. Our quarterly HSE report is distributed and discussed in both the CMT and Board of Directors.

All KONGSBERG business areas have established HSE management processes and guidelines to mitigate risks and exploit opportunities. The HSE management systems are based on the principles and requirements of ISO 45 001 standards related to occupational health and safety management. Selected business areas have implemented ISO 14 001 standards related to the environment.

In 2022, KONGSBERG revised its Occupational Health and Safety Directive where best practice, group KPIs and HSE governance are defined to support our ‘Vision Zero’ goal. All employees are

covered by the corporate HSE standards implemented through the business area HSE management systems.

The business areas conduct regular internal HSE audits to adequately map compliance status and further opportunities for improvement.

In 2022, KONGSBERG carried out 10 internal corporate HSE audits. The results of all audits have helped to further improve the overall HSE processes and lead to sharing of best practices across the organisation.

Being proactiv

We believe that reporting on HSE (‘Near Misses’, ‘Observations and Accidents’) provides us with better understanding of our performance and risks, supporting us in identifying potential areas of improvement. Consequently, we have been actively working to increase the number of reported

incidents. Everyone who works for KONGSBERG is expected to report dangerous conditions, near misses, observations and accidents.

We are concerned with streamlining and improving across the organisation, therefore, in 2022, we established a new HSE reporting system. Improvements included moving from ten to one system – from manual to digital – from pen to mobile – from local to global.

The system has been implemented across the whole group apart from Kongsberg Digital. We are currently evaluating implementation for this business area.

Lessons learnt

All personal injuries and high-risk incidents are investigated to find the underlying causes, and to share lessons learnt within the organisation – we need to understand the conditions and assumptions that trigger an incident to prevent similar

In 2022 we established an improved, digital HSE reporting system.

Photo: © DNV



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incidents in the future. All Total recordable injuries (TRI) and High-Risk incidents (HRI) are included in the CMT HSE report.

Training

All employees and contractors at KONGSBERG shall receive relevant HSE training, with information about risks, rules and requirements before starting any work.

HSE training is mandatory for all employees and can be conducted as an e-learning, in-class training or gamification, depending on the scope of work and location.

Key performance indicators

Lost Time Injuries (LTI)¹⁾

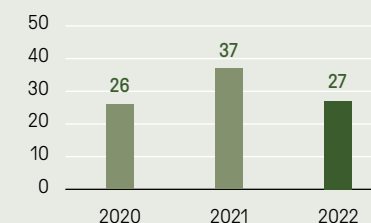
Due to our continuous and increased focus on training and experience sharing across the organisation, the frequency of Lost Time Injuries (LTI) has been reduced from 1.80 in 2021, to 1.16 in 2022 (injuries per 1 million hours worked). The majority of injuries were relatively minor, except 6 injuries classified as serious. No injuries were classified as life-threatening or life-changing and there were no injuries resulting in fatality for employees nor contractors.

Total Recordable Injury Rate (TRI)²⁾

The Total recordable injury rate (TRI) was 2.01 per million hours worked, which is a decrease from 2.23 in 2021. The TRI is one of the key performance

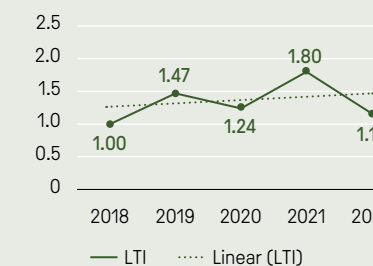
LTI cases

Total number of Lost-Time-Injuries per year



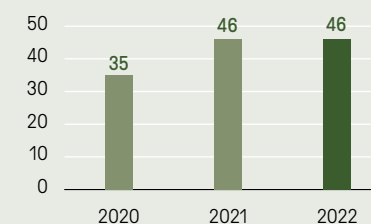
LTI rate

Injuries per 1,000,000 hours worked



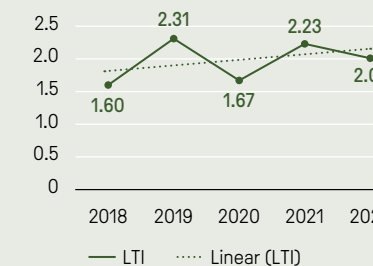
TRI cases

Total number of injuries per year



TRI rate

Injuries per 1,000,000 hours worked



Notes

- 1) Lost Time Injuries (LTI) – Incident leading to employee or temporary employee unable to work the following shift due to an acute incident.
- 2) Total recordable injuries (TRI) – A measure that encompasses all fatalities, lost time injuries, cases restricted for work, cases of substitute work due to injury, and medical treatment cases by medical professionals.

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indicators that helps us to monitor our HSE journey towards 'Zero vision'. In 2022, KONGSBERG performed better than the target of 2.13 TRI rate.

High Risk Incidents (HRI)³⁾

We work actively and hands-on to increase our safety performance at our workplace through systematic risk reduction, and we encourage the organisation to look for, and report high-risk incidents (HRI) at their workplace, as well as to share investigation reports and best practices – which is particularly important in incidents or near-misses with a high risk potential. In 2022, nine HRI were reported and followed up on in line with our procedures including appropriate mitigating actions.

Well-being

Our sickness absence rate has an increasing trend after the pandemic. We want to prevent both work related sickness and any post-covid effects by mapping and following up areas where we have increased level of absense. We are also seeking experience and best practice from outside our own organisation to address and impede this development.

KONGSBERG's increase in sick leave, is still lower than our peers and industry benchmarking⁴⁾.

Throughout the entire COVID-19 pandemic, work has been done continuously to protect life and support health in the group.

All employees in Norway have access to occupational health services. Locations outside Norway follow local practices and legislation.

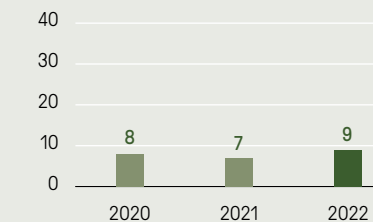
Care, ask, listen and open up

Addressing employee well-being is very important to us, which is why we have continued the targeted efforts to improve mental health started in 2021. We bring awareness and attention to the importance of wellbeing and mental health and facilitate a safe and supporting working environment.

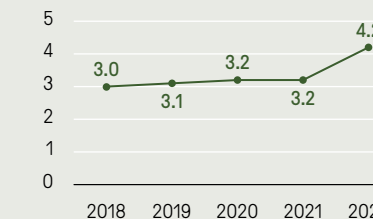
KONGSBERG CEO Geir Håøy, summarised our focus in his message *Care, ask, listen and open up* to all employees at the world mental health day on 10 October 2022.

We have also increased our focus on inclusive development for employees with disabilities. We

HRI
Total number of incidents per year



Sick leave Norway
Percentage



Sick leave Global
Percentage



Notes

3) Risk Incidents (HRI) – An incident resulting in personnel injury/incident or near miss incident with high risk potential.

4) The sick leave for the reporting members of The Federation of Norwegian Industries was 5.6 per cent in 2022.

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◀ All employees and contractors shall receive relevant HSE training, with information about risks, rules and requirements.

Forward focus

Proactivity and collaboration are important to achieve desired results, and we will increase collaboration between divisions and our business areas going forward. To help us on the way towards zero accidents, we will also work on lifting the number of HSE reports through our new group reporting tool.

We will also focus on reviewing our highest risk, look at how we conduct and document mandatory HSE training, and continue strengthening our safety culture by implementing best practices principles from across industries.

Collaboration between Human Resources and HSE will be strengthened to reduce work-related sick leave, and to improve the general wellbeing at our work place.

We will also review our Environmental and Chemical management processes and strategies across the Group.

released a campaign on the International Day of Persons with Disabilities, 3 December 2022 to create awareness and bring attention to our position as an inclusive workplace. All colleagues are equally important for KONGSBERG's success, we are one team, and we take care of, respect and include each other.

Environment

Our processes and environmental management systems monitor compliance with laws and rules, regulations and requirements.

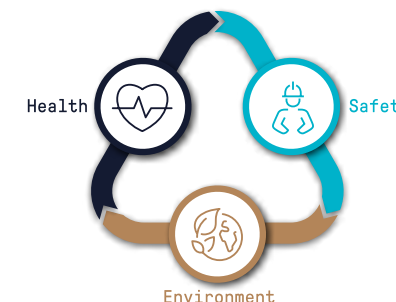
In 2022, we improved our internal control to identify and report any violations of laws, regulations and conflicts through our quarterly reporting.

Our internal environmental compliance reporting shows that we had no major environmental incident, conflict, or accident in 2022. Please find more information on our environmental performance and commitments in the Environmental section of the Report.

Performance commentary

Our safety performance has improved during 2022 considering the positive trend of the TRI rate.

Our underlying safety performance has a minor increasing trend when we look at our performance since 2018. There were no life-threatening injuries or fatalities in 2022.



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Human rights



Respecting human rights is a fundamental value

Respecting human rights is a fundamental value for KONGSBERG and actively contributes to our targets related to the UN Sustainable Development Goals. KONGSBERG operates globally and has an extensive value chain, in some countries that are associated with high human rights risks.

Our approach

We have suppliers across all regions and we consider country risk as key driver of potential human rights risk. All suppliers are individually assessed using a risk-based approach which takes into consideration several factors. One area we review at a high level is country risk. We assess country risk using cumulative risk ratings based on the 2021 ITUC index, US. Dept. of Labour Child Labour and Forced Labour lists, and the Global Gender Gap Report (WEF) country ratings. This assessment demonstrates that over 80 per cent of our suppliers are situated in low or medium risk countries.

In addition to our global supply chain, KONGSBERG has offices in 39 countries and

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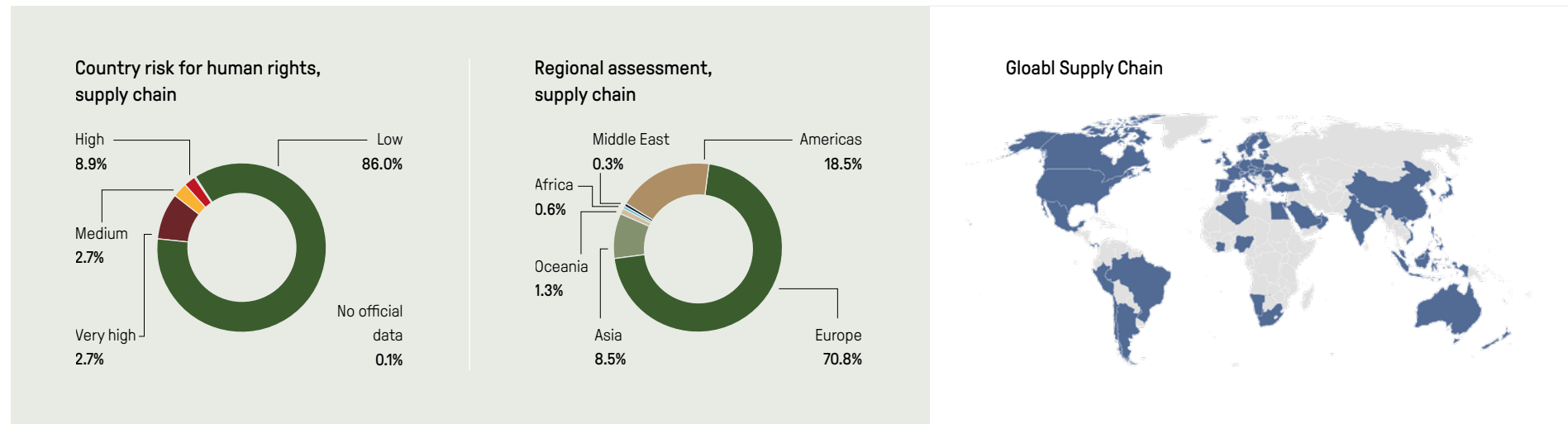
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business partners across all regions. The global nature of our business means that human rights are a material topic for KONGSBERG.

We are committed to respecting internationally recognised human rights including forced labour, child labour and labour rights, as set out in the United Nations (UN) International Bill of Human Rights and the International Labour Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work.

Our Human Rights Policy, approved by the Board of Directors, governs how we treat people and underpins our commitment to operate responsibly whilst seeking not to cause or contribute to adverse human rights impacts. We also flow-down funda-

mental principles of our human policy to suppliers through our Supplier Conduct Principles (“SCP”). The SCP is published on our website and is translated into six languages: English, Norwegian, Mandarin, Polish, Portuguese and Finnish.

In July 2022, the Norwegian Parliament adopted the Transparency Act to promote respect for fundamental human rights and working conditions. To meet the requirements of Transparency Act and other international laws and regulations, KONGSBERG reviewed and updated our Human Rights Policy in 2022.

We are currently implementing the new requirements which establish a more holistic approach to human rights. Risk and impact assessments are

executed with respect to our internal operations and as part of our third-party due diligence processes. We also use our raising concerns channels and our third-party whistleblowing channel as a source to identify any potential trends or risks with respect to human rights concerns.

In addition to our own internal processes, we also consider potential risks from external sources, including but not limited to international organisations, policy makers, shareholders, civil society organisations, market forces, media, customers, and individuals in the supply chain or supply chain communities.

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Human rights due diligence

KONGSBERG conducts human rights due diligence across all business partners in line with the OECD¹⁾ guidelines for Multinational Enterprises to identify, assess, mitigate, and prevent human rights impacts. KONGSBERG's due diligence is risk-based and our business partners are subject to continuous monitoring, periodic reviews, and, where appropriate, audits. When human rights risks are identified

they are considered, managed and/or remediated as appropriate.

Given the complexity and interconnectivity of human rights, our due diligence process combines a wide range of compliance topics, including but not limited to bribery and corruption, sanctions and trade regulations and enforcements.

Export control and sanctions

We operate in accordance with human rights and humanitarian law through strict compliance with strategic export laws and other sanctions regulations in the countries where we operate, particularly in the sale of products with dual use or defence application.

1) The Organisation for Economic Co-operation and Development.

Digital business

Human Rights Assessment in Kongsberg Digital

During Q3/4 we piloted our new approach to conducting a business area level human rights risk assessments within our Digital business. We considered human rights risk in relation to our operations, the development and delivery of products and the business partners that the digital business engages with. We considered both internal and external risk factors, risk drivers and internal data and external indices. Across the business, we also engaged with key stakeholders through self-assessment questionnaires, interviews, and risk workshops. All inputs were subject to assessment and analysis to identify trends, actual and potential risks. The findings were then prioritised based on scale, scope and remedability. This assessment has informed our initial view of salient issues related to our Digital business. Going into 2023 we will build on the assessment by conducting impact assessments on the salient issues and developing appropriate action plans.




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Salient issues

To determine our salient issues, we have considered both internal and external factors which may give rise to human rights impacts in terms of our operations and business partners. Whilst assessments are ongoing the following salient issues are regarded as our group salient issues:

- Low speak up culture
- Fair wages and unequal opportunities
- Harassment and discrimination
- Employee wellbeing and working hours
- Business partners in jurisdictions considered high risk for human rights violations
- Exposure to health and safety risks both in our supply chain and whilst our employees are operating in the field



KONGSBERG's commitment to respecting human rights extends across our value chain and we require the same from our suppliers.

We will perform further assessments in 2023 and will develop a structured approach to manage our salient issues. Impact studies will focus on developing a clear understanding of each issue, which includes who is impacted and how, how many people and where they are, and the main root causes of the issue. We will define our understanding of each issue with a vision of the outcome we want to achieve. We will then define appropriate actions based on the strategic priorities with clear segmentation on where we will have the biggest impact on people. Our action plans will outline what we need to do to achieve these priorities, how we will do this, and the internal and external stakeholders with whom we need to work to achieve our vision.

By taking a structured approach to addressing our salient issues we aim to ensure that our approach to each salient issue follows a similar model across the group. Where appropriate, we will develop a global framework for each issue from which local approaches can be adapted. This enables us to address issues in a consistent manner and prioritise action and resources. Salient issues will be embedded into our enterprise risk management procedures and where appropriate Key Performance Indicators (KPIs).

Conflict minerals

KONGSBERG's commitment to respecting human rights extends across our value chain and we require the same from our suppliers.

To comply with regulatory and customer requirements relating to the prohibition and limitation of conflict minerals, KONGSBERG prohibits the use of such minerals, unless the minerals are purchased from responsible sources.

We use the Responsible Minerals Initiatives' (RMI) Conflict Minerals Reporting Template (CMRT) to facilitate the collection of information throughout the value chain about the country of origin of 3TGs (tin, tantalum, tungsten, and gold, including their derivatives), as well as the smelting plants and refineries used. We are also continuously developing our due-diligence systems and processes to cover the supply of materials other than 3TGs, including cobalt and mica.

Performance commentary

In 2022, we focused on further developing our governance processes and systems to ensure adequate addressing of human rights risks. We updated our human rights policy, Code of Ethics and Business Conduct and Supplier Conduct Principles to fully reflect the importance of human rights as an issue of high materiality.

In line with our risk-based approach, we prioritised further improvements of our human rights due diligence program and introduced additional risk factors to our risk models related to human rights in our screening tool. We developed our approach to conducting annual human rights risk

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assessments in our business areas and will continue implementing the process during 2023.

We are proud of incorporating a more comprehensive set of human rights standards into KONGSBERG's suppliers and business partners due diligence. We enhanced our supply chain audit program and trained our audit team on human rights impacts and how to identify them.

In accordance with the Norwegian Transparency Act, we have established a communication (request for information) channel on our website. In 2022, KONGSBERG received and responded to three requests for information regarding our human rights policy.

We are satisfied with the overall human rights performance in 2022 and we and will continue our efforts to further embed human rights in our company's processes.

Forward focus

We will continue the implementation of policies and risk assessment methodology across the group and further develop and enhance KONGSBERG's due diligence process and identification of human rights risks.

Our short-term ambition is to further increase focus on human rights topics in our audits with suppliers and business partners.

We are also building capacity for implementation of remedial actions and continual improvement as a result of concerns raised and findings. We will continue to monitor developments and prepare KONGSBERG for upcoming regulations such as the EU Corporate sustainability due diligence directive.

Our short-term ambition is to further increase focus on human rights topics in our audits with suppliers and business partners.



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Caring for people



We aim to sustain and build an attractive and caring workplace, where employees can perform and deliver at their best

KONGSBERG is an organisation built on knowledge and expertise with our people as the greatest asset in delivering on our strategy and purpose. To fully embrace and benefit from the immense knowledge that our people possess, we offer a secure and attractive workplace with a strong focus on diversity, inclusion and belonging. We believe this creates the right environment where all employees can perform and deliver at their best.

Our approach

Dedicated people and agile culture

KONGSBERG is a global company with a unique and strong culture, helping us to maintain our values and attract and retain the right people to solve the challenges of the future.

At KONGSBERG we value diversity and promote equal opportunities and inclusion. We believe this fosters a culture of belonging, drives innovation and growth, and makes us more agile and competitive. It also expands our horizons, provides us with a vast range of talents and secures better customer understanding.

◀ To realise our business strategies and ambitions, we grew our workforce in 2022.

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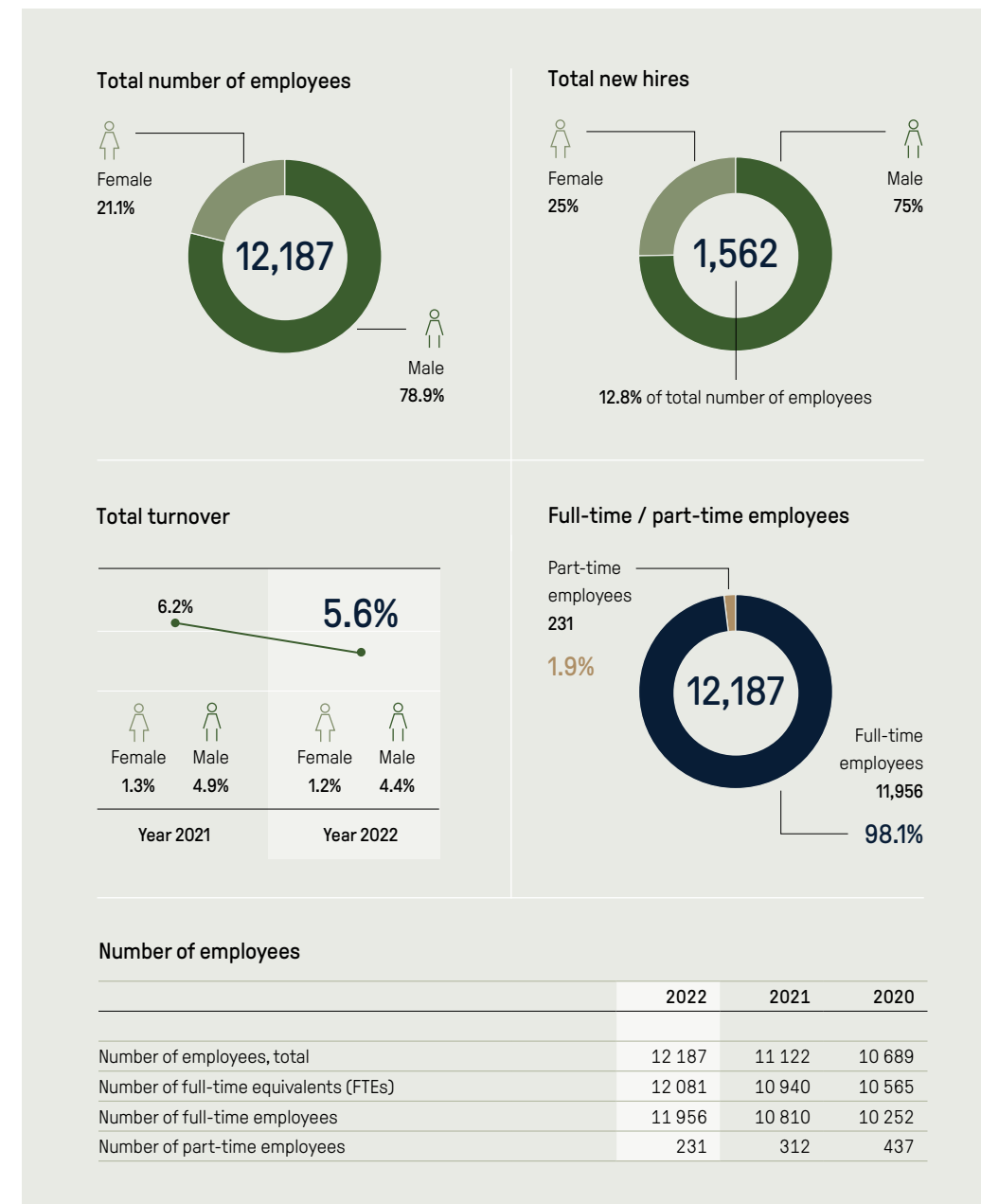
After a long period working remotely, the importance of promoting and communicating our values and strategic direction remains strong. In a more digital world, the ability to work remotely offers both opportunities and challenges. It can weaken a company's ability to create a sense of belonging, build a healthy culture and manage work-life balance. Therefore, to amalgamate our corporate culture, in 2022, we conducted an e-learning on hybrid work for all our managers globally, with approximately 90 per cent completion rate.

Our people


Our managers are important role models and their good leadership will have a strong impact on KONGSBERG's further development. To ensure that managers lead based on our values and our corporate Code of Ethics and Business Conduct, we offer a variety of leadership trainings.

In 2022, 20 per cent of our managers participated in our Leadership training, focused on our values and the defined leadership principles at KONGSBERG. Going forward we will evaluate appropriate indicators and targets to further develop our training to meet the demands of our business and growing workforce.

In 2022, to realise our business strategies and ambitions, we grew our workforce. By the end of 2022, we had employees 12,187, a net growth of 1,065 (8.7 per cent) employees. New hires represent 1.562 (12.8 per cent). Our focus on fostering a strong culture and employee well-being brought positive




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97.8%

of our employees were permanently employed



Completion rate of the annual performance review

Target	2022	2021	2020	Performance assessment
90%	90%	92%	87%	●

● Target met ● On track ● Target not met

results with a ten per cent decrease in total turnover compared to 2021.

As a responsible employer, we strive to offer job security, development and career opportunities. In 2022, 97.8 per cent of our employees were permanently employed, only 2.2 per cent are temporary employees and about seven per cent is employed on a consultancy basis. The proportion of part-time employees was 1.9 per cent in 2022. All positions are advertised as full-time, and all part-time positions are on request of our employees.

Employees' development, prosperity and well-being

We are committed to providing an attractive and safe working place where our people can perform at their best. To properly understand the needs and expectations of its employees, KONGSBERG

systematically engages with employees through regular performance dialogues, employee surveys and townhalls.

Achieving high level of employee satisfaction is important and we measure this globally, every second year. The last survey was conducted in 2021 and 80 per cent of employees declared that they are satisfied with their work situation. The next survey will be conducted in 2023.

All employees shall have at least one formal performance review per year with their line manager. In 2022, 90 per cent of employees globally completed the review. It is crucial that all our employees have clear performance and development goals and good understanding of KONGSBERG's policies and procedures. We believe a systematic approach facilitates successful development including

identification of training- and internal mobility opportunities.

Good development opportunities are important incentives in recruiting and retaining valuable employees. KONGSBERG invests in knowledge and expertise sharing through internal and external training programs and on-the-job development.

Going forward, we will focus on measuring the effectiveness of our training and development activities across the group to evaluate and further improve the professional and leadership development.

For both recruitment and retention, and developing a future fit organisation, we collaborate closely with relevant academic institutions in Norway and internationally. More on how KONGSBERG promotes

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future skills' creation and its partnerships with educational institutions can be found in our chapter 'Value creation'.

Salary and compensation

KONGSBERG offers its employees market competitive, but not marked leading compensation. Regardless of our location, KONGSBERG safeguards that salaries and working conditions comply with local labour laws and regulations. KONGSBERG's Compensation Guideline stipulates how we maintain a fair, competitive, and financially responsible wage structure for our diverse workforce. Local wage adjustments can be made in accordance with local or central tariffs in countries where these exist. The principles and systems for remuneration of executive management are determined by the Board. The Board has a separate Compensation Committee with the purpose of preparing items of business related to compensation, leadership development and diversity for consideration by the Board of Directors.

You can read more about the remuneration system in our Corporate Governance Report and [KONGSBERG's Remuneration Report](#) on our website.

Gender-neutral pay system

KONGSBERG strives to have a gender-neutral pay system. This ambition is stipulated in KONGSBERG's Compensation Guideline which sets a target of 100 per cent equal pay for women and men in equal positions and with comparable

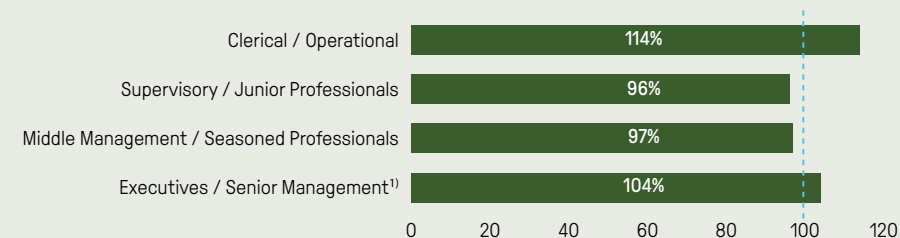
The table below shows employees in Norway, including 60 per cent of our workforce

Career level grouping	Number of female	Number of male
1 Clerical / Operational	89	162
2 Supervisory / Junior Professionals	812	2 560
3 Middle Management / Seasoned Professionals	362	1 890
4 Executives / Senior Management ¹⁾	23	99
Total	1 286	4 711

Average salary of female employees

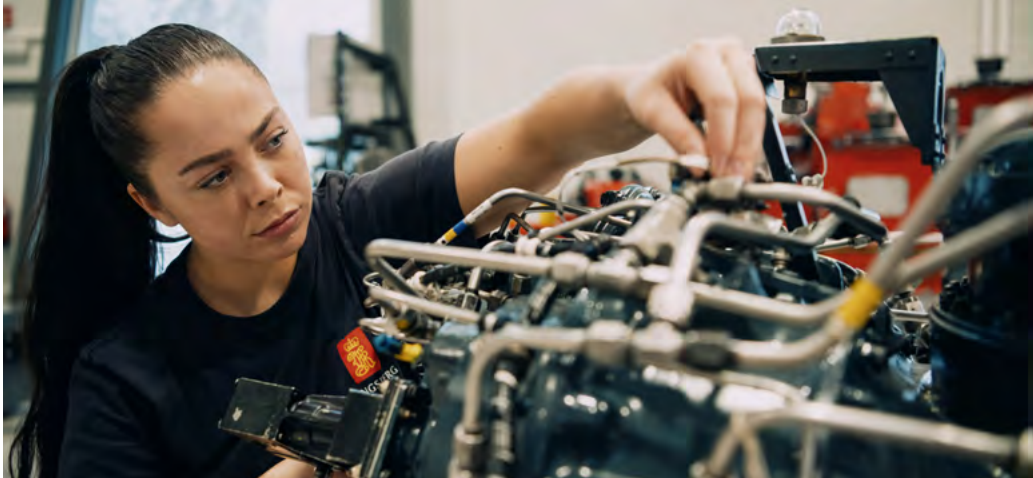
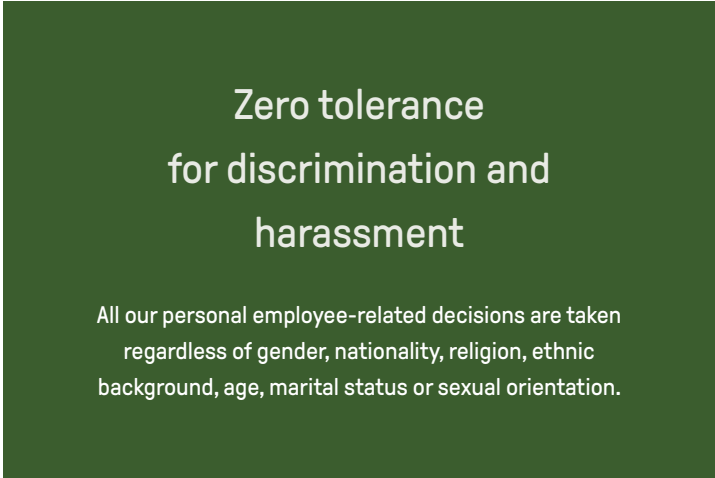


Female pay in per cent of male pay



¹⁾ Not including CEO

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▲ We work to recruit, promote, and develop people of different age groups, ethnicity, education and gender.

competence and experience. For 2022, the average salary of female employees was 92 per cent of male salaries. The ratio represents only our employees in Norway but is representative given that it constitutes 60 per cent of all KONGSBERG's employees globally.

In 2022, we implemented a career system globally that permits more detailed analysis of gender disparities in the organisation. We have expanded reporting to show the relationship in pay between women and men at different levels and started implementing measures to close identified gaps within the same or similar job categories.

Work-life balance

To actively promote both psychological and physical health of our employees, and ensure their healthy work-life balance, KONGSBERG offers flexible working hours, voluntary part time and allows to work remotely. While we adopted the increased working flexibility form the pandemic, we encourage our employees to work at our facilities, to build great teams, strengthen company's culture, enhance collaboration to boost innovation.

Zero tolerance for discrimination and harassment

KONGSBERG strives to ensure a secure and including work environment. We have zero tolerance for discrimination and harassment, of any kind, including based on gender, ethnic background,

religion, age, disability, sexual orientation, or political affiliation. The expectations to everyone in KONGSBERG are clearly defined in our Code of Ethics and Business Conduct (Code). In 2022 we distributed our Code to all employees for attestation and awareness building.

Through KONGSBERG's information campaigns, our employees are encouraged to get familiar with our raising concerns channels, including our whistleblower channel where concerns may be reported anonymously. All cases are followed up on to establish facts and take appropriate actions. In 2022, eight cases of harassment were reported through our formal channels.

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Diversity, inclusion and belonging

Our approach to diversity is anchored in our Code and is a central topic in KONGSBERG's People Policy. We work purposefully to recruit, promote, and develop people of different age groups, ethnicity, education and gender.

In 2022, we focused strongly on gender diversity, especially in terms of employment and increase of women in leadership roles. We organised our annual KONGSBERG Diversity, Inclusion & Belonging Summit to build competency and awareness on how to lead diversity.

Our performance on diversity and inclusion is monitored, reported to and discussed with to the Board of Directors on a quarterly basis. We measure our progress on several indicators as presented in the table, and our KPI of gender distribution of total workforce is linked to the short-term incentive plan for executive compensation.

Performance commentary

2022 was a year of expansion for KONGSBERG which was reflected in a significant increase (8.7 per cent) in employees compared to 2021. It is motivating to see that our systematic work towards the attraction of young talents, retention and diversity is bringing desired results.

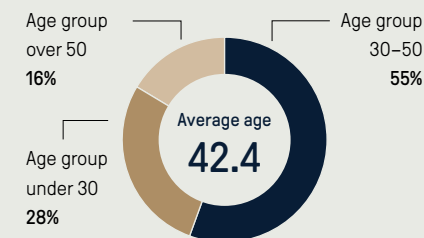
We managed to lower the average age in the company by three per cent of which the biggest contribu-

Key performance indicator	Target 2022	2022	2021	2020	Performance assessment
Gender distribution	21%	21%	20%	20%	●
Gender distribution recruitment	28%	25%	22%	27%	●
Gender distribution Managers (level 1-3)	25%	26%	25%	23%	●
Job training (outsider's inclusion)	50%	48%	46%	8%	●

● Target met ● On track ● Target not met

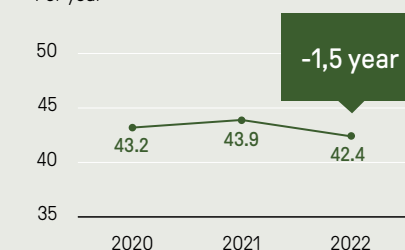
Age diversity 2022

Per age group

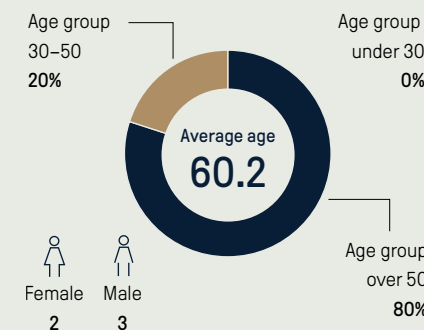


Average age

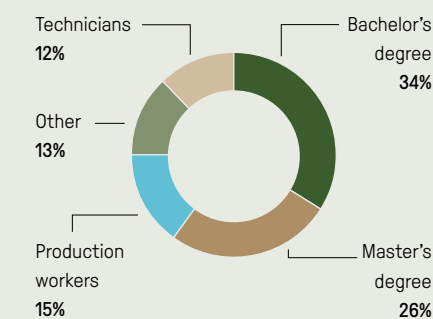
Per year



Board of Directors¹⁾



Level of education



1) Shareholder-elected members

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tion comes from the increase of the group of employees under 30 years (33 per cent). We are satisfied to see that our constant efforts to be an attractive employer are reflected in ten per cent decrease in total turnover compared to 2021.

Our overall performance in diversity is quite satisfactory. We met the gender distribution target (21 per cent) but we recognise that there are still areas of improvement, such as gender distribution in recruitment.

In 2023 we will also explore other aspects of diversity, in addition to gender. We are pleased to see that in the overall picture the gender pay gap is relatively small for employees in Norway.

Forward focus

KONGSBERG's ambition is to be one of the greatest places to work, in Norway and globally. To deliver on our growth ambitions, we are preparing for an

increasingly diverse and growing workforce with evolving demands and needs. In 2023 the group and its business areas will evaluate and define appropriate actions and KPIs to support our efforts in recruitment, development and employee well-being. Diversity, inclusion and belonging will remain a top priority going forward.



Universum

KONGSBERG one of the most attractive employers among students

In 2022, KONGSBERG was recognised as the third most attractive employer among engineering students in Norway.

The survey of students' preferred employers is conducted by Universum, a company that specialises in branding employers and measurement of this. Around 11,000 respondents from 24 faculties have responded to the survey, where students are asked to rank different companies by attractiveness.

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Girls and Technology

'The Girl Project Ada'

For the last few years, KONGSBERG has been working systematically to increase the proportion of women studying technology by collaborating with 'The Girl Project Ada' at Norwegian University of Science and Technology (NTNU). The aim of the project has been to foster motivation in girls to study technology, to provide a careers network and inform about future job opportunities. In 2022, we collaborated with the Confederation of Norwegian Enterprise's (NHO) Girls and Technology (Jenter og Teknologi), in which girls in the ninth and tenth grades visited our offices in Horten to learn more about the business and be encouraged to choose this career path.

Diversity and inclusion

Inclusive working place

KONGSBERG has been focused on promoting inclusive working place by offering vocational training and employment of people with reduced residual working capacity. In 2022, 48 people benefited from our work placement positions. Going forward we aim to increase the number of opportunities to further improve our culture of diversity, inclusion, and belonging.



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Local communities



Dialogue and long-standing mutual support are important in local communities

For over 200 years, local communities have been a vital part of our business activities. KONGSBERG continues its long-term legacy of contributing to the development and economic prosperity of local communities and its inhabitants.

While KONGSBERG operates in 39 countries, we are a significant employer and have a large presence in smaller local communities across the Nordics.

As a cornerstone company, KONGSBERG plays an important role in fostering innovation, skills development, and economic prosperity. Additionally, local communities represent a significant part of our supply chain and one of our most valuable talent pools.

To ensure we meet our neighbors', partners' and employees' expectations, regular dialogue and long-standing mutual support are important.

◀ At the end of their six-week programmes, our summer interns present what they have been working on.

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Global security, technology and sustainability were discussed at the high-level summit between politics, defence, business and the organised Norway, at Kongsberg Agenda in June 2022. Here from the opening panel including former Prime Minister of Norway, Erna Solberg and former Prime Minister of Finland, Alexander Stubb.

Our approach

As a cornerstone company, we acknowledge our responsibility to have an ongoing dialogue, build trust and safeguard our license to operate by ensuring that our presence contributes to positive impacts across the environmental, social and economic spectrum. We engage closely with the local communities through dialogue with politicians, businesses, and other commercial and non-commercial actors. KONGSBERG's main topics of engagement are focused on economic and social development, local content, and education.

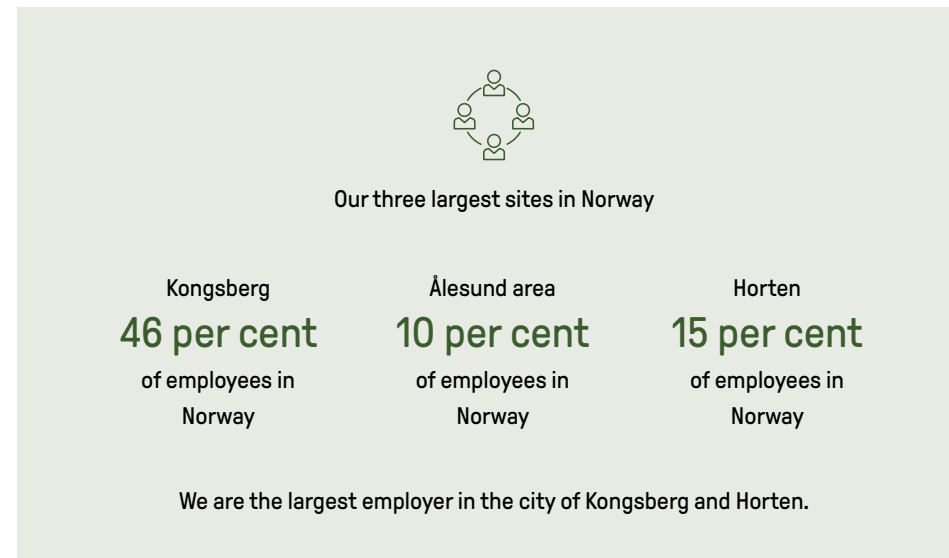
Everywhere we operate, we promote responsible business conduct and work continuously to ensure

respect and support for human rights, including children and labor rights.

Creating jobs

We provide employment opportunities that enable communities to develop and prosper. We care about our employees and their families, offering them job security, development, and good working conditions. As of 2022, 60 per cent of our employees are based in Norway, with our three largest sites located in the cities of Kongsberg, Horten, and the Ålesund area (including Ulsteinvik, Brattvåg, Hjørungavåg, Longva, and Ålesund).

Read more about our socio-economic value creation in the chapter '[Value creation](#)'.



A strategic partner to the Norwegian Armed Forces

Our defence business experience variations in requirements for industrial engagement in relation to which country we operate in. Towards Norway as a home nation, we are a key security policy actor and strategic partner in securing the nation with production capabilities in support of the Armed Forces.

Consideration of the short distance to and preference for Norwegian suppliers is important, both for ensuring security of supply in times of crisis and conflict, and for maintaining security of origin and access to components and parts. This approach also

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works together with our commitment to supporting local communities and building long-lasting supplier relationships.

Around 60 per cent of the suppliers to Kongsberg Defence & Aerospace are based in Norway. Naturally, not everything is possible to buy in Norway, so close cooperation with the supplier is important to ensure correct deliveries. Defence industry can involve demands from customer nations to engage local industry in our contracts (offsets). Each country has its own requirements and different relevant companies with which we can cooperate.

Due to the nature of our defence business, there is a risk of local noise pollution from some of our testing activities. In 2022, we opened a new F-35 Test Facility at Rygge operated by Kongsberg Aviation Maintenance Services. The facility has been specifically designed to reduce noise pollution. The test facility measured 52 decibels at full thrust, lower than the highway nearby reporting 65 decibels on average.

The company's use of the firing range located in Kongsberg is done in compliance with the regulations applying to all test and training activity owned by the Norwegian Defence Estates Agency (Forvarsbygg). When 'Bane 22/Kongsberg Firing

Range' was established, a number of factors were assessed before the project was implemented and brought into operations. These include biodiversity, noise and ground and water pollution.

Supporting local activities

We actively aim to build positive relationships and invest in the communities in which we operate. Our approach is anchored in our Directive for Sponsorship and Charitable Donations and guided by our Code of conduct and business ethics, strategy, and values. Our focus is within

- Activities and projects nationally and internationally within local charities and community groups
- Not-for-profit organisations considered to have a social outcome
- Sports, especially local activities for children and youth in locations where we have a larger footprint
- Culture, arts and heritage
- Social investments
- Humanitarian, environmental or sustainability activities
- Education and skills

At several of our locations across the world, our employees engage in voluntary aid work connected to local initiatives and fundraising, with the support of their employer.



◀ Summer students at Kongsberg Defence & Aerospace working on the Lone Wolf multi-disciplinary project in 2022. The project designs and builds an autonomous ATV that can avoid obstacles.

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We do not offer any donations to promote religious organisations (exceptions for those who only have a humanitarian aspect) or political parties/candidates.

Investing in tomorrow

KONGSBERG considers nurturing the interests and skills of younger generations in natural sciences key to the future development and improvement of society. We aim to help motivate children and young people to recognise the value of studying physics, math and natural sciences through various programs, from kindergarten to college.

Significant projects we support

We support the Vitensenteret (The Science center) in the city of Kongsberg, to which schools and kindergartens have free access. We support an Ocean Day at the Atlantic Sea Park for 5th graders in the Ålesund region, and we support the Summer Labs of the Science Factory (Forskerfabrikken) across Norway where we have locations. Children are introduced to natural sciences and technology through play and experiments, as well as teaching modules in subject areas such as energy, mechanics, mathematics, technology, and animation.

In Brazil, we support the Bola Pra Frente institute, which offers poor children school education and football training. We are also a part of the 'Dream Learn Work' project which offers young people from impoverished areas training and education that may qualify them to work in the companies that participate in the project.

In the Frisk Oslofjord project, KONGSBERG has collected information to provide a basis for sustainable management and augmentation of marine resources in Oslo.



We collaborate with several secondary schools, colleges and universities across the Nordics. We hold lectures, invite people to visit the company, participate in career days and take on students for work placement. KONGSBERG supports selected projects where the students wish to write their master's dissertation in collaboration with us.

At the 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.

In the Frisk Oslofjord project (healthy Oslo fjord), as a technology partner, KONGSBERG has collected information to provide a basis for sustainable

management and augmentation of marine resources and the environment in Oslo.

In 2022, KONGSBERG was a leading partner for the opening of a learning and visitor centre in Horten (Besøksenter Oslofjord). Here, both the public and schools are invited to learn more about the fjord's condition and marine life, including real-time monitoring.

Promoting young talent

Vocational training

We have a strong focus on vocational education and, along with other companies in the town of Kongsberg, we offer a unique training program for apprentices through the K-Tech training center. An

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apprenticeship certificate program in polymer composites has also been established at the composite factory in Kongsberg. During 2022, we had a total of 151 apprenticeships.

Student initiatives

We have rolled out several initiatives to motivate students to complete their degrees. One of these is the YOUR EXTREME, a competition for students at Norwegian University of Science and Technology (NTNU) running since 2013. This year, we also invited the students at University of South-Eastern Norway to participate. The 48-hour YOUR EXTREME case competition challenges groups of students to solve a hypothetical future scenario centered around sustainability and technology. The purpose of the competition is to demonstrate

the connection between theory and practice. The theme of this year's competition was 'Where sea and sky meet' (Der hav og himmel møtes).

Every year KONGSBERG welcomes students to work on different projects. In the summer of 2022, we employed 171 students. These summer jobs provide students with valuable experience and insight into opportunities available after graduation, as well as motivation to excel in their studies. At the same time, it represents an important recruitment arena in our search for young talents.

We place special emphasis to gender diversity in our recruitment efforts. Our target for the student summer program was to have a minimum of 50 per cent of women participants; in 2022 we

achieved 37 per cent. We will continue to evolve our efforts and actions to meet our company's target while supporting employment opportunities for women in technology on a societal level.

In 2022, students in the YOUR EXTREME competition were given the theme 'Where sea and sky meet'.



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Governance

Responsible business conduct



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Responsible business conduct

We have more than 200 years of legacy as a defence supplier and a technology enterprise. As a company with strong ethical business culture and values, it is fundamentally important for us to conduct our business in a responsible manner and comply with the applicable laws and regulations in the markets we operate.



▲ KONGSBERG's cornerstone governance document is our Code of Ethics and Business Conduct.

Our approach

We are dedicated to ensuring responsible business conduct across our operations and value chain. We respect culture, environment and diversity in our operations, and are particularly aware of our legal, ethical and social responsibilities when entering new geographical areas and markets.

KONGSBERG's cornerstone governance document is our Code of Ethics and Business Conduct ('the Code'). The Code defines the principles that we are required to demonstrate in everything that we do. It codifies our values and guides us to demonstrate integrity in the way in which we work. The Code applies at all levels of our organisation, to all employees and companies within the KONGSBERG group including majority owned companies. For minority owned companies, partnerships not involving ownership, and all our business partners,

we expect them to adopt the same ethical standards.

Business Area Compliance

The Code is supported by directives which set the policy and requirements for the group. The Business Areas are required to develop processes and procedures to implement the requirements aligned with their individual businesses.

We operate in industries and countries that inherently involve different types of risks and as such we tailor our program accordingly. We conduct risk-based assessments accross all aspects of our business to ensure that we identify and appropriately manage or mitigate risks.

As we continue to grow and develop as a business, we are taking proactive steps to align and develop our ethics and compliance program. The

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compliance function continuously assesses both our governing documents and program, based on risk, changes in laws and regulations, and best practice.

Compliance Management System

As we evolve and mature our ethics and compliance program a development has been to implement our compliance management system. The system automates some of our key processes but also enables us to use data analytics to identify and manage potential risks from across the group. An example of this includes our modules on 'conflicts of interest' and 'due diligence' which enable us to review data from across the group to identify trends and monitor potential risks. During 2022, we have also developed a case management system which we will implement across the business in 2023. This will support our approach and commitment to managing concerns in a consistent manner and enable us to identify trends or risks across the group to support the ongoing development of our ethics and compliance program.

Promoting Ethical Business

We continuously take proactive steps to align and develop our ethics and compliance program across the organisation. An important part of fostering a robust culture of ethical behaviour is building awareness and expectations through tone from the top, communications and training.

We have mandatory all employee training on the Code. Our businesses areas supplement this training with various courses which cover all compliance topics as demonstrated below.

2022 Training Highlights:

- 83 per cent of employees have completed training on the Code
- Compliance training for Leadership – 3 sessions
- Third party risk management training
- Compliance training for new starts
- Export training
- GDPR training
- Human rights training

Reporting concerns

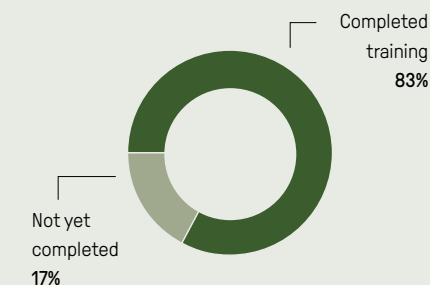
KONGSBERG has established procedures for managing concerns which have been updated to ensure compliance with the Working Environment Act and EU whistleblowing directive.

Employees are expected to raise concerns through our whistleblowing channels related to potential misconduct and are required to do so if they identify potential violations of laws.

Our channels

- Email: ethics@kongsberg.com
- Employees can use our compliance management system
- Our ombudsmen who can provide advice and receive alerts from employees
- Employees and third parties can use the whistleblowing page on our webs

Number of employees who completed training on the Code of Ethics



25
concerns have been investigated in 2022

11
of concerns have been substantiated / partially substantiated

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Our channels ensure that everyone can report concerns and that such reports are treated in a confidential manner and in line with applicable laws.

KONGSBERG does not tolerate any form of retaliation towards any person who reports a concern in good faith or has participated in an investigation.

In the 2021 employee survey, nearly two-thirds of all employees confirmed that they were aware of the whistleblowing system and how it operates. We aim to ensure that all our employees have good knowledge of our raising concerns procedures. Going forward we will continue to promote speak up culture through a variety of methods.

The defence industry

The Norwegian Armed Forces 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 in the international arena.

In an employee survey, nearly two-thirds of all employees confirmed that they were aware of the whistleblowing system and how it operates.



Export of defence material

Norwegian legislation 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 with respect to the exportation of defence material is an important principle in Norway. Current Norwegian export control regulations are strict and clear, while providing the necessary predictability. KONGSBERG consistently complies with all requirements set by the Ministry of Foreign Affairs regarding the application process, reporting and statistics. In addition, we closely monitor the geopolitical situation.

A stable and predictable export control regime is essential to ensure a credible defence capability that contributes to security and safety for the nation and its citizens, and to ensure that the Armed Forces have access to technology, expertise and infrastructure in peace, crises and war. KONGSBERG holds shares in companies, and has 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. In addition, an internal audit program with specific focus on export control and sanctions has been important for continuous improvements.

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Autonomy and artificial intelligence (AI¹⁾)

KONGSBERG develops advanced technology, which includes autonomous systems and AI, in areas including maritime 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 topic raises ethical questions to which we give careful consideration. Our Ethics Committee addresses such issues, and we participate in international debate through our membership of IFBEC²⁾. Autonomy and AI affect 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 monitor development of legislation and comply with national and international laws and regulations. As a part of the work in the ESG committee in the Norwegian Defence and Security association FSi Where Kongsberg Defence & Aerospace are represented, a focus area for 2023 will be autonomy and AI.

Performance commentary

In 2022, as a part of our continuous compliance improvements, we updated KONGSBERG's Code and eight compliance related directives.

To ensure capturing a boarder range of compliance related topics when assessing our business partners, we expanded the scope of our screening tool.

In 2022, we have conducted 18 audits with high-risk business partners and completed a compliance interview with all market representatives that we have appointed or renewed. The findings from these assessments resulted in four non renewals.

As a part of our strong commitment to respecting and promoting human rights, we incorporated human rights into our due diligence requirements and risk assessments.

We have successfully developed and implemented our compliance management system to enhance our compliance program.

There were no cases of significant instances of non-compliance with laws and regulations during the reporting period, this also includes environmental related compliance, please read the [chapter 'Climate'](#).

Forward focus

Going forward we will continue focusing on assessing and identifying improvements to our ethics and compliance program in line with good practice and new regulatory requirements.

We will implement our case management system to support our approach and commitment to managing concerns in a consistent manner. We will use the system to identify trends or risks across the group to support the ongoing development of our ethics and compliance program.

In 2023, we will conduct an external audit of our ethics and compliance program.

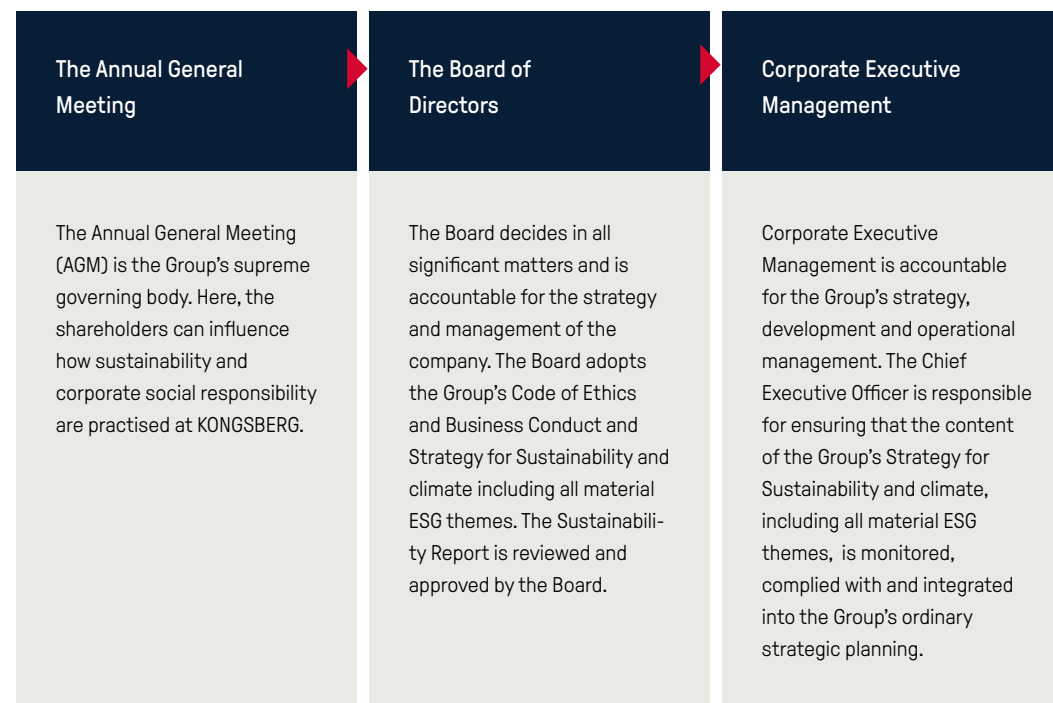
1) AI is defined by the EU as follows: 'Artificial Intelligence systems (AI) are software (and possibly even hardware) designed by people who, if given a complex goal, act in physical or digital dimensions by recognising their environment through data collection; they interpret structured or unstructured 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.

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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 related to sustainability, climate including all material ESG themes.



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.

Group discipline forums, councils and committees

KONGSBERG has established various discipline forums, councils and committees. These shall address and secure skills and the exchange of experience throughout the Group in prioritised discipline and technology areas and cooperation bodies. Individual mandates shall be established, including descriptions of areas of responsibility and including decision-making authority, working methods, meeting structures, composition and reporting lines.

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:

Kongsberg Defence & Aerospace is certified according to AS9100, AS9110, ISO9001, AQAP2110, AQAP2210 and ISO14001 and ISO27001. Kongsberg Maritime and Kongsberg Digital are certified according to ISO9001, ISO14001, ISO 45001 (replaces OHSAS18001) and ISO27001.

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Anti-corruption



KONGSBERG has a zero tolerance for corruption

KONGSBERG operates in different sectors across the globe which inherently can pose a risk of corruption. Our values and commitment to responsible business conduct requires us to conduct our business with integrity and only work with business partners that share the same commitment.

Our approach

KONGSBERG has a zero tolerance for corruption which is established in our Code and throughout our governance. We align our processes with the UN Global Compact and the OECD's Guidelines for Multinational Enterprises. We are members of Transparency International, the International Forum on Business Ethical Conduct (IFBEC) and Maritime Anti-Corruption Network (MACN).

Well-integrated values and the Code constitute an important element of our risk management. All employees are required to attest to the code to ensure that it is fully embedded across the organisation.

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Training

We provide various training courses on anti-corruption in addition to other compliance topics. KONGSBERG delivers a program of training across the whole organisation and completion rates are regularly monitored by leadership and the Board of Directors.

External audits

The ethics and compliance program is subject to an external audit every third year. The last audit was performed by an internationally recognised law firm in the United States in 2020. The program was regarded as sufficient. The next external audit will be conducted in 2023.

Risk-assessments

We conduct an annual compliance and risk assessment across the entire Group, including all subsidiaries and part-owned companies and partners. Our assessments and audits include cover all compliance topics including but not limited to anti-corruption, export control and sanctions, and human rights. This is an important part of our anti-corruption work throughout the Group. The audits are carried out by internal resources in collaboration with external specialists as appropriate.

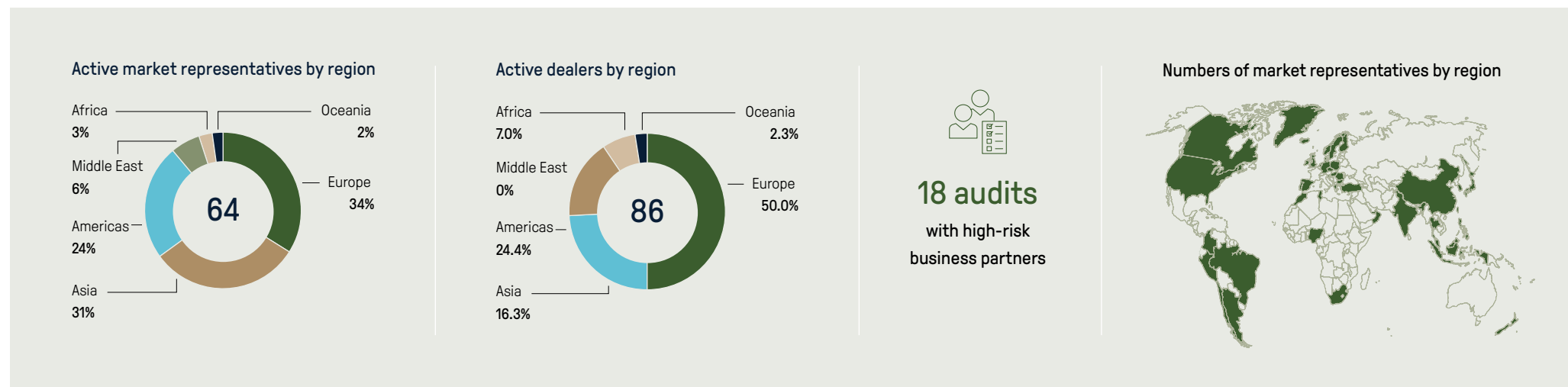
Business partners

We hold ourselves and our business partners to the highest standards of integrity. How our business partners act can have a direct impact on us meeting our priorities. It is important to manage our

relationships with them well, including the way we choose, contract, and monitor them.

We operate in industries and countries that inherently involve different types of risk. We conduct risk-based assessments to ensure that we identify and appropriately manage or mitigate risk.

We perform due diligence on a continuous basis on all business partners including but not limited to customers, suppliers, market representatives, dealers, joint venture partners and recipient of sponsorship or charitable contributions. We use a risk-based approach, which includes various forms of due diligence and risk management activities to ensure that business partner have satisfactory ethical business standards in place. We have



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incorporated requirements regarding ethics and corporate social responsibility into our standard agreements with business partners and carry out risk-based audits on business partners.

We currently have global network of 64 market representatives and 86 dealers operating across 49 countries. During 2022, we have conducted 18 audits with high-risk business partners and completed a compliance interview with all market representatives that we have appointed or renewed. The findings from these assessments resulted in 4 non renewals.

All agreements have a maximum duration of three years and ensure that we obtain the right of audit. We recognise the need to continuously monitor high risk business partners throughout the engagement and regularly assess our due diligence in accordance with the dynamic changes to laws and regulations.

Whistleblowing

Our employees are encouraged to speak up about any misconduct or violation of our Code. We have established various channels for employees and third parties to raise concerns. When concerns are substantiated, we endeavor to identify the root cause and were deemed appropriate implement remedial actions.

In 2022, 25 concerns were raised and investigated. The concerns have covered a variety of compliance topics and resulted in improvements and actions as appropriate.



Performance commentary

We are on track with our anti-corruption program and we have made improvements in 2022. None of the companies within KONGSBERG were sanctioned due to violations of law related to business ethics in 2022.

An increasing number of employees completed training in our Code of Ethics and Business Conduct (83 per cent in 2022 and 79 per cent in 2021). At year end, 63 per cent of KONGSBERG employees have attested to the 2022 version of the Code of Ethics and Business Conduct which was an initiative rolled out accros our workforce in Q4 2022.

We have continued to develop and implement our compliance management system to automate key processes and drive data analytics. We updated our screening tool to cover broader compliance topics and ensure continuous monitoring.

We conduct a systematic, risk-based due diligence program to manage risk related to market representatives. We operate an annual audit program and in 2022 we achieved the ambition of auditing 28 per cent of our portfolio.

Forward focus

Going forward we will continue focusing on identifying improvements to our anti-corruption program by measuring implementation and monitoring progress.

In 2023, we will conduct an external audit of our ethics and compliance program and intensify our efforts to ensure that all employees complete the ethics and compliance training program and attest KONGSBERG's Code of Ethics and Business Conduct.

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Security and cybersecurity



Protecting personnel, information, and physical assets

KONGSBERG, with its heritage of delivering mission-critical high-tech solutions to defence, aerospace, maritime, and energy industries, has always prioritised security. This includes protecting personnel, information, and physical assets. In the digital age and with the current geopolitical landscape, the importance of addressing these security concerns has only increased for businesses.

Our approach

In a challenging global environment of security threats, KONGSBERG strives to prevent any disruptions that may occur, while at the same time, staying agile and innovative to continue creating value through its technological solutions. We are working continuously to build resilience and ensure trust and credibility by protecting information, personnel, physical assets, and technology from damage, misuse, and breakdowns.

KONGSBERG has an active approach to combating potential security disruptions. We strive to improve security and implement measures by building security culture, organisational awareness, and

◀ KONGSBERG has an active approach to combating potential security disruptions. We strive to improve security and implement measures by building security culture, organisational awareness, and personal responsibility.

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personal responsibility. To realise those ambitions, we conduct security training across the organisation and have awareness programs. We know that security is a matter of ongoing effort.

We work to maintain, and further develop, a robust system for compliance with Data Privacy regulations as a part of Cyber and Information Security. To ensure compliance, we have set a target for annual external audit of all business areas of ISO/IEC 27001.

To ensure effective governance and cooperation across the company for security, in 2022, KONGSBERG established a new Group Chief Security Officer-function (GCSO). The new GCSO reports directly to the CEO and President of KONGSBERG.

Security is also part of our risk management system to balance our business goals and efficiency. Security risks are reported quarterly.

Our IT services are monitored and protected by a layered security architecture that includes extensive logging and monitoring.

KONGSBERG has structured processes for threat intelligence and incident management for efficient emergency preparedness and handling. Security incidents, including cyber incidents, are an integrated part of KONGSBERG's Emergency Response Management.



Cybersecurity

In an era of constant cyberthreats, cybersecurity is one of our top security priorities. In KONGSBERG, it covers managing the risks and security challenges posed by the use of information technology and includes both hardware, software, services, communication between them, and structured work processes.

We understand that to effectively address cybersecurity threats and any potential disruptions related to it, collaboration is essential. Therefore, KONGSBERG invests in close cooperation with government, including police and security services. We also have active collaboration with special-

interest groups and leading authorities on cybersecurity topics.

KONGSBERG Cyber Security Centre is a dedicated, common resource for the Group to ensure prevention of potential cyber-attacks. Cyber incidents are part of emergency management.

Development of secure solutions for our customers

KONGSBERG is delivering world-leading products and systems which are designed to meet the highest demands of our customers and ensure their security. Therefore, we use security and privacy-by-design as a fundamental principle in software

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development. We also have structured processes for lifecycle management which allows us to deliver high quality services and meet security requirements.

We have internationally recognised standards fully included as a part of our strategy and operations.

Information security

Information security consists of work processes and procedures based on ISO/IEC 27001 and other internationally recognised standards and shall ensure a sufficient level of security regarding confidentiality, integrity and availability.

Information represents very important asset for KONGSBERG. We protect these values with structured and robust information security processes. This has been implemented in all our business areas through policies, processes, and procedures.

Personnel security

Personnel security is addressing both the intentional and unintentional risk of people misusing their legitimate access to KONGSBERG's property for unauthorised purposes. Because of this we use security processes throughout the employment or engagement at KONGSBERG. This includes selection process, background checks, agreements, training, access control and processes for termination of employment. Governmental security clearances are used where necessary.

Physical security

The purpose of physical security is to protect personnel, assets and property from damage, theft or destruction. In KONGSBERG, we achieve good physical security through recognised security principles, which includes a combination of secure areas that are protected against unauthorised access, admission control systems in all locations and layered security of facilities. KONGSBERG has a comprehensive travel security regime that ensures Duty of Care when traveling.

Performance commentary

In 2022, a new Group Chief Security Officer function was established with Group responsibility for security and crisis management.

Annual audits according to ISO/IEC 27001 were performed in all Business areas. Security training and awareness campaigns as well as Crisis Management exercises and training are on track according to plans.

Incident Reporting

KONGSBERG experiences thousands of cyber security alarms on a yearly basis.

We received zero substantiated complaints concerning breaches of customer privacy.

We had one incident of identified leaks, thefts, or losses of customer data.

Forward focus

As a result of the changes in the geopolitical situation and the increase in threat picture, security and cybersecurity will be on top of our agenda for 2023. A Group wide awareness campaign will be conducted to address the current threats and nurture the security culture, organisational awareness, and personal responsibility.

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Responsible supply chain



Collaboration for a responsible supply chain

KONGSBERG places a high importance of having a sustainable supply chain that manages its social and environmental impact in a responsible way. We have a supply chain that is diverse and supports many customers and products globally. Systematic and good collaboration with our suppliers is an important part of our strategy for responsible business operations. This contributes to a reduction in risk and increase in quality in the value chain.

Our approach is to build and maintain a socially responsible supply chain by supporting sustainable job creation in the areas we operate, together with having zero tolerance for any form of forced labour, discrimination or corruption. We support and enable reduction of CO₂ emissions and promote respect for human and labour rights and protection of the environment through our requirements and collaboration with our suppliers, and take into account industrial and security policy considerations in our procurement practices.

◀ We want to work with suppliers that share our values and requirements regarding responsible business conduct.

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Value creation

With more than 9,000 suppliers worldwide, procurement is a significant long-term value that KONGSBERG brings to societies and countries. In 2022, our total global spend on material cost was above MNOK 11,000, out of which purchases from our 100 largest suppliers constituted approximately 75 per cent. The Norwegian portion of the 100 largest suppliers constituted for approximately 37 per cent out of the total spend for material cost.



◀ The Supplier Conduct Principles is published on our website and is translated into 6 languages.

Our impact and value creation through our supply chain

KONGSBERG has more than 9,000 suppliers worldwide, of which more than 4,000 are Norwegian. We have positive impact on job creation and safeguarding, building competence on advanced technology, not only where we have our operations but also to a large extent where we use suppliers. This will also indirectly attract additional investment to the local economy. The suppliers are an important part of our value creation, at the same time as we are important and, in many cases, essential to their value creation. More information about our impact on local communities are to be found in the chapters 'Value Creation' and 'Local Communities'. 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.

Read more about our approach to Human Rights and the Norwegian Transparency Act in the chapter on [Human Rights](#). We have policy and practices prohibiting sourcing conflict minerals unless the minerals are bought from documented responsible sources. This includes due diligence and material management systems. This is also explained in the chapter on [Human Rights](#).

Our risk profile and risk assessments

Our business areas have established processes and systems for the risk evaluation of suppliers. We divide our overall supplier portfolio into different risk classes, with assessment factors including purchase volumes, country and the extent to which we depend on the goods and services we purchase. In general, we consider that our greatest potential risks in the supply chain are related to corruption and human rights.

The risk assessment covers existing and new suppliers and includes the assessment of environmental conditions, human rights and employee rights, HSE, business ethics and anti-corruption. We have established guidelines and processes for the preparation of due diligence assessments, which enable us to detect undesirable situations at an early stage and take necessary measures, which also include the termination of contractual relations. Based on the result of the initial risk assessment, we follow up with the supplier with additional assessments and measures, including audits.

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All issues identified as high risk were followed up within the given deadlines in 2022. Any material deviances from our requirements will be thoroughly assessed, and reactions can vary from monitoring, follow up audits to termination of contract.

Our programme of supplier audits and social responsibility declarations has continued as far as possible during the pandemic, with the completion of 'desktop' audits where travel was not possible. In 2022, a total of 104 (111) audits of our suppliers were carried out, including a module for ESG (Climate, environment, social and governance issues). If necessary, we perform extended audits with a special focus on ESG.

Combating climate change by reducing emissions in our supply chain

The CO₂ emissions from our supply chain constitutes a major part of our total calculated emissions. Examples are emissions associated with the production of purchased goods and services, logistics, leased assets and business travel. We have committed to set targets according to Science Based Target initiative in line with the scenario of limiting a global temperature increase to 1.5 degrees Celcius. Read more about this in [the chapter about climate](#). Our targets include a supplier climate engagement target, where 2/3 of our direct suppliers by spend

are intended to set science-based CO₂ emission reduction targets within the next five-year period.

We organise this in a Group programme, engaging all our business areas, and have started implementation of the program in 2022. We have analysed our supplier base and chosen the target groups and started monitoring of status by our suppliers. Deployment of the requirements follows a prioritised plan; and training will be offered both to our employees and to targeted suppliers. Implementation are supported by written information to our suppliers, webinars and conferences. The programme also includes emissions reduction

Follow up of our supply chain

We collaborate with our suppliers

Through our requirements and follow up of our supply chain we support human rights and climate action globally and locally. Our main approach is to build robust and long-lasting cooperation to ensure responsible business conduct. We do this by collaborating with our suppliers, to foster improvements and address non-compliance through our supplier due diligence process.

In June 2022, we arranged a Supplier and Technology Conference, Kongsberg Agenda, jointly with Kongsberg Innovation, Local Government, Kongsberg Næringsforum (Business Forum), TechnipFMC. More than 100 suppliers from the region attended, with purpose to engage and motivate for regional business development with focus on sustainability, innovation and technology topics.



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plans for energy management following ISO 14001, re-use and recycling, material optimisation and development of new technology. Supplier CO₂ emissions will be reported and followed up through our digital IntegrityNext platform, and reporting on status will start from 2023.

How we manage external impacts on the value chain

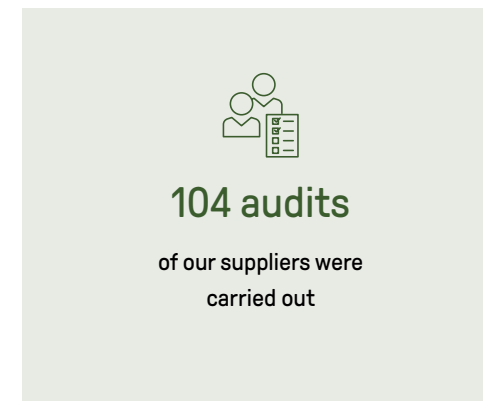
External geopolitical circumstances, including war in Europe, the COVID-19 pandemic and economic inflation are affecting the supply chain, influencing material availability, electrical components shortages and logistics. We have maintained deliveries to our customers following a responsive, resilient and risk based approach to minimise the disruption impact. Priorities for ESG, HSE and sustainability have been maintained through our supply chain and procurement processes. In the longer perspective climate changes could impact our supply chain and is part of our overall risk assessment process. Read more about risk related to component shortage, economic inflation and increased prices for raw materials in [note 4](#) to the Financial statement.

Ensuring that our suppliers fulfil our requirements is of high importance to KONGSBERG. We have a supplier due diligence process in place to fulfil our environmental, social and governance (ESG) responsibilities according to our Supplier Conduct Principles, including a supplier self-assessment sustainability portal and supplier audit programme

being deployed globally. We have dialogue with our suppliers in our day-to-day operations, together with conferences and webinars focusing on commercial as well as ESG aspects of our business collaboration.

Performance comments

In 2022 we established a good collaboration with our strategic suppliers to reduce CO₂ emissions. We performed the procurement process according to KONGSBERG directives including the requirement of the process flowdown to all our suppliers, the Supplier Quality Requirements through Supplier Contracts and Purchase orders. As a part of sourcing process and risk evaluation of KONGSBERG's procurement process, we evaluated 100 per cent of all new suppliers for environmental, social and governance (ESG) responsibilities. We continued systematic risk mitigation plans and risk monitoring of suppliers, including follow up and supplier audits as defined by our internal processes. We continued developing and motivating our strategic suppliers to become certified according to ISO 14001 Environmental management systems. We are satisfied that in 2022 we managed to surpass our target (50 per cent of ISO 14001 certified suppliers) by reaching 55 percent coverage for Kongsberg Maritime. The coverage for KONGSBERG Defence and Aerospace was 27 per cent. In 2022, no material negative environmental impacts were identified in our supply chain through our due diligence, risk assessment and audit program.



Looking forward

We will continue our efforts to build a responsible, robust and resilient supply chain. We strive to further intensify our work in driving our environmental impacts by actively driving emission reductions in supply chain to reach our science based targets. We will continue monitoring risks, conduct due diligence and reporting for our supplier base in our digital IntegrityNext platform.

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Political engagement



From left: Geir Håøy, CEO of KONGSBERG, Bjørnar Selnes Skjæran, Minister of Fisheries and Ocean Policy of Norway, and Bjørn Jalving, Senior Vice President Technology, Sensors and Robotics.

Our political engagement creates value for our business, the environment and for society

In the global political landscape, where environment and social issues, sanctions, and market access regulations are significantly impacting businesses, our political engagement has become increasingly important to protect our interests, drive positive environmental change, and ensure our long-term success. We engage in the public policy debate and processes to support sustainable ocean management, climate related solutions and technologies, security and sovereignty of nations, and to promote a diverse workforce.

Our approach

At KONGSBERG's offices in Horten, Minister of Fisheries and Ocean Policy of Norway Bjørnar Selnes Skjæran, got an introduction to a selection of KONGSBERG's underwater vehicles, sensors and solutions.

At KONGSBERG, we are committed to aligning our political engagement with our strategic ambitions and communicated commitments. We collaborate with public and private actors, and participate in business coalitions, with the aim of leveraging our positive impact on the economy, people, and the planet.

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As a global technology leader, we have the ability and the responsibility to drive ambitious sustainability agendas through our political engagement. We address the global challenges where we have the greatest opportunity for positive change, such as climate solutions and protection of ecosystems and the environment.

Guided by our values, commitment to responsible business conduct and strategy

KONGSBERG's approach to political engagement is guided by our commitment to ethical business conduct, transparency, and compliance with laws and regulations. We do not fund political organisations such as political parties or political action committees.

KONGSBERG's Code of Ethics and Business Conduct further guide our engagement in public policy engagement. Our efforts are overseen by a designated team at the corporate level and is carried out through a combination of public hearings and direct dialogue with government, political and public stakeholders, as well as indirectly, through partnerships with industry and trade associations, business organisations, trade unions, employer organisations, think tanks, and other stakeholders.

Our political engagement activities are aligned with KONGSBERG's business strategy and sustainability priorities and ambitions, including our clear commitment to the Paris Climate Agreement and the UN Sustainable Development goals. Contribut-



▲ During the 2022 United Nations Ocean Conference in Portugal, KONGSBERG together with partners invited key stakeholders of the Norwegian ocean industry including Espen Barth Eide, Minister of Climate and the Environment of Norway and Bård Vegar Solhjell, Director General of the Norwegian Agency for Development Cooperation. The topics of the meeting were technology and innovation in the ocean space, and the need for scaling up sustainable ocean solutions.

ing to shape strong climate and environmental policies are further important for the competitiveness of the technologies and solutions we develop to support a low carbon economy.

Our focus areas for policy impact include regulatory development for climate, environment, governance, and social issues. We advocate for national and international policies to accelerate the decarbonisation of the maritime sector, faster

development of offshore wind energy and space technology for monitoring and hindering deforestation and illegal fishery.

When choosing the specific issues to engage on, we consider their alignment with our business strategy and ESG ambitions, value potential for our business and stakeholders, and the effectiveness of our engagement given our market position.

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Performance

Consistently with our approach and business priorities, we focused our efforts in 2022 on issues such as regulations for illegal fishery, reducing emissions from shipping, circular economy in our value chain, space technology for monitoring climate change, development of renewable energy value chains, including hydrogen and offshore wind. We engaged with the Norwegian government and parliament, the UN Global Compact, the EU and through industry and trade associations, such as ZERO (Zero Emission Resource Organisation), The Federation of Norwegian Industries, The Norwegian Confederation of Trade Unions, SEA Europe, the Norwegian Maritime Forum, the Norwegian Defence and Security Industries association.

KONGSBERG's dialogue with public stakeholders also included participating in several public hearings. One important business opportunity for our organisation is participation in the development of offshore wind in Norway. Read more about our position in the chapter '[Biodiversity and nature](#)'.

Performance commentary

In 2022 KONGSBERG played a significant role in impacting public policy in our industry segments in Norway. We actively engaged internationally through our global partnerships such as the UN Global Compact to promote a healthy and productive ocean economy. Our political engagement activities of 2022 were in line with our ambitions, and they were strengthened through the year.

Forward focus

Going forward, we plan to continue supporting political processes and shaping policies that support our business, strategy, and sustainable outcomes. We are working on developing a framework for publicly disclosing our partnerships and policy positions. We will further address training and competence building for employees engaging in direct and indirect policy engagement.

We aim to increase participation in the public debate on climate, environmental and social issues particularly in areas where we consider public private partnerships and dialogue critical to develop leading technological solutions. KONGSBERG will also increase engagement in multinational policy development, such as the EU.



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Tax



Responsible tax is our license to operate

KONGSBERG is a multinational enterprise with three different business areas and locations in 39 countries. Due to KONGSBERG’s global presence, the organisation makes significant tax payments to the local governments which creates value to the societies where it operates and builds trust. Additionally, KONGSBERG’s customer base is highly governmental. Therefore, responsible tax is KONGSBERG’s license to operate. It is expected that as a business partner, the organisation will comply with all relevant tax regulations and provide transparent tax disclosure.

Our approach

We believe that a responsible approach to taxation is essential in building trust, maximising our positive impacts in the countries where we work, and ensuring our license to operate. Therefore, we strive to act with integrity in all tax matters by identifying and complying with appropriate tax legislation, by transparent disclosing of all the necessary information to the relevant authorities and always taking prudent tax positions where tax legislation allows different interpretations or choices.

◀ KONGSBERG has a central tax department that reports to corporate management, and whose primary purpose is to ensure compliance with our Tax Policy throughout the Group.

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In conducting responsible business, our objectives are to comply with tax laws in an appropriate manner, have open and constructive relationships with tax authorities, and contribute positively to the local societies.

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 comply with relevant tax regulations.
- We seek to minimise the risk of uncertainties.
- We carry out transactions and profit allocation between the KONGSBERG business areas in accordance with current OECD principles.

KONGSBERG's four overarching principles for tax management:

1. Ensuring responsible tax management of KONGSBERG is a responsibility of the Board that should adopt tax risk management strategies to ensure that the financial, regulatory and reputational risks associated with taxation are fully identified and evaluated.
2. KONGSBERG shall comply with both the letter and spirit of the tax laws and regulations of the countries in where we operate.
3. KONGSBERG shall pay taxes where value creation takes place, and
4. KONGSBERG shall not engage in artificial tax arrangements.

Governance

KONGSBERG has a central tax department that reports to corporate management, and whose primary purpose is to ensure compliance with our Tax Policy throughout the Group. The policy is in accordance with the requirements of the principal owner, i.e. the Ministry of Trade, Industry and Fisheries, and is informed by the OECD Principles of Corporate Governance (2015). KONGSBERG's tax strategy is guided by the tax policy.

The tax department works to provide relevant business advice on tax matters on the group level and cooperates with internationally recognised tax advisers when necessary.

Risk management

At KONGSBERG, tax is a part of Enterprise Risk Management. We conduct risk analyses and manage tax risks through regular tax reporting, internal processes, controls, and guidelines.

Our approach to tax risks follows the same principles that apply to all other business risks. We consider tax risk not only from a financial perspective but also a reputational one. Therefore, we seek to minimise tax risk by complying with local tax regulations and by actively monitoring changes to all such regulations.

Tax risk management is an area where KONGSBERG sees a potential for improvement. As per OECD guidance, the future will bring a digital tax compliance at a significant higher speed and with far more data to be shared with the Government. This raises the requirement of not only adhering to the laws and regulation overall but doing this 'real-time'. A real time compliance will require more efficient routines for getting the information about deviation escalated to competent and authorised personnel that may analyse and respond. Going forward, KONGSBERG's priority will be to work on an improved version of a tax framework, with more emphasis on roles, responsibilities, and internal controls for the future.

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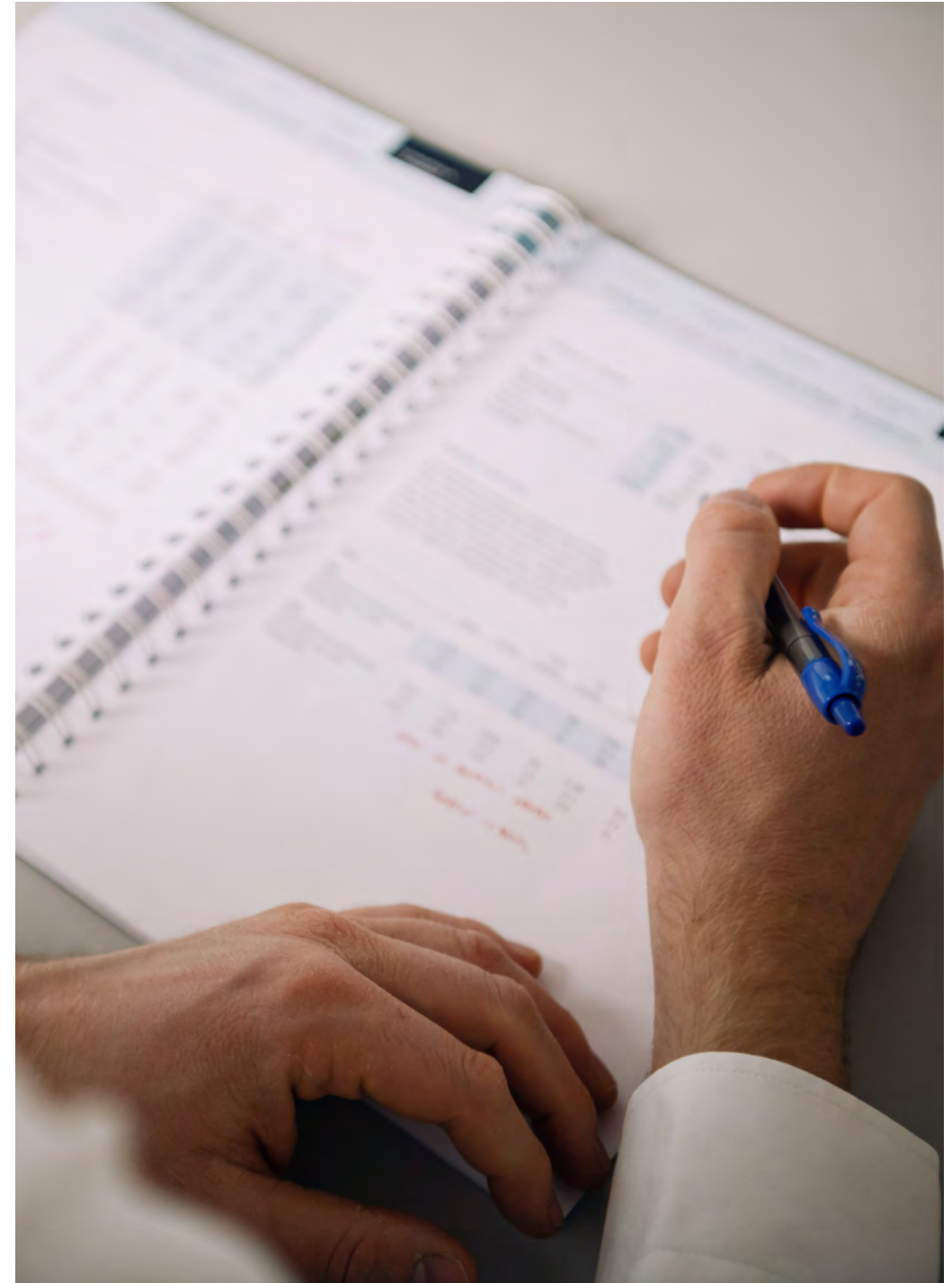
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Transparent reporting and cooperation with authorities

KONGSBERG is transparent in its approach to paying tax and tax position. Through our responsible tax approach, we aim to build trust with all stakeholders, bring value to the societies wherever we operate and foster positive working relationships with fiscal authorities.

As a responsible global organisation, KONGSBERG's tax reporting is consistent with local tax legislation, as well as with international reporting requirements and relevant accounting standards, such as IFRS.

To ensure transparency, KONGSBERG's tax department submits every year a country-by-country report (CbCR) to the Norwegian authorities, to showcase overall risk analyses and statistics for the tax authorities. The report is further shared with the tax authorities in other countries of KONGSBERG's operations. The tax report contains information on companies in each country, income and tax broken down by country, as well as a description of the activities in each of those countries.



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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 respon-

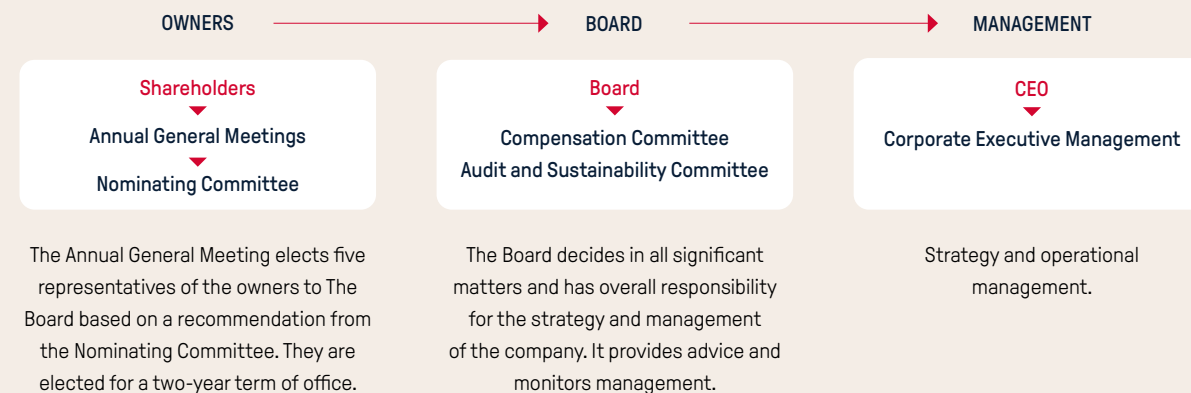
sibilities and roles between the shareholders, the Board and management, respect for the Group's other stakeholders, and open, reliable communication with the world around us.

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

Treatment of the topic in 2022

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



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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.lovdatab.no. 'The Norwegian Code of Practice for Corporate Governance', most recently revised on 14 October 2021, 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 11 May 2023. 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. 6 (2022-2023) 'Greener and more active state ownership – The State's direct ownership of companies', 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 ten 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'.



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Articles of Association

Kongsberg Gruppen ASA

Most recently revised in the light of resolution at the Annual General Meeting on 11 May 2022

- §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 221,641,340, divided among 177,313,072 shares with a nominal value of NOK 1.25. The Company's shares shall be registered in the Norwegian Registry of Securities.
- §5** The Board shall have from five to eight members (Directors). Up to five Directors and up to two Deputy Directors shall be elected by the Annual General Meeting. According to regulations laid down pursuant to the provisions of the Norwegian Companies Act regarding employee representation on the Board of Directors in public limited companies, three Directors and their Deputies shall be elected directly by and from among the employees.
- §6** The Chair of the Board has the power to sign for the Company alone, or the Deputy Chair and another Director may sign jointly for the Company.

- §7** General Meetings will be held in Kongsberg or in Oslo and shall be convened in writing with at least 21 days' notice. Documents that apply to items on the agenda for the General Meeting need not be sent to the shareholders if the documents are made available to the shareholders on the Company's website. This also applies to documents which are required by law to be included in or attached to the notification of the General Meeting. A shareholder can nevertheless ask to receive 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 matter which, pursuant to legislation or the Articles of Association, are the province of the General Meeting.
 3. Elect the shareholders' representatives and their deputies to the corporate Board of Directors.
 4. Elect the members of the Nominating Committee.
 5. Elect one or more auditors, based on nominations made by the General Meeting.
 6. Stipulate the Board's compensation and approve compensation to the Auditor.
 7. Deal with the Board's declaration regarding the stipulation of salary and other compensation to key management personnel.

The convening letter shall state that shareholders who would like to participate in the General Meeting are to sign up by a deadline specified in the convening letter. The deadline shall expire no more than five days prior to the General Meeting.

The General Meeting shall be chaired by the Chair of the Board or, in his/her absence, by the Deputy Chair. In the absence of both, the General Meeting shall elect a moderator.

§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 office for members of the Nominating Committee is two years. If the Chair of the Nominating Committee resigns his Commission in an election period, the Nominating Committee can choose the new Chair among the members of the Nominating Committee with the function of time for the remaining part of the new Chair's period.

The Nominating Committee shall present to the General Meeting its recommendations for the election of, and remuneration to, the Directors and Deputy Directors on the Board and the Nominating Committee. The General Meeting sets out instructions for the Nominating Committee.

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Board of Directors

Kongsberg Gruppen ASA



Eivind Reiten
Chairman



Anne-Grete Strøm-Erichsen
Deputy chair



Merete Hverven
Director



Morten Henriksen
Director



Per A. Sørli
Director



Rune Fanøy
Director
(employee elected)



Oda Ellingsen
Director
(employee elected)



Jo Even Bjerknes
Director
(employee elected)

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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 14 October 2021.

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'
- h. 'a description of the enterprise's guidelines for gender equality and diversity with regard to, for example, age, gender and educational and professional background for the composition of the board, management and control bodies and their subcommittees, if any. The objectives of the guidelines, how they have been implemented and their effect during the reporting period shall be stated. If the enterprise does not have such guidelines, this must be justified.'

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.

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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. The Chair of the Board is 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 23 March 2023.

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 154](#) 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

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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 2022, the Group's equity came to MNOK 13,744 (MNOK 13,618), which is equivalent to 31,8 (34,6) per cent of the total assets.

Net interest-bearing debt as of 31 December 2022 was MNOK -1,479 (MNOK -5,668). Of this, cash and cash equivalents represented MNOK 3,928 (MNOK 8,118). Working capital as of 31 December 2022 was MNOK 565 (MNOK -2,003).

Total assets at 31 December 2022 was MNOK 43,225 (MNOK 39,310). 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 2021, a dividend of NOK 15,30 per share was paid, whereof NOK 12 is on top of the ordinary dividend policy.

The Board proposes to the General Meeting to pay a dividend for the 2022 financial year of NOK 12 per share (totaling MNOK 2,100), whereof NOK 8,40 is on top of the dividend policy.

Board authorisations

Capital increase

The Board has not been authorised to issue shares.

Purchase of treasury shares related to purchase programme for all employees and incentive programme
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 11 May 2022, the Board was given authorisation to acquire treasury shares up to a maximum nominal value of MNOK 8,75 which is equivalent to 3,9 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 2023. The Board's acquisition of treasury shares pursuant to this authorisation can be exercised only between a minimum price of NOK 50 and a maximum of NOK 600 per share. The 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 10](#), and in separate Remuneration report published at [kongsberg.com](https://www.kongsberg.com) in relation with the notice of the Annual General Meeting, and section 12 of this report.

Purchase of treasury shares for deletion

At the annual General Meeting on 11 May 2022, the Board was given authorisation to acquire own shares for up to a maximum nominal amount of

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MNOK 12,5 The total compensation for the shares cannot exceed NOK 500 million. The authorisation may be used several times and is valid until the next annual general meeting, but no later than 30 June 2023. The Board's acquisition of own shares may, can be exercised only between a minimum price of NOK 50 and a highest price of NOK 600 per share.

As of 31 December 2022, the Group owned a total of 693,610 (613,987) treasury shares. Of these, 653,331 (592,028) shares are related to the buy-back programme which was decided by the Board after proxy from the annual general meeting in 2022.

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 acquisi-

tions, 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 2021 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 10](#) and [Note 29](#) of the annual financial statements for 2022.

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 sustainability and 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.

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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 2022, the Annual General Meeting was held on 11 May and 67,26 per cent (68.85) of the aggregate share capital was represented. A total of 267 (187) shareholders were present digitally or represented by proxies.

Notification

The Annual General Meeting is ordinarily held by 1 June each year. In 2023, the date is set for 11 May 2023.

- 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 themselves, 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.

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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.

Composition

The current Committee was elected by the Annual General Meeting of 11 May 2022 and consists of:

- Vigdis M. Almestad, senior portfolio manager in ODIN Forvaltning AS
- Torkel Storflor Halmø, Director, Ownership Department Norwegian Ministry of Trade
- 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 2024.

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. Torkel Storflor Halmø is employed by the Ministry of Trade, Industry and Fisheries which, as of 31 December 2022, 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 0.7664 per cent share in KONGSBERG at 31 December 2022. Karl C. W. Mathisen is employed by Folketrygdfondet, which as of 31 December 2022 together had a 5.9234 per cent stake in KONGSBERG. As of 31 December 2022, Erik Must had a 2.491 per cent interest through his company Must Invest AS and a 0.163 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, Per A. Sørli and Merete Hverven. Jo Even Bjerknes, Rune Fanøy og Oda Ellingsen are Board members elected by and among the employees. Detailed information on the individual directors can be found on the Group's website.

Out of the total of 12 Board meetings in 2022, there were eight ordinary meetings and two extraordinary Board meeting and one meeting conducted digitally.

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 are up for election in 2022.

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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. Ordinary election of the employees' representatives to Kongsberg Gruppen's Board of directors shall be conducted in the beginning of 2023.

The directors' shareholdings

Directors are encouraged to own shares in the company, but this is not a requirement. As of 31 December 2022, the shareholder-elected directors held the following portfolios of shares in the Group:

- Eivind K. Reiten owns 3,850 (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 4,960 (3,027) shares.
- Per A. Sørliie owns 3,400 (3,400) shares.
- Merete Hverven owns 0 shares.

The employee-elected board members hold the following portfolios of shares in KONGSBERG as of 31 December 2022:

- Jo Even Bjercknes owns 177 shares.
- Rune Fanøy owns 216 shares.
- Oda Ellingsen owns 1,350 shares.

Participation in Board and Committee meetings in 2022

Participation in meetings	Board	Audit and	
		Sustainability Committee	Compensation Committee
Eivind K. Reiten	12		5
Anne-Grete Strøm-Erichsen	12		5
Morten Henriksen	11	7	
Per Arthur Sørliie	11	7	
Merete Hverven	11		
Oda Ellingsen	12	7	
Rune Fanøy	12		5
Jo Even Bjercknes	7		
Kjersti Rød (substitute for Jo Even Bjercknes)	4		

1) The Board had 12 meetings in 2022, of this two were extraordinary and one meeting digital.

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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 December 2021. 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 December 2021, and no changes were decided.

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 and Sustainability 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 12 Board meetings (11) in 2022. The Board meetings had 98 (98) per cent attendance in 2022.

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

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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. The Board is composed to ensure that expertise for operations, corporate governance, risk management, financial and non-financial compliance, sustainability and climate, etc., is covered by the Board as a whole.

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 5.11. 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.



◀ 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.

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- 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 and Sustainability 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 and Sustainability Committee

The Audit and Sustainability Committee shall act as a preparatory body for the Board of Directors and support the Board in its responsibilities related to financial reporting, auditing, internal control compliance with rules of conduct, sustainability and overall risk management, cf. Sections 6-12 and 6-13 of the Public Limited Liability Companies Act.

The Audit and Sustainability Committee is also a preparatory body in terms of non-financial policy and control. The Committee consists of two shareholder-elected directors and one employee-elected director. 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. 7 (7) meetings were held in 2022. Members: Morten Henriksen (chair), Per A. Sørлие and Oda Ellingsen. The instructions for the Audit and Sustainability 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. The Group Executive Vice President, Chief HR & Security is the secretary of the Committee. 5 (5) meetings were held in 2022.

Members: Eivind K. Reiten (chair), Anne-Grete Strøm-Erichsen and Rune Fanøy. 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.

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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.

Administration prepares monthly operational reports and quarterly risk analyses that are forwarded to the Board members. In addition, quarterly financial reports are published for the financial market. The Audit and Sustainability Committee reviews the Group's quarterly report ahead of the Board meeting. The auditor takes part in the Audit and Sustainability 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 and climate related risks. 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 2022, 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 an 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 2022 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 2022 until the next Annual General Meeting, the total remuneration to the Board members will amount to NOK 2,547,000 (NOK 2,547,000).

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The remuneration breaks down as follows:

- Board Chairperson NOK 595,000 (NOK 561,000)
- Deputy Chair NOK 310,200 (NOK 300,000)
- Other Board members NOK 290,500 (NOK 281,000)
- Deputy members NOK 13,130 (12,700) per meeting.
- In addition, the members of the Audit and Sustainability Committee 112,000 (77,000) per year. The Committee's chair receives NOK 150,000 (103,000) per year.
- The members of the Compensation Committee receive NOK 50,150 (48,000) per year. The Committee's chair receives NOK 74,450 (72,000) 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 Board's declaration on executive pay and other remuneration to senior executives in KONGSBERG shall be considered by the General Meeting in the event of any significant change and at least every four years. This declaration was considered and approved by the Annual General Meeting on 6 May 2021. The structure of the remuneration system for the other members of the corporate management is determined by the Board of Directors according to the current guidelines. 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.

A report on salary and other remuneration paid to senior executives in KONGSBERG is submitted for consideration and advisory reconciliation by the annual general meeting.

Performance-based part of salary

Performance-based compensation is linked to improvements in EBIT, ROACE, increased operat-

ing revenues and individual targets. Payment of performance-based part of salary has a ceiling of 50 per cent of the basic salary. A more detailed description of the scheme is provided in the report on remuneration of executive management at KONGSBERG for 2022, which will be available on kongsberg.com from the date of its adoption at the annual general meeting on 11 May 2023. In 2022, the Group had 213 managers who were covered by an incentive plan that included an individual performance element.

The performance-based part of salary meets guidelines for remuneration to senior employees of enterprises and companies with a state shareholding. In 2022, the performance-based part of salary consisted of direct payments and payments from previous bonus banks. The bonus banking scheme has been discontinued as of 2019, with the last payment in 2023.

Long-term incentive (LTI)

LTI is an incentive scheme for senior executives where the participant receives, when certain criteria are met, shares for a given percentage of the senior executive's salary after deduction for tax. The LTI scheme constitutes a maximum of 30 per cent of the fixed salary for the CEO, 25 per cent for others in the group management, 15 per cent for the management teams in the business areas and 10 per cent for key positions. A more detailed description of the scheme is provided in the the report on the remuneration of executive management at KONGSBERG for 2022. The report will be available

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at kongsberg.com after the General Meeting 11 May 2023.

Conditions

Remuneration to corporate executive management and the Board is described in the report on the remuneration of executive management at KONGSBERG for 2022, which will be available at kongsberg.com from the date of its adoption at the annual general meeting on 11 May 2023.

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

The annual and quarterly reports are available on www.newsweb.no (Oslo Stock Exchange) and on the Group's website, along with presentation of the results.



prospects. Other members of the Group's management participate as needed.

Capital Markets Days and other arrangements are held where the Presidents of the Business Areas will participate. The entire Group Management is normally present at the 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

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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 and Sustainability 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 and Sustainability Committee's meetings.

The Audit and Sustainability 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 and Sustainability 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 27](#) 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.

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Chapter 5

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Directors' Report 2022

2022 was a good year and KONGSBERG had a strong order backlog of more than MNOK 63,000 and improved market positions at the year-end. Globally, the year was characterised by changes in the security situation, an unstable energy market, inflation and the consequences of climate changes. The security situation in Europe has strengthened the focus on nations' defence capabilities and the security needs that must be met. At the same time, we must think ahead and transition to more environmentally friendly energy sources, which make an important contribution to reducing greenhouse gas emissions. These challenges require cross-border efforts from both politicians and industry. At KONGSBERG, we will actively strive to contribute to good solutions.

Operating revenues increased by 16 per cent compared to 2021, to MNOK 31,803. Kongsberg Maritime had operating revenues of MNOK 18,978, Kongsberg Defence & Aerospace had operating revenues of MNOK 11,860 and Kongsberg Digital had operating revenues of MNOK 989. The Group's order backlog increased from MNOK 49,535 at the end of 2021 to MNOK 63,256 at the end of 2022. Kongsberg Maritime's order backlog increased by MNOK 5,618, Kongsberg Defence & Aerospace's order backlog increased by MNOK 7,908 and Kongsberg Digital's order backlog increased by MNOK 218 during the year. In total, the Group's order intake came to MNOK 45,150, up from MNOK 40,979 in 2021. The book-to-bill ratio was 1.42.

EBITDA increased by MNOK 516 to MNOK 4,602 in 2022. The EBITDA of both Kongsberg Maritime and Kongsberg Defence & Aerospace increased, while Kongsberg Digital's EBITDA fell as a result of the ongoing upscaling of the business. Strong project implementation and cost discipline contributed to the good profitability.

The profit for the year after tax was MNOK 2,809 in 2022, compared with MNOK 2,290 the previous year, equivalent to NOK 15.64 per share (NOK 12.06). The Group had a change in cash and cash equivalents of MNOK -4,186 in 2022 (MNOK 697) and net interest-bearing debt of MNOK -1,479 (MNOK -5,668) at the year-end. The Group had

equity of MNOK 13,744 (MNOK 13,618) at the end of 2022.

KONGSBERG has a solid financial position, and on this basis the Board of Directors will propose a dividend of NOK 12.00 per share to the Annual General Meeting on 11 May 2023 (a total of MNOK 2,128), of which NOK 3.60 is in accordance with the Group's ordinary dividend policy and NOK 8.40 is in addition.

The total emissions from own activities (scopes 1 and 2) were reduced by 3.0 per cent compared to 2021. This corresponded to a reduction of 16.3 per cent when measured relative to operating revenues.

KONGSBERG	
Headquarter	Kongsberg
Number of employees	12 187
Share of employees outside Norway	40%
Number of countries with presence	39
Share of revenues outside Norway	79%

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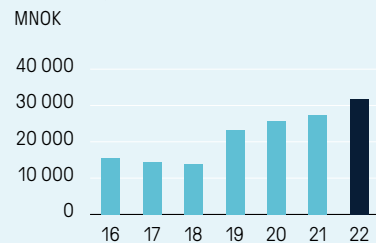
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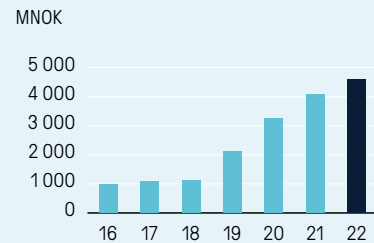
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KONGSBERG (Group)

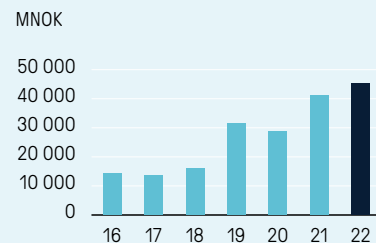
Operating revenues¹⁾



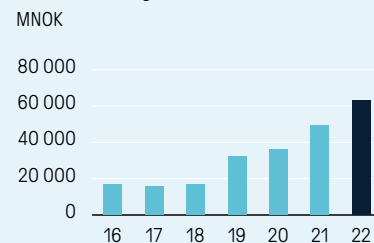
EBITDA¹⁾



New orders¹⁾



Order backlog¹⁾



1) Figures in the income statement, orderintake and order backlog for 2019 and 2018 were adjusted for discontinued operations in 2020. Comparable figures earlier years are not adjusted.

The business areas

KONGSBERG is a listed company with its head office in Kongsberg in Norway. In 2022, the Group had three business areas: Kongsberg Defence & Aerospace, Kongsberg Maritime and Kongsberg Digital. The Group is administered via its parent company, Kongsberg Gruppen ASA.

Kongsberg Defence & Aerospace

MNOK	2022	2021
Operating revenues	11 860	10 078
EBITDA	2 516	2 150
EBITDA margin	21.2%	21.3%
Order intake	19 560	22 221
Order backlog	43 540	35 632

Kongsberg Defence & Aerospace had operating revenues of MNOK 11,860 in 2022, MNOK 1,782 more than in 2021. The EBITDA margin was 21.2 per cent, compared to 21.3 per cent in 2021. The order backlog increased from MNOK 35,632 at the end of 2021 to MNOK 43,540 at the end of 2022, of which 80 per cent comprised deliveries outside Norway. The strong order backlog provides a good starting point for continued growth in operating revenues going forward.

The Integrated Defence Systems division had a strong progress on several large projects and grew

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its operating revenues by more than 50 per cent in 2022. This division's deliveries include the NASAMS air defence system, combat systems for submarines and digital solutions for military vehicles. The order backlog, which amounts to more than MNOK 11,000 at the end of the year, mainly consists of combat systems for new Norwegian and German submarines as well as air defence projects.

Through its Aerostructures & MRO division, KONGSBERG has supplied advanced composite and titanium aircraft parts for the F-35 fighter aircraft since 2008. Delivery volumes have risen each year. From producing a few ship set of parts in the early years, the programme is now in full production. In addition, the division has a significant maintenance business through Kongsberg Aviation Maintenance Services, which includes, among other things, an agreement for preparation of Norwegian F-16 aircraft for disposal. The division continued to grow in 2022 and has an order backlog of just over MNOK 4,500.

The Land Systems division supplies remote weapon stations (RWS) and communications equipment. Shortages of components related to the delivery of RWS had a negative effect on the division throughout the year. In 2022, a new five-year framework agreement worth MUSD 1,500 was signed with the US Army. The agreement covers further deliveries, maintenance and development work relating to the Common Remotely Operated Weapon Station (CROWS) programme. KONGSBERG has been a supplier to the CROWS programme since 2007 and

has delivered more than 14,000 CROWS systems and over 21,000 RWS in total to customers in 28 countries. At the end of 2022, the division had an order backlog of close to MNOK 6,000.

The Missile Systems division had 30 per cent growth in operating revenues and an order intake of more than MNOK 11,000 in 2022. The Naval Strike Missile (NSM) and Joint Strike Missile (JSM) are the division's main products. These long-range high-precision missiles are world leaders with their 5th generation low-signature design. Missile Systems signed several contracts for the delivery of NSMs throughout the year, including a significant contract with Australia worth more than MNOK 5,000. NSMs and JSMs have now been sold to or chosen by a total of twelve nations. The division will deliver an order backlog worth more than MNOK 21,000 over the next years.

Through its Space & Surveillance division and the Kongsberg Satellite Services (KSAT) 50 per cent owned, KONGSBERG is the Nordic region's largest supplier of equipment and services to the aerospace industry. Space is an important focus area for Kongsberg Defence & Aerospace and in 2022 we acquired a majority ownership stake in NanoAvionics, a Lithuanian small-satellite company, in which we own 78.5 per cent of the shares. This is a leading player in the development and production of small satellites and has contributed to over 120 satellite projects. In 2022, the division had operating revenues of just under MNOK 1,000 and an order backlog of just over MNOK 1,600. KSAT's operating

revenues of close to MNOK 1,500 and order backlog of more than MNOK 4,000 are not included in the division's figures as these are incorporated into the financial statements under share from an associates.

Kongsberg Defence & Aerospace owns 49.9 per cent of Finnish Group Patria, an international provider of defence, security and aerospace systems and services. Patria has in 2022 a turnover of MEUR 627 and has a profit after tax of MEUR 46.

The Russian war in Ukraine has led to a new security situation in Europe that stresses the importance of nations' defence capabilities and highlights security needs that must be met. Kongsberg Defence & Aerospace received an increasing number of requests for quotations and experienced a focus on the product portfolio related to this during the year. The ongoing Russian warfare has also made supply chains more unpredictable, for example related to the transport and supply of goods.

A shortage of individual components affected many companies in 2022. Kongsberg Defence & Aerospace is dependent on deliveries from several hundred subcontractors both in Norway and abroad. The component situation particularly affected deliveries from Land Systems during the year. The situation improved slightly towards the year-end, but developments are being closely monitored and still affect progress and deliveries somewhat.

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The sales process in defence programmes is extensive and time-consuming. The buyers of large defence systems are national authorities in different countries. These customers look on national security and domestic business development as significant factors, in addition to price and performance, when purchasing defence-related products. National budgets and political guidelines will therefore have a strong impact on whether and when any contracts can be entered into with KONGSBERG. The market is not subject to international free-trade agreements and is more characterised by national protectionism than most other industries. Predictability in the export regulations governing defence-related products and in the application of these regulations is therefore an important framework condition for KONGSBERG.

For the Norwegian defence industry, it is important that Norway's authorities place emphasis on repurchase agreements, joint development agreements and agreements that ensure market access in connection with purchases of defence-related products from other countries. When the Norwegian Armed Forces make large investments through foreign suppliers, these often constitute a significant part of the defence budget. In order to ensure defence deliveries that are well suited to Norwegian conditions and guarantee a viable and competitive Norwegian defence industry, it is very important to have Norwegian participation in such programmes. Both the Norwegian government and parliament have stressed the importance of Norwegian compa-

nies' industrial participation, and that this is in line with international practice.

KONGSBERG will continue to place emphasis on partnerships with major defence contractors and make efforts to further increase the focus on supporting local industry in the business area's markets. Our position as an attractive defence contractor 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 necessary for modern armed forces. Such participation also means increased activity for many of the business area's approximately 1,500 Norwegian subcontractors.

Kongsberg Maritime

MNOK	2022	2021
Operating revenues	18 978	16 507
EBITDA	2 390	1 977
EBITDA margin	12.6%	12.0%
Order intake	24 353	17 936
Order backlog	18 641	13 023

Kongsberg Maritime had operating revenues of MNOK 18,978 in 2022, up from MNOK 16,507 in 2021. EBITDA came to MNOK 2,390 and the EBITDA margin was 12.6 per cent in 2022, compared to MNOK 1,977 (12.0 per cent) in 2021. The order intake in 2022 was MNOK 24,353, correspond-

ing to a book-to-bill ratio of 1.28. The order intake increased by MNOK 6,417 compared to 2021. Kongsberg Maritime has diversified exposure and supplies equipment and solutions to most maritime vessel segments, such as traditional transport vessels, offshore, fishing, research and passenger ships, as well as marine robotics. This makes the business area less vulnerable to fluctuations in individual segments.

At the outbreak of the COVID-19 pandemic in 2020, a number of measures were quickly implemented to limit infection, maintain as normal operations as possible and ensure that the cost level was adapted to the activity level. Throughout the pandemic, there have at times been significant restrictions, different in the various geographical areas, to comply with. These eased up in 2022 and most had been lifted by the year-end. Kongsberg Maritime's results during the pandemic would have been impossible without the measures that were implemented during this period.

Following Russia's invasion of Ukraine and throughout the ongoing war, considerable sanctions have been imposed on Russia. In connection with this, Kongsberg Maritime reviewed its customer relationships that are affected by the current sanctions. This led to provisions for bad debts of MNOK 21 in 2022.

The number of new vessels ordered worldwide fell from 2021 to 2022. The reduction was mainly in the container-ship market, where the number of new orders was very high in 2021. The LNG, offshore

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wind and naval sectors represent markets in which Kongsberg Maritime has built up strong positions. These markets were strong in 2022, which also meant that, despite a reduction in the number of new vessels ordered in the market, Kongsberg Maritime increased the order intake by 36 per cent.

Through its Sensors & Robotics division, Kongsberg Maritime has a portfolio of sensors and sensor solutions that are central to mapping, monitoring and understanding oceans. These contribute to the safe and reliable control of operations both at and below the sea surface. The division's order intake is to a lesser extent driven by orders for new vessels. The division had an order intake of more than MNOK 4,100 in 2022, up MNOK 1,100 from the previous year. There was a strong influx of orders related to the autonomous underwater vehicle Hugin, and a significant contract was signed for the delivery of the new Hugin Endurance variant. There is good demand for solutions for monitoring the oceans. As of 1 January 2023, Sensors & Robotics will operate as a separate business area in KONGSBERG.

In the aftermarket, Kongsberg Maritime has a well-established network servicing over 33,000 vessels fitted with Kongsberg Maritime equipment. Kongsberg Maritime's considerable operations are the result of several decades of installing products and systems. A new sale today generates aftermarket activity over the next 20-30 years and good aftermarket work during this period may in turn lead to new sales at a later date. The interaction between the newbuild market and aftermarket

activities is therefore extremely important. An important driver of the increased aftermarket activity in 2022 was the maritime markets' greater demand for more environmentally friendly solutions. Among other things, this led to a significant number of contracts for the upgrading and hybridisation of existing vessels. In 2022, the aftermarket accounted for about half of Kongsberg Maritime's revenues and order intake.

New regulations and a much greater focus on sustainability in the market in general mean that the demand for environmentally friendly and climate-friendly solutions is growing. Kongsberg Maritime has relatively low emissions from its own operations, but it delivers to industries that have historically been responsible for some considerable emissions and are facing a major shift. One of the most important objectives of Kongsberg Maritime's deliveries is to streamline and secure customers' operations. In addition to having ambitions to reduce the climate footprint of our own operations, it is therefore important for us to work together with customers to develop new, more sustainable products and solutions. This is an area where Kongsberg Maritime and its technologies can really make a difference.

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

Kongsberg Digital

MNOK	2022	2021
Operating revenues	989	845
Recurring revenues	468	347
EBITDA	(259)	(45)
Order intake	1 275	789
Order backlog	1 150	932

Kongsberg Digital had operating revenues of MNOK 989 in 2022, up from MNOK 845 in 2021. Recurring revenues were 47 per cent of the operating revenues. EBITDA for the year was negative at MNOK 259. Kongsberg Digital has high growth ambitions. Throughout 2022, this business area further strengthened its organisation with both software developers and commercial resources, and significant investments were made in the roll-out of new solutions and applications. This affected Kongsberg Digital's EBITDA in 2022 and is expected to continue affecting it in 2023, but with positive developments during the year.

Demand for the 'ship-to-cloud' solution, Vessel Insight, increased in 2022. During the year, contracts were signed with several major players, including one of the world's largest container shipping companies, Mediterranean Shipping Company, which will install Vessel Insight on nearly 500 vessels. At the year-end, Kongsberg Digital had signed Vessel Insight agreements for about 2,000 vessels. More than 80 shipowners now use Vessel Insight for all or some of their vessel

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fleet. In total, these shipowners control more than 3,000 vessels, representing a significant potential for additional sales.

Since its formation, the business area has taken a leading market position for dynamic digital twins in the energy sector due to its Kognitwin product. Since the first contract was signed with Shell in the autumn of 2019, the number of both installations and users has increased significantly. At year-end, Kongsberg Digital had 18 digital twins in operation, divided among four customers with more than 8,000 users. Kongsberg Digital also has several ongoing proofs of concept (POC), where customers test and evaluate Kognitwin on certain installations. The business area experienced good revenue growth in 2022 and this is expected to continue in 2023.

The Digital Wells division accounted for 22 per cent of this business area's revenues in 2022 and has in recent years contributed solid growth and positive profit performance. This division has won several important contracts, both traditional licence sales and, increasingly, for 'software as a service' (SaaS). At the same time, the further development of its product portfolio has increased its revenue base. Together with positive oil-production market developments, continued good growth is expected in the year ahead.

The Maritime Simulation unit accounted for 30 per cent of Kongsberg Digital's operating revenues in 2022, and experienced a slight decrease in operat-

ing revenues compared to 2021. However, the unit's order intake was 31 per cent higher than in the previous year. Maritime Simulation operated in a challenging market during the pandemic, including in 2022, especially in Asia since educational institutions were completely or partially closed there. The improved order intake and a more positive market provide a basis for growth in 2023.

Kongsberg Digital operates using its own systems and is followed up by a board consisting of board members from KONGSBERG's corporate executive management as well as external and employee-elected members. Kongsberg Digital's current phase makes it natural to consider various strategic models for fully realising the value-creation potential we can see for Kongsberg Digital, including a stock-exchange listing.

Comments to the financial statements

Operating revenues

The Group's operating revenues were MNOK 31,803 in 2022, an increase of 16 per cent from MNOK 27,449 in 2021. Kongsberg Maritime had operating revenues of MNOK 18,978, Kongsberg Defence & Aerospace had operating revenues of MNOK 11,860

and Kongsberg Digital had operating revenues of MNOK 989 in 2022.

EBITDA development

EBITDA came to MNOK 4,602 in 2022, resulting in an EBITDA margin of 14.5 per cent, compared to MNOK 4,086 in 2021. Kongsberg Defence & Aerospace increased its EBITDA from MNOK 2,150 to MNOK 2,516 from 2021 to 2022, while Kongsberg Maritime's EBITDA rose from MNOK 1,977 to MNOK 2,390. Kongsberg Digital's EBITDA fell from MNOK -45 to MNOK -259 in 2022.

Performance

The earnings before tax came to MNOK 3,497, compared to MNOK 2,922 in 2021. The profit after tax was MNOK 2,809, equivalent to NOK 15.64 per share in 2022, compared to MNOK 2,290 in 2021 (NOK 12.06 per share). The return on average capital employed (ROACE) was 33.9 per cent in 2022 (32.7 per cent in 2021).

The Board of Directors will propose a dividend of NOK 12.00 per share to the Annual General Meeting on 11 May 2023 (a total of MNOK 2,128), of which NOK 3.60 is in accordance with the Group's ordinary dividend policy and NOK 8.40 is in addition. Correspondingly, a dividend of NOK 15.30 per share was paid in 2022, totalling MNOK 2,700, of which NOK 12.00 per share was in excess of the Group's

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ordinary dividend policy. In addition, an MNOK 500 programme to buy back own shares for cancellation was initiated. At 31 December 2022, 653,331 of these shares had been repurchased for a total of MNOK 233. At the year-end, the number of outstanding shares, including shares owned by KONGSBERG, was 177,313,072.

Cash flow

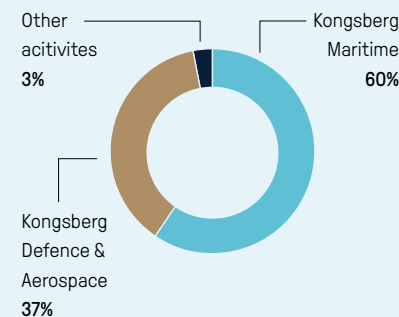
KONGSBERG had a positive cash flow from operating activities of MNOK 1,106 (MNOK 4,970) in 2022. This mainly consisted of EBITDA of MNOK 4,602, adjusted for changes in current assets and other operating items of MNOK -3,495. These were related to an increase in inventories, delayed deliveries of weapon stations and generally lower volumes paid in on the major defence projects as a result of natural cash-flow fluctuations in projects with large milestone payments.

In 2022, there was a negative cash flow related to investing activities of MNOK -1,343 (MNOK -769). The largest outgoing cash flows related to investing activities were MNOK 678 for the purchase/sale of property, plant and equipment, MNOK 601 for investments in subsidiaries, mainly NanoAvionics, and MNOK 400 linked to capitalised development and other intangible assets.

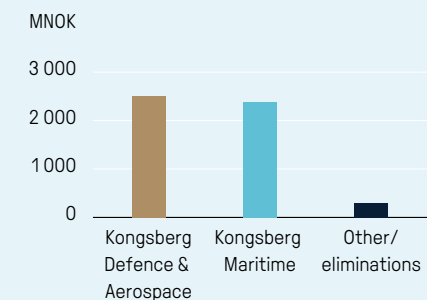
There was a negative cash flow from financing activities of MNOK -4,002 (MNOK -3,419), mainly related to dividends paid, the repurchase of own

MNOK		KONGSBERG consolidated	Kongsberg Defence & Aerospace	Kongsberg Maritime	Other/ eliminations
Operating revenues	2022	31 803	11 860	18 978	965
	2021	27 449	10 078	16 507	864
EBITDA	2022	4 602	2 516	2 390	(304)
	2021	4 086	2 150	1 977	(41)
EBITDA margin	2022	14.5%	21.2%	12.6%	-
	2021	14.9%	21.3%	12.0%	-
New orders	2022	45 150	19 560	24 353	1 237
	2021	40 979	22 221	17 936	822

Distribution of revenue



Distribution of EBITDA



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shares under the buyback programme and interest expenses.

The net change in cash and cash equivalents, after the effect of changes in exchange rates, was MNOK -4,186 (MNOK 697).

Capital structure

The most important capital-allocation priority in KONGSBERG's financial policy is to have a solid balance sheet by the net debt divided by EBITDA being 1.5 as a long-term average, while at the same time the net debt may not exceed 2.5 times the EBITDA. This ensures a balance between creditors and shareholders and also provides security for our suppliers and customers. This is important, as KONGSBERG is involved in deliveries that extend over many years.

The capital-allocation priorities also take the company's dividend policy into account and are further explained in [Note 4](#) to the consolidated financial statements in the annual report.

At 31 December 2022, the Group's equity was MNOK 13,744, equal to 31.8 per cent of the total assets. The net interest-bearing debt (interest-bearing debt less cash and cash equivalents) was MNOK -1,479. At the year-end, the long-term interest-bearing debt mainly consisted of three long-term bond loans totalling MNOK 2,000.

The Group's syndicated loan facility of MNOK 2,500 was unused at the end of 2022.

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

Foreign currency

The Group's financial policy states that contracts over a certain size must be currency hedged when they are entered into, and these are mainly hedged using forward exchange contracts (fair value hedges). In special cases, the Group uses forward exchange contracts or options as cash-flow hedges, for example in the event of large tenders where the probability of winning the contract is considered to be high. The Group uses hedge accounting for established forward exchange contracts, which means that changes in the value of hedging instruments and objects are capitalised.

At the end of 2022, net sales of foreign exchange as fair value hedges amounted to MNOK 19,185 measured at agreed exchange rates. These forward exchange contracts had a net fair value of MNOK 184. In addition, the Group had net sales of currency equivalent to MNOK 2,974 as cash-flow hedges measured at agreed exchange rates, consisting of forward exchange contracts. At the year-end, the cash-flow hedges had a total net negative fair value of MNOK 92.

Outlook for 2023

In recent years, KONGSBERG has developed positively and demonstrated a good ability to adapt to considerable and rapid changes. Despite component shortages, demanding logistics and surging inflation, the company has delivered both growth and significantly improved results.

At the end of 2022, the Group had an order backlog of MNOK 63,256, of which MNOK 25,100 is for delivery in 2023. This equals about MNOK 5,000 more than the corresponding order coverage one year earlier and provides a good basis for further growth. The order intake from the aftermarket is included in the order backlog to a minor extent. Framework agreements come in addition to thereported order backlog. Order backlogs in associates are not included in KONGSBERG's order backlog.

As from the first quarter of 2023, Sensors & Robotics and Kongsberg Maritime will operate as two separate business areas. Kongsberg Maritime is exposed to newbuilds and aftermarket relating to traditional merchant fleets and advanced marine operations. Compared to 2022, fewer new vessels are expected to be ordered in 2023, while a good order intake is expected in the markets that have traditionally represented higher value for Kongsberg Maritime. Many shipyards have almost full order books for the next few years, which means that this business area's order backlog extends over a long period. The increasing need for

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upgrades to reduce emissions from vessel operations means that continued high activity in the aftermarket is expected in 2023. Overall, Kongsberg Maritime is also expected to grow in 2023. Sensors & Robotics is exposed to offshore, fisheries, research, monitoring and marine operations. There is a high demand for technology in all these segments, providing a basis for growth in 2023.

Kongsberg Defence & Aerospace has grown continuously in recent years, increasing its order backlog from MNOK 35,632 to MNOK 43,540 in 2022. Of the order intake of MNOK 19,560 in 2022, MNOK 11,000 concerned orders for missiles, an area where high growth is expected in the future and where investments are currently being made in expanded production capacity. The turbulent world view and situation for some components regarding availability and logistics are factors that can affect both demand and lead times. This makes it more challenging than before to predict both the growth rate and profitability levels. Profitability varies between different product groups and different geographies. The composition of the projects to which deliveries are made is therefore an important driver of profitability in this business area. The business area's long-term margin target is 17 per cent in 2025, but this will vary between quarters. Kongsberg Defence & Aerospace's market activity is at a record-high level and the basis for growth in the short and medium term is very good.

Kongsberg Digital increased the number of installed Kognitwin and Vessel Insight systems in 2022, and there is high market activity and increased demand for this business area's solutions. As a result of continued significant investments in increased capacity and the development and roll-out of digital solutions in 2023, this business area's EBITDA and cash flow are expected to be negative for the year as a whole. KONGSBERG's ambition is for Kongsberg Digital's EBITDA to be positive in 2024.

Future strategy and priorities in 2023

KONGSBERG is a leading global technology group that delivers products, systems and services to critical and complex operations across a number of sectors. We hold leading positions in our core markets and will continue to grow in these. At the same time, KONGSBERG is looking to new, adjacent markets where the Group can effectively leverage technologies and use its domain knowledge and expertise to create solid positions. Growth will mainly be driven organically, but we will also consider acquisition opportunities when strategically relevant.

Across the Group, we manage our portfolio of companies with the aim of ensuring the optimal

development of our operations to generate value not only for our shareholders but also for our employees, customers, partners and other stakeholders.

Sustainability and safety are of great strategic importance to KONGSBERG. We recognise that the industries in which we operate are in a period involving several adjustments. The transitions to cleaner energy solutions, more digital and virtual solutions and safer and more secure operations are important drivers. The pace of change varies, but KONGSBERG is well positioned and focused on developing and delivering the best, smartest, safest and most sustainable products and solutions to meet our customers' ever-changing needs and contribute to a more sustainable world.

In 2022, we established Kongsberg Renewables Technologies to strengthen the Group's offering to, and presence in, the offshore renewable energy market. We also announced that the Sensors & Robotics division in Kongsberg Maritime will operate as a separate business area from 1 January 2023. In 2023, our ambition is to build Kongsberg Renewables Technologies and further develop each of our now four established business areas.

We recognise that their knowledge, dedication and willingness to contribute make our employees one of our most important competitive advantages. A cornerstone of our strategy is our ambition to be one of the greatest places to work. This means we

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must continue to maintain and develop a working environment and culture that promotes employee wellbeing, collaboration, training and development. All these are important focus areas for the entire Group in 2023.

Kongsberg Defence & Aerospace

KONGSBERG has world-leading products and systems for the international defence market. Our advanced military products, solutions and services are designed to meet the needs of our customers in our niche markets. Our main focus is on securing strategically important contracts and growing in

selected geographical regions and markets, both through own activities and in collaboration with partners. KONGSBERG also aims to develop its position as a leading Nordic aerospace company.

In 2022, KONGSBERG secured a number of important contracts that support its strategic priorities. Maintenance, Repair & Overhaul (MRO) is an

The business areas' priorities in 2023

Kongsberg Defence & Aerospace

- Secure good execution of the major ongoing defence programmes
- Ensure strategically important contracts
- Maintain a position as a leading defence contractor in Northern Europe
- Further strengthen existing positions in the US, Europe and Australia
- Create further opportunities within the naval-defence area through Vanguard and Kongsberg Naval Systems
- Continue to develop the collaboration with Patria and, through KAMS, further develop as a strong, international player in the field of military maintenance

Kongsberg Maritime

- Help our customers to meet sustainability and energy-optimal operations requirements by establishing ourselves as an energy-transition partner with cutting-edge expertise in sustainable energy solutions
- Help to shape the maritime industry by developing our product and segment portfolio and continue to have a strong global presence to maintain our position as a leading supplier of technology to the maritime industry
- Help to optimise our customers' marine operations by working closely with our customers and partners and further develop our product and solution portfolio to include integrated electrical and digital solutions
- Improve profitability through continuous work on efficiency measures

Kongsberg Digital

- Further position Kongsberg Digital as an industrial software company with a focus on combining our strong domain knowledge of capital-intensive industries with scalable and industry-agnostic software
- In close cooperation with our customers and partners, help to shape the digital development of industries like the maritime, oil and gas, renewable-energy and other capital-intensive industries
- Continue to develop and strengthen the value of our products to customers by building ecosystems, applications and new usage areas
- Scale and further develop focus areas such as Kognitwin, Vessel Insight and Sitecom that contribute to smarter, safer and more efficient operations by making data available and simulating data
- Further develop our brand and communication and continue to focus on attracting, developing and retaining world-class expertise

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important focus area for Kongsberg Defence & Aerospace. In 2022, we achieved so-called Initial Depot Capability (IDC) for the F-35 programme at Rygge as the second location outside the USA. KONGSBERG's position as a leading defence contractor in Northern Europe was further confirmed when the Royal Netherlands Navy selected NSM for its frigate fleet in December. We also started to build a new missile factory which will open in the summer of 2024 and help to considerably expand our production capacity.

Kongsberg Defence & Aerospace continuously strives to identify opportunities to develop more sustainable defence solutions. The circular economy is an important focus area and activities that extend the lifetime of systems are also high on the agenda. We work closely with the entire value chain, both customers and suppliers, in order to contribute to the green shift, while at the same time fulfilling our public-service role relating to security and defence.

Kongsberg Maritime

Through Kongsberg Maritime, we have a leading position as an equipment and system supplier to the maritime market. Efficient operations, safety and energy efficiency are important drivers for the further development of Kongsberg Maritime's product portfolio. We aim to drive the green shift and integrate operational efficiency and sustainability into all our products and services. We intend

to strengthen our position in the upgrade market, especially in the delivery of hybrid solutions and other energy-saving measures. We work closely with our customers and partners to improve the green footprint throughout a system's lifetime. Kongsberg Maritime is part of the solution for creating future sustainable oceans and aims to be technology- and competence-leading with regard to both transport and resource utilisation.

In 2022, we continued to work on efficiency measures and further increased our profitability compared to the previous year. This business area also continued to position itself for new sustainable areas and, for example, had an order intake of more than MNOK 1,700 for systems and concepts for offshore wind vessels. In addition, the aftermarket activities had a strong focus on upgrading to more environmentally friendly solutions, including hybridisation of vessels.

Kongsberg Digital

Kongsberg Digital continued to develop positively in 2022 and strengthened its leading positions in existing industries. This business area is well positioned to become a key player in digitalisation across capital-intensive industries. Our ambition is to create a globally leading digital work surface. The business area has continued to invest and strengthen its capabilities within its core business areas, and this has yielded results in the form of a sharp rise in the number of vessels connected to the ship-

to-cloud solution Vessel Insight and the number of installations and users of the dynamic digital-twin solution Kognitwin. The current phase makes it natural to consider future partner models and other models in order to fully realise the value-creation potential KONGSBERG envisages for Kongsberg Digital, including a stock-exchange listing.

The KONGSBERG share and shareholder relationships

KONGSBERG must provide the stock market with relevant, comprehensive information as the basis for a balanced, correct valuation of the share. We place emphasis on having an open dialogue with the stock market and media.

The price of the KONGSBERG share increased from NOK 286.00 at the end of 2021 to NOK 415.60 at the end of 2022. This gives a market capitalisation of MNOK 73,671 at the end of 2022. Including dividend totalling NOK 15.30 per share, the return in 2022 was 50.7 per cent. The Oslo Stock Exchange Benchmark Index (OSEBX) fell by 1 per cent during the same period. At 31 December 2022, KONGSBERG had 22,298 shareholders (16,507). The company had 1,008 (943) foreign shareholders that together owned 22.76 per cent of the shares (19.90 per cent). The Norwegian state, represented by the Ministry of Trade, Industry and Fisheries, is the largest

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shareholder with 50.004 per cent of the shares. The 10 largest shareholders held a total of 66.38 per cent (70.62) of the shares at the year-end. The number of shares issued is 177.31 million, each with a nominal value of NOK 1.25. At the end of 2022, KONGSBERG owned a total of 693,610 (613,987) treasury shares. Of these, 653,331 shares were linked to the programme to buy back shares for up to MNOK 500. Half of these shares are to be repurchased in the market. The remaining shares, up to MNOK 250, will be purchased from the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries, in accordance with an agreement between KONGSBERG and the Ministry. The shares are repurchased under the authorisation granted to the Board by KONGSBERG's Annual General Meeting on 11 May 2022. KONGSBERG will ask the

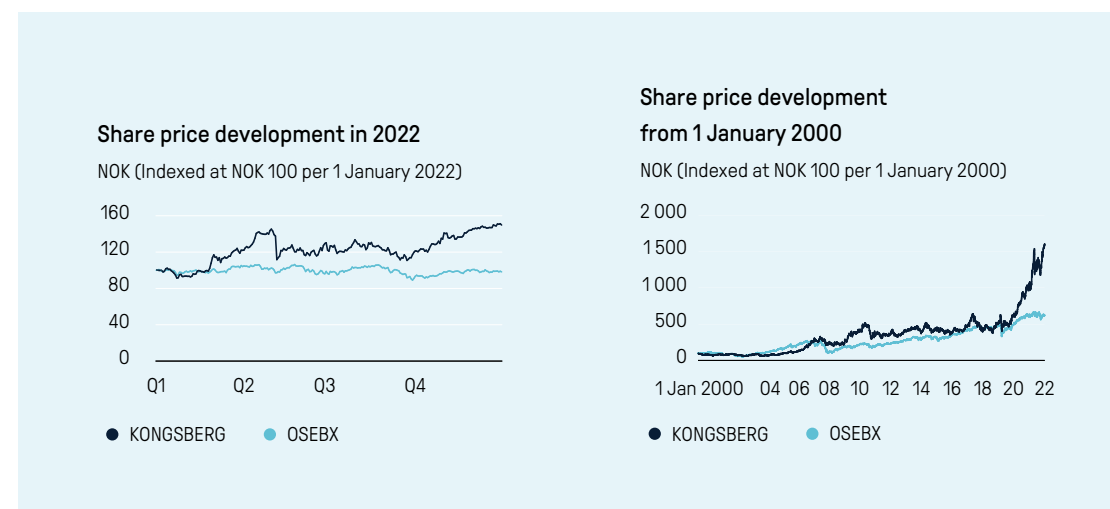
2023 Annual General Meeting for approval to cancel shares repurchased under this programme.

Apart from in 2000 and 2001, KONGSBERG has paid dividends to its shareholders every year since it was listed in 1993. The company's dividend policy states: 'KONGSBERG's aim is to pay an ordinary dividend per share that is stable or growing from one year to the next. 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 2022, 56.7 million (31.8 million) KONGSBERG shares were traded in 406,711 (174,154) transactions. The company makes active efforts to promote

interest in the share through activities aimed at the investor market. KONGSBERG is regularly represented at roadshows, meetings and conferences both in Norway and abroad. The goal for 2023 remains a high degree of availability and activity in the investor market. Investor presentations are held when each quarterly report is issued.

The Board regards employee share ownership as positive. Every year, employee share programmes are arranged so that Group employees can purchase shares in the company. In the spring of 2022, the Group's annual employee share programme was implemented for the 26th time. Shares were sold to employees at a 25 per cent discount on the market price. In 2022, all employees were offered shares for up to NOK 100,000 before the 25 per cent discount (taxable discount). A total of 858,110 shares were sold to 4,363 employees who took advantage of the offer.



Risk factors and risk management

KONGSBERG is exposed to various forms of risk that the Board monitors through dealing with individual cases and risk reports made to the Board. The Board believes there is a healthy balance between the Group's overall risk and risk-bearing capacity. The administration prepares monthly operations reports

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and quarterly risk reports that are discussed by the Board. The administration performs risk analyses in connection with major investments and customer contracts, strategic initiatives and when enterprises are bought or sold. The Audit and Sustainability Committee is a preparatory body for the Board with regard to the exercise of the Board's responsibility for dealing with financial reports, relevant assessment items and compliance matters, assessing the Group's internal controls and risk management, and sustainability and climate.

The Group's operations are international, with deliveries of high-tech systems and solutions mainly to customers in the maritime and defence markets. The market risk may therefore vary somewhat within these different segments. Its strong international presence and global dependency make the Group vulnerable to factors affecting international trade, foreign exchange and the world economy in general.

COVID-19 has negatively impacted the world since the first outbreak at the start of 2020. The pandemic has led to great uncertainty for the entire value chain – due to travel restrictions, quarantine regulations and other infection-control considerations – and with regard to the flow of input factors and finished products. Large parts of the world returned to normal conditions without significant restrictions in 2022, and no significant setbacks can be seen on the horizon. China and some other countries still face significant pandemic-related challenges and will also be affected in 2023.

KONGSBERG was not significantly impacted by the pandemic in 2022. The Group will continue to monitor developments to protect its own employees and business associates and, in so far as possible, ensure normal business operations. After almost three years of COVID-19, we have gained a lot of experience that will be valuable in dealing with COVID-19 and any other pandemics and crisis situations in the future.

2022 was marked by Russia's invasion of Ukraine, which started on 24 February 2022. The conflict affects the flow of energy and goods between the two countries and the rest of the world, and broad sanctions were implemented in 2022. This affected KONGSBERG during the year and will continue to affect us in 2023, so the situation is being monitored closely.

In 2021 and 2022 there has been a challenging energy situation in Europe. This is as a consequence of the economic upturn following the COVID-19 pandemic, in which demand increased more than supply, and was further exacerbated by Russia's invasion of Ukraine and the reduction in gas imports from Russia. As a result of the drop in the supply of goods and services during the pandemic, the world economy was in 2022 characterised by inflation and the countercyclical policies imposed by countries' central banks. KONGSBERG is vulnerable to increases in the price of energy, wages and materials, and implemented measures to ensure the profitability of its delivery contracts in 2022.

KONGSBERG supplies products and services to the complete value chain within oil & gas as well as wind. Energy demand and price developments affect the willingness to invest in these markets. Investment levels may also vary between different geographical areas, depending on factors such as reserves and the level of exploration and production activities. The uncertainty surrounding future oil-price developments as well as the transformation towards renewable energy sources affect investment levels in several segments, but also provides opportunities in other segments where KONGSBERG's technology makes a difference. The focus on sustainability and climate is constantly increasing and this affects the offshore market. It affects investors' and lenders' assessments, and may also affect us and our customers' and suppliers' activities and priorities going forward. Offshore wind is a market that is growing rapidly, and new vessels are being ordered to construct and operate the wind farms. KONGSBERG is in a position to secure contracts in this segment in the coming years too.

The merchant marine market ranges from simple dry cargo ships to advanced tankers. Passenger-carrying cruise ships and ferries are also an important part of the merchant fleet. Newbuilding orders are closely linked to the expected development in transport needs. Changes in the world economy affect the need to transport people, energy, raw materials and finished products by sea. As a result, the demand for new vessels is cyclical and varies over time. There is currently uncertainty in the

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market related to economic prospects, future fuel developments, commodity prices and shipyard capacity. While this may negatively affect new-building orders for a period, it also creates new opportunities and the need for innovative technological solutions.

In the defence market, products and systems are supplied for land-, air- and sea-based defence. Due to strict security requirements and the protection of the different countries' own defence industries, it is often difficult for a defence contractor to win defence contracts outside its own country. There is considerable protectionism in Europe, the US and the defence market in general. Nevertheless, there are opportunities via long-term relationships and niche products, and these are partly safeguarded through our relationships with several large foreign defence companies. Russia's invasion of Ukraine has led to security rising on the agenda, and this has increased the demand for surveillance and defence equipment.

KONGSBERG mainly operates in markets that are greatly influenced by technological developments and where there is a risk that new technology may affect our leading position. We annually invest considerable amounts to develop both new and existing products in order to take new, and maintain existing, market positions. General economic-cycle fluctuations will also affect the markets – to varying degrees and at different times. Export-control regulations and sanctions may entail uncertainty regarding market opportunities.

In 2022, the focus on limiting exports of technology products through export-control regulations continued. Russia's invasion of Ukraine and the subsequent sanctions against Russia have presented new challenges. Together with the ongoing trade war between the US and China, this means that the risks associated with restrictions on market access and sanctions have increased.

We deliver systems and solutions with high technological complexity, and the deliveries are mainly organised as projects. Effective project management is therefore an important factor in reducing risk. KONGSBERG has established project-management goals based on internal and external best practice, and project managers undergo training programmes. The projects' revenues are primarily contractually agreed, and the uncertainty in the projects is largely related to the assessment of remaining costs and determination of the completion rate, as well as the counterparty risk and guarantee obligations. The Group has established principles for categorising projects in terms of technological complexity and development content. This forms the basis for assessing the execution risk and profit to be recognised in the projects.

KONGSBERG is exposed to financial uncertainty through currency risk, interest-rate risk, credit risk, liquidity risk and climate risk. The aim is to reduce the financial risk and thus improve predictability in the Group. Our financial risk is managed centrally in accordance with the guidelines adopted by the

Board in the Group's financial policy. The Group's financial risk management is described in [Note 4](#) to the annual financial statements, 'Management of capital and financial risks'. Our customer base is diversified and consists mainly of public-sector enterprises and large private companies in a number of countries. Historically, the Group has had low losses on accounts receivable from customers. Measures to limit risk exposure are implemented when the administration deems these necessary. The Group's liquidity risk is managed centrally through loan-refinancing and available-capital requirements, as well as the use of liquidity forecasts.

With a high share of net income in currencies other than the Norwegian krone, KONGSBERG is exposed to fluctuations in foreign-exchange markets. Efforts are made to reduce the currency risk through the exercise of the Group's financial policy, which states that contracts over a certain size must be currency hedged when they are entered into. These are mainly hedged using forward currency contracts (fair value hedges). In special cases, the Group uses forward contracts as cash-flow hedges, for example in the case of large tenders where there is a high probability that KONGSBERG will win the contract. In addition, currency options are used to some extent.

KONGSBERG has large book values on its balance sheet that are justified by future cash flows. A reduction in cash flows could affect the value of the assets. In 2016, KONGSBERG acquired 49.9 per

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cent of the shares in Finnish company Patria, which at 31 December 2022 had a book value of MNOK 3,036. A persistent weakening of Patria's results may make it challenging to defend the book values. During 2022, KONGSBERG acquired NanoAvionics, a Lithuanian manufacturer of small-scale satellites, for MNOK 505, as well as Interconsult Bulgaria (ICB) and Visavi (Norway), both software development consultancies, for MNOK 101 and MNOK 9 respectively. Significant amounts of the excess value of these acquisitions have been added to goodwill. See [Notes 5, 14 and 15](#) to the financial statements for details.

KONGSBERG is exposed to climate-related financial risk and works systematically to identify risks and opportunities relating to climate changes and the transition to a low-emission society. The risk assessments are an integral part of the company's central management and reporting of risks and are used as a basis for strategy, product and business developments. KONGSBERG reports in accordance with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) and [further details can be found in chapter 3](#).

In addition to climate, we consider the transition to a circular economy, sustainable supplier chains, human rights and anti-corruption measures as being financially material environmental, social and governance (ESG) factors for KONGSBERG. The new materiality analysis process, in line with the double materiality principle, was completed towards the end of 2022. In 2023, we will consider

whether all the financially material ESG factors have been fully integrated into the Group's management of its strategy and risks.

KONGSBERG has built up and further developed compliance functions over several years. Regulations, as well as follow-up and reporting systems, have been established to manage risk in areas such as anti-corruption, export controls and sanctions, human rights, supply chains and whistleblowing. Training in the area of ethics and compliance is provided throughout the organisation, both in Norway and abroad.

We conduct external evaluations of our compliance and anti-corruption programme every three years, and did so most recently in 2020. The Board considers KONGSBERG's compliance programme to be at a very good level.

As a high-tech company, KONGSBERG is constantly exposed to data-security threats, and is under constant pressure from various external players. Essentially, we are subject to computer virus attacks and attempts at hacking, social engineering and fraud. The management prioritises and pays close attention to monitoring and other measures to prevent us from being compromised. In order to be as well-equipped as possible for this type of threat, we have established Kongsberg Cyber Security Center and cooperate closely with Norway's National Security Authority and several leading competence environments, such as the Forum of Incidence Response and Security Teams.

Together with information to and the training of all employees, this helps the Group to continuously improve its ability to withstand these threats.

The risk of physical attacks on locations and employees is considered to be lower than the risk of cyber attacks, but we conduct risk assessments continuously and implement security measures where necessary.

Technology and product development

KONGSBERG develops and delivers high-tech solutions both in Norway and abroad. Our technology platform has been systematically built up over many years and is an important prerequisite for our competitiveness. The transfer of technology between the different parts of the Group is very valuable. Sustainable innovation is an important part of the Group's business strategy and KONGSBERG has developed and invested considerably in future-oriented technology expertise in digitisation. We are also actively working together with our key technology partners to further develop our technology platform. KONGSBERG continuously invests in product and system development, both self-financed and through customer-funded programmes. In total, the Group spends about 10 per cent of its operating revenues on product

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development over time. This includes both self-financed and customer-financed developments.

The total self-financed product development and maintenance work amounted to MNOK 1,980 in 2022, of which MNOK 305 was capitalised. At 31 December 2022, the capitalised own-development work equalled a total of MNOK 1,262 for KONGSBERG.

The Kongsberg Defence & Aerospace business area has the largest share of the capitalised own-development projects in KONGSBERG. These comprise technology relating to weapon stations, missile systems, control systems and communication equipment.

Kongsberg Maritime's self-financed development projects mainly comprise many projects with a limited total scope, and to a large extent relate to the development of existing technology. Most of these development projects do not meet the criteria for capitalisation of development costs.

Kongsberg Digital has ongoing development projects whose capitalisation is linked to the development of the digital platform Kognifai and associated applications.

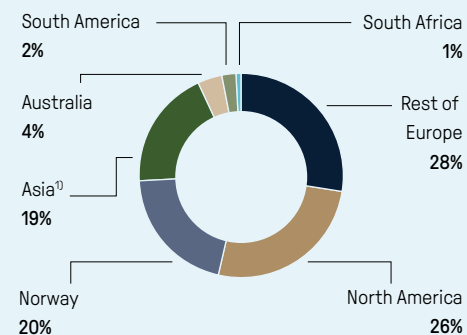
Sustainability and ESG

KONGSBERG shall represent sustainable development, with a balance between results, value creation and environmental, social and governance (ESG) factors. Sustainability and ESG are integral parts of the Group's strategy processes. Sustainable value creation and innovation are key elements in helping to solve the major global challenges facing the world. For us, this means business opportunities in several markets in light of our broad technology and competence platform. We are aware of the risks associated with our licence to operate – with

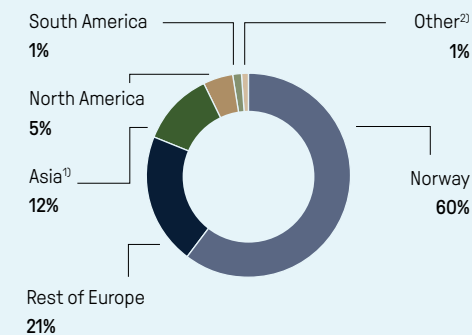
regard to compliance with laws and regulations, changes in resource scarcity, unrest in the global situation, developments in global megatrends and suchlike. We have, and will continue to have, a focus on anti-corruption and corporate social responsibility as regards our suppliers and partners, as well as on following up human and labour rights in both our own organisation and our business partners' organisations.

In 2022, the Group conducted a new materiality analysis in accordance with the double materiality principle in order to identify, assess and prioritise its most important ESG topics, including risks and

Geographical distribution of revenues



Geographical distribution of employees



1) Middle East is included in Asia 2) Africa and Australia

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opportunities. Refer to the annual report's sustainability chapter for a more detailed description of the Group's work on sustainability and ESG factors.

Respect for human rights is key to sustainable development. In KONGSBERG, this is enshrined in our governing documents. We are committed to identifying, preventing and mitigating any adverse consequences related to our business activities, for our employees, in our supply chain, for our business partners and where we operate. We will publish an account of the specific due diligence assessments on our website by 30 June 2023.

According to section 3-3c of the Norwegian Accounting Act, the company must prepare a corporate social responsibility statement. We refer to that stated about the environment, social factors and corporate governance in the annual report's sustainability chapter.

Ethics, integrity and compliance

When carrying out all activities, we are committed to complying with our values and high standards of safety, ethics and quality, and this is also reported in our quality management system. The Board believes that such a commitment is fundamental to running a healthy, successful and sustainable business. Significant resources are devoted to maintaining a comprehensive global ethics and compliance programme designed to prevent and deter, as well as detect and handle, any violations

of laws, our business-ethics guidelines and other important regulations and governance documents applicable to the company.

Climate and environment

The climate and environmental accounts provide an overview of KONGSBERG's energy consumption, greenhouse gas emissions and waste management. The Group's biggest positive contribution to limit climate changes is through its deliveries of products and solutions that contribute to reduced emissions for our customers. This is a key part of our business strategy.

In 2021, we committed to setting targets to reduce greenhouse gas emissions from our own operations, including our supply chain, in order to contribute to the Paris Agreement's goal of limiting global warming to 1.5 degrees Celsius in accordance with the Science Based Targets initiative (SBTi). In 2022, the Group further developed these climate goals and documented how they are to be achieved in an application for approval by SBTi. The goals are described in the [chapter on climate on pages 74–91](#) of this report. This also contains a detailed overview and description of the climate and environmental accounts for 2022. Our ambition for the period up to 2030 is to reduce our own greenhouse gas emissions from the use of oil and gas by 55 per cent and from our own use of electricity by 25 per cent through energy efficiency and technical upgrades. Furthermore, electricity purchases must

have a guarantee that they originate from a renewable energy source. We aim to reduce emissions from transport and distribution by 25 per cent and from our own business travel by 30 per cent. In addition, we aim for at least two-thirds of our suppliers to set their own science-based targets for their operations within five years.

No serious incidents related to pollution of the environment were reported in 2022.

In 2022, the Group considered nature and natural diversity to be an important topic that includes risks and opportunities for the company. In 2023 and beyond, we will conduct risk assessments and develop our approach and strategy to minimise negative effects and increase the positive effects in accordance with recognised standards and the Convention on Biological Diversity.

Health, safety and the environment

At KONGSBERG, we put life and health first, and will never compromise on the health and safety of our employees, customers or partners in our global operations. To achieve this goal, we work continuously, openly and pre-emptively to build a strong health, safety and environmental (HSE) culture at all levels of the organisation. It is our responsibility,

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in cooperation with the management, to ensure a safe and prudent working environment in KONGSBERG, and we are convinced that this also contributes to increased efficiency and wellbeing, as well as to lower operating costs. In 2022, KONGSBERG established a new HSE directive, in which best practices, expectations and management principles are defined to support our 'Vision Zero' – zero accidents and injuries.

In KONGSBERG, safety must always come first. Our employees and partners have been mandated to stop work that is a threat to life and health. We actively strive to increase safety in the workplace through systematic risk reduction, and we encourage the organisation to map and report high-risk incidents, as well as to share experiences and best practices – which is especially important regarding incidents with a high injury potential. All personal injuries and high-risk incidents are investigated to determine the underlying causes and to share best practices with the organisation. We need to understand the conditions and situations that have triggered the incident so that similar incidents can be prevented. We believe in collaboration and that everyone must contribute to the HSE work, but our managers have the overall responsibility. The corporate executive management has been continuously updated about the HSE results and any challenges as well as about personal injuries and high-risk incidents. HSE reporting is an important part of our follow-up in this area, and active efforts are being made to increase the number of reports. Everyone who works for KONGSBERG must

contribute to reporting dangerous conditions, near-misses and accidents. In 2022, 3,051 HSE reports were submitted. All employees, including contract workers, are to receive relevant HSE training with information on the rules, requirements and risks.

The number of personal injuries was reduced in 2022. The number of lost-time and non-lost-time work-related incidents fell from 2.23 per million hours worked in 2021 to 2.01 per million hours worked in 2022. In most of the personal injury cases, the injuries were limited. Preventive measures have been introduced on an ongoing basis.

We see that sickness absence has increased since the pandemic. We are therefore working closely on follow-up and prevention, as well as on mapping any post-COVID effects. We also seek experience and best practice outside our own organisation. The Group's total sickness-absence rate increased from 3.0 per cent in 2021 to 3.6 per cent in 2022. For the operations in Norway, the sickness-absence rate is 4.5 per cent, up from 3.2 per cent in 2021. Those on sick leave are systematically followed up. All employees in Norway have access to the company health service. In the foreign enterprises, this varies in line with local practice and legislation. At the end of 2022, 40 per cent of KONGSBERG's employees worked outside Norway. This means we must pay great attention to, and have a lot of insight into, HSE issues in the countries in question.

Mental health is important to us, which is why we have continued last year's campaign where we talked about the importance of working on conditions that improve mental health – both at work and in our spare time.

On World Day for Employees with Disabilities, we rolled out a campaign on the themes of inclusion, collaboration and facilitation. All colleagues are equally important to KONGSBERG. We are one team, and we take care of each other no matter what.

All the business areas have established HSE processes and guidelines to reduce risk and exploit opportunities, with support from ongoing HSE audits to map the compliance status and further opportunities for improvement. In 2022, ten HSE audits were carried out in the business areas. The results of all the audits have helped to improve overall HSE processes and share best practices.

Further details on key sustainability figures relating to HSE can be found in the Group's [Sustainability Report, page 105](#).

The Board monitors the HSE work closely and reviews the HSE reports every quarter.

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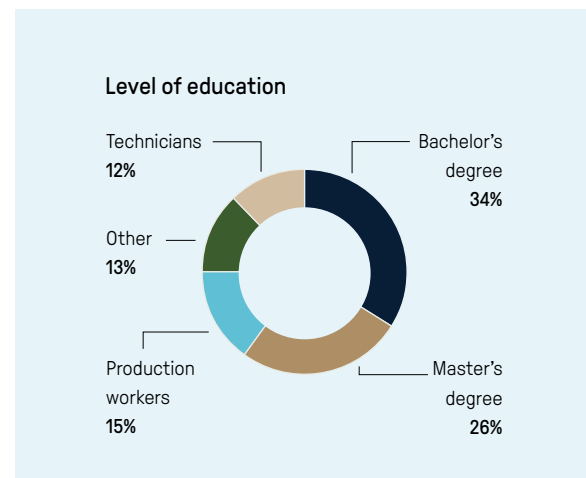
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Our employees

Number of employees	31 Dec 22	31 Dec 21
Kongsberg Defence & Aerospace	3 879	3 428
Kongsberg Maritime	7 114	6 857
Other	1 194	837
Total in the Group	12 187	11 122
Proportion outside Norway	40%	37%

KONGSBERG is an organisation based on knowledge and expertise, and our employees are our greatest resource. We have a unique, strong corporate culture that has been developed over many years. Our culture is a valuable resource that helps us attract people with the right behaviour and expertise to meet tomorrow's technical challenges



in a sustainable way. Good, clear and shared values lead to good conduct that yields commercial results. KONGSBERG has clear common denominators and these are expressed and experienced in the same way wherever we work.

In KONGSBERG, management is about creating value and achieving results through others. The key to success lies in the combination of good leadership and dedicated employees. The manager is to exercise leadership based on our values, ethical guidelines and management principles. Our managers must create an environment where our employees will thrive and succeed in meeting the strategic priorities of customer satisfaction, innovation and operational excellence. Based on this, we have Leadership@KONGSBERG, which is intended to help clarify and quality assure goal-setting, goal follow-up and evaluation processes for all our employees.

KONGSBERG's management of its employees' competence is an important prerequisite for long-term success. The Group is working to increase the exchange of knowledge and employees between the business areas. Good work processes and development opportunities are important tools for recruiting and retaining good employees. KONGSBERG attaches great importance to competence development and makes continuous efforts to further develop its employees.

Cooperation with employee unions and organisations through the established cooperation and

representation schemes is good and makes valuable contributions to dealing with the Group's challenges in a constructive manner.

Diversity

Key figures in diversity	31 Dec 22	31 Dec 21
Percentage of women	21.1%	20.4%
Percentage of women in managerial positions out of total managerial positions	20%	19%
Percentage of women in level 1-3 managerial positions out of total managerial positions	26%	25%
Percentage of women in corporate executive management	25%	22.2%
Shareholder-elected women on the Board	40%	40%

KONGSBERG is convinced that diversity benefits its business, provides access to a wider range of talent and ensures a better and broader understanding of customers, as well as access to new markets. Different perspectives drive innovation and growth. We therefore work systematically and purposefully to recruit and develop people with different ethnic backgrounds, education levels, ages and genders. The average age of our permanent employees dropped from 43.9 years in 2021 to 42.4 years in 2022.

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The company is committed to promoting gender equality and preventing discrimination in violation of the Norwegian Gender Equality Act. Short- and long-term goals have been established to help increase the proportion of women in the Group, with regard to both appointments and management positions. The number of female employees rose to 21 per cent, from 20 per cent in 2021. The percentage of female managers on levels 1-3 also rose and was 26 per cent in 2022.

To the extent possible, KONGSBERG seeks to adapt working conditions so that people with disabilities can also be employed by the company. Diversity is particularly followed up by the Board's Compensation Committee. The Board considers that the Group complies with applicable regulations in this area.

See [pages 116–123](#) of this report for a more detailed discussion of the Group's work on diversity and equality.

Corporate governance

KONGSBERG aims to safeguard and increase stakeholder value by pursuing profitable, growth-oriented industrial development in a long-term, sustainable and international perspective. Good corporate governance shall reduce the risk associated with the business, while at the same time utilising the Group's resources in an efficient and

sustainable manner, thereby ensuring the greatest possible value creation. The value created shall benefit shareholders, employees, customers and society at large. The Board attaches importance to ensuring that the Group's governing documents are reviewed annually and updated so that they are in so far as possible in accordance with the Norwegian Code of Practice for Corporate Governance.

Pursuant to section 3-3b of the Norwegian Accounting Act, the company must prepare a corporate governance statement. In accordance with section 5-6 of the Norwegian Public Limited Companies Act, this statement will be discussed at the Annual General Meeting. [The statement in chapter 4](#) of the annual report is based on the latest revised version of the Code of Practice dated 14 October 2021.

Directors' liability insurance

Kongsberg Gruppen ASA has taken out a directors' liability insurance policy that is applicable to the Group's Board members, CEO and senior executives. The directors' liability insurance covers legal financial claims against the Board or management arising from actions by the Board or management. The insurance is valid for the parent company and all KONGSBERG subsidiaries in which KONGSBERG owns more than 50 per cent. The insurance is placed with a reputable insurance company with a good rating.

Salary and other remuneration to executive management

The Board has a separate Compensation Committee that, among other things, considers all material matters relating to salary and other remuneration to executive management before formal Board deliberations and decisions. In accordance with Norwegian company legislation, the Board has also prepared a separate report entitled 'Report on the remuneration of executive management in KONGSBERG 2022', which will be published at the same time as the notice of the Annual General Meeting.

Profit for the year and its allocation

The operations of Kongsberg Gruppen ASA mainly consist of providing group services to subsidiaries and carrying out other administrative tasks.

The revenues in 2022 came to MNOK 201, compared to MNOK 243 in 2021. The profit for the year was MNOK 257 in 2022, compared to MNOK 5,782 in 2021. This change is due to a considerably lower Group contribution in 2022 than in 2021.

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The balance sheet has been reduced by MNOK 9, which is due to a reduction in short-term receivables and debts relating to subsidiaries. As at 31 December 2022, the total assets amounted to MNOK 15,915.

The parent company, Kongsberg Gruppen ASA, made a profit for the year of MNOK 257 in 2022. The Board proposes the following allocations in Kongsberg Gruppen ASA:

Provisions for dividend	MNOK	2 128
From equity	MNOK	(1 871)
Total allocated	MNOK	257

The proposed dividend equals 76 per cent of the Group's profit from ordinary activities for the year.

Going concern

In accordance 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 of future profits and the Group's long-term strategic forecasts. The Group is in a healthy economic and financial position.

“Sustainability at KONGSBERG”, chapter 3, and “Corporate Governance”, chapter 4, is an integral part of the Report of the Board of Directors.

Kongsberg, 23 March 2023

Eivind Reiten
Chairman

Anne-Grete Strøm-Erichsen
Deputy chairman

Merete Hverven
Director

Morten Henriksen
Director

Per A. Sørli
Director

Rune Fanøy
Director

Oda Ellingsen
Director

Jo Even Bjerknes
Director

Geir Håøy
President and CEO

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Consolidated statement of income

KONGSBERG (Group)

MNOK	Note	2022	2021
Operating revenues	6, 7	31 803	27 449
Total revenues		31 803	27 449
Material cost	9	(11 210)	(9 577)
Personnel expenses	10, 11	(11 240)	(9 975)
Other operating expenses	27	(4 752)	(3 810)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6, 30	4 602	4 086
Depreciation property, plant and equipment	6, 12	(469)	(476)
Depreciation, leasing assets	12, 13	(449)	(396)
Impairment of property, plant and equipment	6, 12	(18)	(9)
Amortisation intangible assets	6, 14	(352)	(341)
Impairment of intangible assets	6, 14	(4)	(2)
Earnings before interest and taxes (EBIT)	6, 30	3 309	2 863
Share of net income from joint arrangements and associated companies	8	387	244
Financial income	16	250	98
Financial expenses	16	(322)	(151)
Interest expenses on leasing liabilities	13, 16	(128)	(132)
Earnings before tax from continuing operations (EBT)		3 497	2 922
Income tax expense	17	(687)	(632)
Earnings after tax (EAT)		2 809	2 290
<i>Attributable to:</i>			
Equity holders of the parent		2 774	2 159
Non-controlling interests		36	131
<i>Earnings per share (EPS) / EPS diluted in NOK</i>			
- Earnings per share	18	15.64	12.06
- Earnings per share, diluted in NOK	18	15.64	12.06

Consolidated statement of comprehensive income

KONGSBERG (Group)

MNOK	Note	2022	2021
Earnings after tax		2 809	2 290
Specification of other comprehensive income for the period:			
<i>Items to be reclassified to profit or loss in subsequent periods:</i>			
Change in fair value, financial instruments			
- Forward exchange contracts, cash flow hedges	21 C	6	75
- Cross-currency swaps	21 C	(70)	45
Tax effect cash flow hedges and cross-currency swaps	17	14	(26)
Translation differences currency	21 B	287	(194)
Total items to be reclassified to profit or loss in subsequent periods		236	(100)
<i>Items not to be reclassified to profit or loss:</i>			
Actuarial gains/losses pensions	11	364	(145)
Tax effect on actuarial gain/loss on pension	17	(78)	32
Total items not to be reclassified to profit or loss		285	(113)
Other comprehensive income for the period		521	(213)
Comprehensive income after tax for the period		3 331	2 077
<i>Attributable to:</i>			
Equity holder of the parent		3 291	1 967
Non-controlling interests		40	110

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Consolidated statement of financial position as of 31 December

KONGSBERG (Group)

MNOK	Note	2022	2021
Assets			
<i>Non-current assets</i>			
Property, plant and equipment	12	4 107	3 901
Leasing assets	13	1 743	1 715
Goodwill	14, 15	3 686	3 139
Other intangible assets	14	2 095	1 900
Deferred tax asset	17	235	248
Shares in joint arrangements and associated companies	8	3 868	3 609
Other non-current assets	19	585	172
Total non-current assets		16 320	14 686
<i>Current assets</i>			
Inventories	9	5 493	4 306
Trade receivables	20	6 957	4 518
Customer contracts, assets	7	8 031	6 518
Financial derivatives	21 A	1 596	545
Other short-term receivables	20	896	620
Cash and cash equivalents	22	3 932	8 118
Total current assets		26 905	24 624
Total assets		43 225	39 310

Kongsberg, 23 March 2023

Eivind Reiten
Chairman

Anne-Grete
Strøm-Erichsen
Deputy chair

Merete Hverven
Director

Morten Henriksen
Director

Per A. Sørli
Director

Rune Fanøy
Director

Oda Ellingsen
Director

Jo Even Bjerknes
Director

Geir Håøy
Chief Executive Officer

MNOK	Note	2022	2021
Equity, liabilities and provisions			
<i>Equity</i>			
Issued capital		5 930	5 932
Retained earnings		6 911	7 079
Other reserves		693	458
Equity attributable to owners of the parent		13 535	13 470
Non-controlling interests		209	149
Total equity	23	13 744	13 618
<i>Non-current liabilities and provisions</i>			
Long-term interest-bearing loans	21 D	2 003	2 450
Long-term leasing liabilities	13	1 526	1 500
Pension liabilities	11	553	1 104
Provisions	24	115	121
Deferred tax liability	17	1 112	1 281
Other non-current liabilities		75	72
Total non-current liabilities and provisions		5 384	6 528
<i>Current liabilities and provisions</i>			
Customer contracts, liabilities	7	14 159	11 787
Financial derivatives	21 A	1 559	378
Provisions	24	1 563	1 596
Short-term interest-bearing loans	21 D	450	-
Short-term leasing liabilities	13	419	380
Other current liabilities	25	5 948	5 024
Total current liabilities and provisions		24 097	19 164
Total liabilities and provisions		29 481	25 692
Total equity, liabilities and provisions		43 225	39 310

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Condensolidated statement of changes in equity

KONGSBERG (Group)

<i>MNOK</i>	<i>Note</i>	Equity related to shareholders of the parent					Total	Non-controlling interests	Total equity
		Issued capital		Other reserves		Retained earnings			
		<i>Share capital</i>	<i>Other issued capital</i>	<i>Hedging reserve²⁾</i>	<i>Translation difference</i>				
Equity as of 1 January 2021		225	5 708	(258)	817	6 754	13 246	55	13 301
Earnings after tax		-	-	-	-	2 159	2 159	131	2 290
Other comprehensive income		-	-	94	(194)	(92)	(192)	(21)	(213)
Transactions with treasury shares related to employee share programme		-	-	-	-	(62)	(62)	-	(62)
Dividend paid	23	-	-	-	-	(1 425)	(1 425)	-	(1 425)
Capital reduction ¹⁾		(1)	-	-	-	-	(1)	-	(1)
Share buy-back related to share buy-back programme ¹⁾		-	-	-	-	(266)	(266)	-	(266)
Purchase/sale, non-controlling interests		-	-	-	-	11	11	(12)	(1)
Dividends, non-controlling interests		-	-	-	-	-	-	(5)	(5)
Equity as of 31 December 2021		224	5 708	(165)	623	7 079	13 470	149	13 618
Equity as of 1 January 2022		224	5 708	(165)	623	7 079	13 470	149	13 618
Earnings after tax		-	-	-	-	2 773	2 773	37	2 809
Other comprehensive income		-	-	(50)	284	284	518	3	521
Transactions with treasury shares related to employee share programme		-	-	-	-	(5)	(5)	-	(5)
Dividend paid	23	-	-	-	-	(2 716)	(2 716)	-	(2 716)
Capital reduction		(2)	-	-	-	-	(2)	-	(2)
Share buy-back related to share buy-back programme		-	-	-	-	(481)	(481)	-	(481)
Purchase/sale, non-controlling interests		-	-	-	-	(22)	(22)	20	(1)
Equity as of 31 December 2022		222	5 708	(215)	907	6 912	13 535	209	13 744

1) MNOK -194 is reclassified from capital reduction to share buy-back related to share buy-back programme.

2) For more details on the hedge reserve see [Note 21 C](#).

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Consolidated statement of cash flow

KONGSBERG (Group)

MNOK	Note	2022	2021
Earning after tax			
Depreciation/impairment of property, plant and equipment	12	487	485
Depreciation, leasing assets	13	449	396
Amortisation/impairment of intangible assets	14	356	342
Share of net income from joint ventures and associated companies	8	(387)	(244)
Net finance items	16	200	185
Income taxes	17	687	632
<i>Adjusted for</i>			
Change in customer contracts, assets		(2 136)	(2 044)
Change in customer contracts, liabilities		3 150	2 170
Change in other current liabilities		449	404
Changes in inventories		(1 187)	(174)
Changes in trade receivables		(2 339)	1 057
Changes in other current receivables		(516)	124
Changes in provisions and other accruals		(502)	(288)
Income tax paid	17	(414)	(366)
Change in net current assets and other operations-related items		(3 495)	884
Net cash flows from operating activities		1 106	4 970

Table continued on next column

MNOK	Note	2022	2021
<i>Cash from investing activities</i>			
Dividens from joint ventures and associated companies	8	201	147
Proceeds from sale of property, plant and equipment	12	56	21
Purchase of property, plant and equipment	12	(678)	(576)
Capitalised internal development and other intangible assets	14	(400)	(215)
Repayment of debt in acquired business		(7)	-
Interests received		124	45
Proceeds from acquiring subsidiaries and associated companies	5, 8	(601)	(85)
Investment in financial assets		(44)	(39)
Proceeds from sale of business		6	47
Settlement of cross-currency swaps	21 B	1	(116)
Net cash flow from investing activities		(1 343)	(769)
<i>Cash flow from financing activities</i>			
Proceeds from interest-bearing loans	21 D	-	500
Repayment of interest-bearing loans	21 D	-	(1 521)
Payment of principal portion of lease liabilities	13	(408)	(357)
Interest paid		(168)	(76)
Interest paid on leasing liabilities	13	(128)	(132)
Transactions with treasury shares related to employee share programme		(100)	(91)
Share buy-back related to share buy-back programme		(483)	(317)
Dividends paid to equity holders of the parent	23	(2 736)	(1 440)
- of which dividends from treasury shares		21	15
Net cash flow from financing activities		(4 002)	(3 419)
Total cash flow		(4 238)	781
Effect of changes in exchange rates on cash and cash equivalents		54	(84)
Net change in cash and cash equivalents		(4 186)	697
Cash and cash equivalents as of 1 January 2022		8 118	7 420
Cash and cash equivalents as of 31 December 2022	22	3 932	8 118

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KONGSBERG (Group)

1 General information

Kongsberg Gruppen is an international technology group. The parent company 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 2022 at its meeting on 23 March 2023. The consolidated financial statements for 2022 include the parent company and subsidiaries (collectively referred to as 'KONGSBERG' or 'the Group'), as well as the Group's investments in associates and joint 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. Due to rounding, the numbers in one or more lines or columns in the consolidated financial statements may not be summed to the total in the line or column.

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

Consolidation

The consolidated financial statements presents the parent company and all the subsidiaries as one entity. When new subsidiaries are acquired, the results, assets and liabilities are recognised in the consolidated accounts from the date of acquisition. The date of acquisition is the date when KONGSBERG obtains control of the acquired company. Subsidiaries disposed of

during the year are included in the consolidated statement of income until the date on which the control ceases.

In some cases, KONGSBERG does not own all the shares in the subsidiaries. The share of profit and equity in the subsidiaries that do not accrue to KONGSBERG is included in the consolidated earnings for the year, but is specified as non-controlling interests under earnings after tax in the income statement, under the comprehensive income after tax for the period in the statement of comprehensive income and in the equity in the statement of financial position. In the case of acquisitions where there are non-controlling ownership interests, goodwill is in most cases limited to KONGSBERG's share.

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.

Companies that constitute the Group are listed in [Note 28](#) 'List of Group Companies'.

Joint arrangements and associated companies are recognised in the income statement with KONGSBERG's share of the earnings after tax on the accounting line 'Share of net income from joint arrangements and associated companies'.

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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. Customer contracts, above a certain threshold, in currencies different from the functional currency are hedged and recognised as income on the basis of the hedged exchange rate. 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.

Estimation uncertainty and assessment of accounting 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 7](#) 'Revenue recognition customer contracts'
- [Note 14](#) 'Intangible assets'
- [Note 15](#) 'Impairment testing'
- [Note 17](#) 'Income tax'
- [Note 21](#) 'Financial Instruments'
- [Note 24](#) 'Provisions'

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 KONGSBERG's consolidated statement.

IFRS standards implemented with the effect from 1 January 2022

The amendments to the standards IFRS 3, IFRS 9, IAS 16 and IAS 37 entered into force on 1 January 2022 and have been implemented in the preparation of the consolidated financial statements. The amendments to IFRS 3 are intended to replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued. This implies that the Group shall apply the criteria in IAS 37 or IFRIC 21, instead of the Conceptual framework, to determine whether a present obligation exists at the acquisition date. The amendment to IAS 16 applies when property, plant and equipment generate income at the same time as it is under construction, this income cannot be deducted from the acquisition cost of the property, plant or equipment. The amendments to IAS 37 specify which costs an entity needs to include when assessing whether a contract is onerous or lossmaking. The

amendments to IFRS 9 clarifies the fees that an entity shall include when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Implementation of these changes have not had any significant effect on KONGSBERG's financial statements.

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3 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 in the disclosures 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 cost which corresponds to the fair value at the time the agreement is signed. When acquiring a 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 Refinitiv on each forward exchange contract. In turn, these are based on supply and demand in the foreign exchange market. The fair value of each forward exchange contract 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, cross-currency swaps and currency options are assessed based on market prices from Refinitiv or updated valuations from the transaction counterpart.

Non-current liabilities

Fair value of interest-bearing debt, see [Note 21 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 before credit margin is 3M NIBOR. The credit margin is then estimated for KONGSBERG for remaining tenors.

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4 Management of capital and financial risks

KONGSBERG has a centralised finance function responsible for the Group's capital structure and financing, currency risk, liquidity management, interest rate risk, credit risk, financial counterparty risk, trade finance, insurance schemes, management of the company's business portfolio and capital allocation principles. 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 shareholder remuneration
 4. Active management of the company's business portfolio
1. The capital required to operate in KONGSBERG can fluctuate considerably, which requires good liquidity and predictable access to capital. The Group shall therefore be perceived to hold a good creditworthiness by investors and customers, which ensures access to debt capital markets. KONGSBERG has set a target for net interest-bearing debt/EBITDA over time to fall within the range of 1.5x +/- 1.0x, and around the centre of the range as a long-term average. This target was adjusted to include the effects of IFRS 16 in both numerator and denominator in 2022. 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 2022, KONGSBERG's net debt/EBITDA was 0.1.

2. KONGSBERG's technology platforms have been built up over years and are prerequisites for being competitive. In recent years, the Group has invested 4-5 per cent of its revenue in 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 remuneration to its shareholders. The target is to pay a stable or growing ordinary dividend on a per share basis year over year, supplemented by the possibility of paying special dividends in excess of the ordinary dividend policy and share buy-back of own shares. Together and over time these components shall be competitive for the shareholders. When determining the size of remunerations to the shareholders, management and the board will take into account future capital requirements.

4. KONGSBERG shall actively manage its business portfolio, which entails acquisition, disposals and restructurings. The Group's businesses are primarily assessed for their value creation ability, 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 KONGSBERG 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 2022 was MNOK 13,744, which corresponds to 31.8 per cent of total assets. The Group's net interest-bearing debt, including IFRS16 effects, at year-end was MNOK 466.

KONGSBERG primarily uses debt instruments in the Norwegian capital market as a debt financing source. The Group considers that its 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 of excess liquidity were as of 2022 in Norwegian kroner. The bonds have been issued with both fixed and floating interest rates, whereas the major deposits have floating interest rates. Deposits in the Group's cash pool or with other banks are subject to floating interest rate.

KONGSBERG shall give priority to minimizing interest rate costs on its outstanding debt and has a policy of keeping the interest rate duration below 2.5.

The need for interest rate swaps is assessed in light of the duration policy. As of year-end, the Group had no interest rate swaps, and 41 per cent of the issued debt had floating interest (41 per cent in 2021), while the remaining 59 per cent had fixed interest (59 per cent in 2021). The interest rate duration was 1.1 (1.5 in 2021).

External debt will normally be refinanced well before it matures. The Group also seeks to hold a spread maturity profile on its bonds to mitigate refinancing risk.

See [Note 21 D](#) 'Financial instruments – Interest rate risk on loans' for further 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.

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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 2,500 and an overdraft facility of MNOK 1000 per 31 December 2022. During 2022 the committed loan facility was renewed and increased with MNOK 200 and the overdraft facility was increased with 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 is routinely monitored through monthly rolling liquidity forecasts from the largest business units, as well as the annual budget process and reporting by segment for major investments. For further information see [Note 21 E](#).

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 function offers instruments that reduce currency risk.

KONGSBERG's financial policy states that contracts above a certain threshold shall be subject to currency hedging upon award, 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 through frequent spot transactions and/or forward exchange contracts. 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 exposure 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 materiality.

Currency options are used to some extent, mainly in tenders, after 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.

KONGSBERG's partly owned subsidiaries and joint arrangements may enter into service agreements to use the group's central finance function to carry out foreign exchange transactions on their behalf based on a standard pricing model. Foreign exchange contracts and associated risk under the service agreement will be borne by KONGSBERG's balance sheet.

In addition to the use of financial instruments the entities and the centralised treasury function implement operational measures to reduce the foreign exchange risk. One measure could be to ensure that costs incurred are in the same currency as the sales contract. KONGSBERG uses a reputable Treasury Management System and a separate platform for trading foreign exchange. See [Note 21 B](#) 'Financial instruments - Currency risk and currency hedging' for more information.

Credit/Counterparty risk

Counterparty risk is the risk that Group's contractual counterparty will be unable to meet its obligations to KONGSBERG, or the settlement of financial instruments such as foreign exchange contracts and deposits. The Group's financial policy requires financial institutions to hold a certain credit rating as prerequisite to being counterpart in financial contracts. 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 relates to trade receivables, and the business areas are responsible for managing this 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 subcontractors is assessed throughout the contract period. These projects are monitored in accordance with agreed milestones. Historically, KONGSBERG has had a low percentage of bad debts.

The business in KONGSBERG which has the greatest exposure to credit risk is Kongsberg Maritime. The 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 contributes for the time being to a limited 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 20](#) 'Receivables and credit risk' for more information.

Climate risk

Climate change is generally recognised as the most important global environmental and societal issue of our time. This means that KONGSBERG will, and must, adapt its operations and strategy to the latest available knowledge about what is required in the transition to a low-carbon future. KONGSBERG aims to create competitive long-term value in line with the ambitions of the Paris Agreement and has a Net-Zero ambition by 2050. KONGSBERG

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recognise that climate change presents both challenges and opportunities for the Group's business. The risks and opportunities are monitored through the Group's Enterprise Risk Management process, which this year is further developed to include stress-testing against climate-related risks scenarios to the business strategy. In addition, the Group has started the process of conducting a double materiality assessment of ESG topics where the Group has identified KONGSBERG's most significant impacts on the environment and society; potential risks and opportunities for enterprise value creation; as well as associated consequences and likelihood. The identification and management of climate-related risks and opportunities are based on the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD). The Group's ability to offer innovative, competitive, profitable and sustainable solutions for our customers and partners through application of our technology and expertise, represent an opportunity for KONGSBERG. See [Note 15](#) in the consolidated statements for further description of the opportunities.

The following risks are identified for the Group:

- Physical risk related to extreme weather events. Extreme weather events can lead to reduction or downtime in production as a result of production facilities being damaged or employees not being able to get to work. The same applies to the Group's suppliers, which may lead to challenges in getting access to raw materials or supplies that KONGSBERG need to maintain deliveries according to plan. This may result in lost revenues due to production downtime, increased cost due to higher cost of raw materials or due to sourcing alternative raw materials at higher cost. This may also lead to claims from customers due to inability of KONGSBERG to deliver according to contractual obligations.
- Transition risk related to both market and technology. KONGSBERG must be capable to replace the revenues from the Oil & Gas business with new revenue streams from the renewables segment. Risk has also been identified related to the balancing of technology development against market

demand, where both a too fast and too slow development can give negative impacts. Further, risk related to reduced access to capital due to inability to meet increased sustainability requirements for KONGSBERG or suppliers. The first two risks may result in reduced revenues, in addition to reduced margins due to possibly lower margins for renewable technology solutions. The risk of reduced access to capital may lead to higher cost of capital, or indirectly to higher cost of raw materials if the suppliers experience higher cost of capital.

- Transition risk related to policy & legal. This could materialise in the form of legislative changes that will change carbon cost and taxes, more stringent criteria related to energy efficiency and emissions for real estate, stricter requirements to get access to public funding for innovation and development, and increased reporting requirements related to climate and sustainability topics. These risks may result in increased cost of raw materials, real estate facilities, product development, and administration expenses.
- Transition risk related to reputation. If KONGSBERG's contribution to the green transition is insufficient, or is perceived to be so, this can lead the Group to be a less attractive employer and result in a lack of critical expertise. This may result in increased recruitment costs and lost revenues due to lack of skilled employees to meet growth expectations.

Due to a broad physical international exposure and close connection with the oil & gas industry, the Group has evaluated the maritime sector to be most affected by climate-risks and opportunities:

- Physical risk related to extreme weather events that can cause supply chain disruptions
- Transition risk related to KONGSBERG not being able to balance the technology- and product development with market demand
- Transition risk related to reduced availability of raw materials
- Transition risk related to policy & legal because of reduced access to public funding due to less available funds and stricter requirements.

KONGSBERG has evaluated the most relevant risks against a low-emission- and a high-emission scenario to gain insight to how climate-related risks- and opportunities affect the Group and its resilience. The transition to a low-emission society represents great opportunities for the Group. The technologies and solutions which KONGSBERG is built on are to a large extent transferable to other industry verticals. KONGSBERG take an active approach to establish its position as a leading partner in the transition to more sustainable energy systems.

For further description of opportunities, risks and scenario analysis, see chapter 3 in the Annual Report & Sustainability Report on '[Sustainability at KONGSBERG](#)'.

Other risk

Russlands invasion of Ukraine

In the assessment of the financial position at year end KONGSBERG has made a thorough assessment of the impact the Russian invasion of Ukraine has on relevant accounting items. Kongsberg Maritime has, after assessing its customer relationships, made a loss provision of MNOK 21 in 2022 due to the sanctions against Russia. The operations in Kongsberg Maritime RUS LLC ceased in spring 2022 and the company is in liquidation.

Component shortages

COVID-19 and the subsequent Russian war of aggression in Ukraine have lead to challenges related to the availability of components and raw materials that have persisted into 2022.

The business areas have experienced longer lead times and reduced access to some components. Among other things RWS deliveries to end customers have been delayed due to lack of few critical components for the weapon station. The systems have been completed as far as possible, but the situation has led to increased working capital such as increased contract balances and delayed customer payments. In addition, the revenues are

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negatively affected. Kongsberg Defence & Aerospace is still delayed compared to the original delivery plan, even though the volumes have gradually started to pick up again. The component situation has not significantly affected the progress of the project portfolio in Kongsberg Maritime, and the business area has through measures established good control over the situation.

Inflation and increased raw material prices

Worldwide, 2022 has been characterized by increased inflation as a consequence of increased demand in the aftermath of the pandemic while the supply of goods and services has still been reduced as a result of the pandemic. This was further intensified by the Russian invasion of Ukraine affecting the flow of goods between those two countries and the rest of the world. The high inflation has affected the entire value chain in the business areas from raw material to finished products and it has also affected the total cost for the end customer, which may have an impact on demand for new vessels. KONGSBERG is exposed to price increases for energy, personnel and materials and has in 2022 implemented measures to ensure profitability in the delivery contract.

COVID-19

COVID-19 has negatively affected the world since the first outbreak at the beginning of 2020. The pandemic has led to high uncertainty in the whole value chain due to travel restrictions, quarantine regulations and other anti-infection measures, as well as the flow of inputs and finished products. Most of the world has during 2022 returned to normal conditions without significant restrictions and there is no prospect of significant setbacks. China and a few other countries still faces challenges related to the pandemic and will also be affected in 2023. KONGSBERG has during 2022 not been significantly affected by the pandemic besides the challenges described in the sections above.

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5 Acquisitions

NanoAvionics

Kongsberg Defence & Aerospace AS signed 2 July 2022 an agreement to purchase 77 per cent of the shares in the Lithuanian smallsat company NanoAvionics. The rest of the shares are owned by leading employees in the company. The acquisition was completed 6 September 2022.

NanoAvionics is a leading company in development and production of small satellites and has more than 150 employees. The customers range from national space agencies to universities and commercial companies. The acquisition strengthens KONGSBERG's space ambitions and expands its portfolio to also include world leading small satellite products and technology.

If the acquisition had been completed on 1 January 2022, the overall effect on KONGSBERG's operating revenues and EBIT (exclusive IFRS 16 effects) would have been approximately MNOK 140 and MNOK 10 higher respectively. Recognised revenues and EBIT in 2022 from NanoAvionics are MNOK 83 and MNOK (6) respectively.

The parties have agreed upon an enterprise value on cash and debtfree basis with normalised working capital of EUR 65 million on 100 per cent basis. Added values in the acquisition are allocated to goodwill, technology, and customer relations. The goodwill is not tax deductible.

A capital increase is accomplished after the acquisition which increased the ownership in the company to 78.5 per cent.

Final purchase price allocation

	<i>Carrying amount prior to acquisition</i>	<i>Fair value adjustments</i>	<i>Recognised values at acquisition</i>
<i>MNOK</i>			
Customer relations	-	25	25
Technology	-	33	33
Total intangible assets exclusive goodwill	-	58	58
Property, plant and equipment	14	-	14
Current assets exclusive cash and cash equivalents	86	-	86
Cash and cash equivalents	26	-	26
Total assets exclusive goodwill	126	58	185
Deferred tax liability	-	(9)	(9)
Non-current provisions	(7)	-	(7)
Other current liabilities and provisions	(72)	-	(72)
Total liabilities and provisions	(80)	(9)	(88)
Net identifiable assets and liabilities	46	50	96
Goodwill upon acquisition	11	431	442
Remuneration			539
Cash and cash equivalents acquired			(33)
Net cash outflow			505

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InterConsult Bulgaria Ltd.

Kongsberg Digital AS signed 30 June 2022 an agreement to purchase Interconsult Bulgaria Ltd, and the acquisition was completed the same day.

The company is a private-owned Bulgarian software development company with 145 employees. The acquisition will secure Kongsberg Digital's access to highly skilled software developers and provide a secure centre for recruitment going forward. Securing these resources is strategically important to deliver on customer expectations and take a leading position both within Kognitwin, Maritime Simulation, Vessel Insight and SiteCom.

The parties agreed on an enterprise value on a cash and debt-free basis with normalised working capital. Excess value in the acquisition is allocated to goodwill. The goodwill is not tax deductible.

Upon acquisition Kongsberg Digital AS pays a consideration representing 65 per cent of the enterprise value, with delayed settlement of the remaining consideration. The agreement also comprises an earnout with payments over the next two years if certain conditions are fulfilled. 'Deferred expected payment of consideration' in the table includes maximum earn-out of approximately MNOK 22.

Final purchase price allocation

<i>MNOK</i>	<i>Carrying amount prior to acquisition</i>	<i>Fair value adjustments</i>	<i>Recognised values at acquisition</i>
Technology	1		1
Total intangible assets exclusive goodwill	1	-	1
Property, plant and equipment	2	-	2
Current assets exclusive cash and cash equivalents	19	-	19
Cash and cash equivalents	6	-	6
Total assets exclusive goodwill	27	-	27
Other current liabilities and provisions	(17)	-	(17)
Total liabilities and provisions	(17)	-	(17)
Net identifiable assets and liabilities	11	-	11
Goodwill upon acquisitions		97	97
Expected consideration	-	-	107
Cash and cash equivalents acquired	(6)	-	(6)
Expected net cash outflow			101
Deferred expected payment of consideration			(51)
Net outgoing cash flow at acquisition			50

Visavi Technology AS

Kongsberg Digital AS signed 10 November 2022 an agreement to purchase 100 per cent of the shares in the Norwegian company Visavi Technology AS. The acquisition was completed the same day.

The company is a private-owned Norwegian software company with 21 employees. Visavi's headquarter is located in Lysaker, in Norway in addition the company has a technology center in Sarpsborg, in Norway. Visavi has developed software focusing on integration and visualisation of data supporting daily planning and execution of work in the heavy asset industries. The software is complimentary to Kongsberg Digital's digital twin.

The parties have agreed upon an enterprise value of MNOK 25 less working capital and debt. The purchase price is MNOK 8.6 and the added values in the acquisition of MNOK 5.7 are allocated to goodwill. The goodwill is not tax deductible.

Cash flow related to acquisitions in 2022

<i>MNOK</i>	
Net outgoing cash flow acquisitions	562
Other investments in subsidiaries and associated companies	39
Proceeds from acquiring subsidiaries and associated companies	601

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6 Operating segments

KONGSBERG has three operating segments organised by industry; Kongsberg Maritime, Kongsberg Defence & Aerospace and Kongsberg Digital, of which the reporting requirements as an operating segment do not apply to Kongsberg Digital according to size and is therefore reported in 'Other'. Reporting of operating segments are based on the reporting to the Executive Management.

Kongsberg Maritime develops and delivers technology that contribute to the realisation of sustainable management of the ocean space. The market is within traditional merchant vessels and fishing vessels, offshore- and research vessels, and advanced offshore installations related to aquaculture, wind power and oil and gas. Kongsberg Maritime consists of five divisions that supply solutions, systems, products and services. The division 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. The division Propulsion & Engines produces and supplies propellers, thrusters, water jet systems and systems for offshore manoeuvring of maritime vessels. The Deck Machinery & 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. The division Global Customer Support primarily provides services and spare parts to ships and

has a global network of servicegarages. In addition, the division supplies upgrades to more environmentally friendly solutions and more efficient operation.

Kongsberg Defence & Aerospace consists 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. The division 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. The division Missile Systems develops and supplies naval strike missiles and air-to-surface missiles. The Aerostructures & MRO division 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, real property, group functions and eliminations between the business areas.

Kongsberg Digital focused on taking up new and strengthening existing positions related to digitalisation within the oil and gas, wind and merchant marine markets the recent years.

The 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.

The 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.

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Operating segment data

MNOK	2022					2021				
	Kongsberg Maritime	Kongsberg Defence & Aerospace	Other	Eliminations	Consolidated	Kongsberg Maritime	Kongsberg Defence & Aerospace	Other	Eliminations	Consolidated
Operating revenue from external customers	18 880	11 830	1 093	-	31 803	16 450	10 052	947	-	27 449
Revenue from Group companies	98	30	723	(851)	-	57	26	578	(661)	-
Total revenues	18 978	11 860	1 816	(851)	31 803	16 507	10 078	1 525	(661)	27 449
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	2 390	2 516	(304)	-	4 602	1 977	2 150	(41)	-	4 086
Depreciation property, plant and equipment	(169)	(221)	(79)	-	(469)	(176)	(229)	(71)	-	(476)
Depreciation leasing assets	(313)	(273)	(249)	386	(449)	(262)	(215)	(205)	286	(396)
Impairment of property, plant and equipment	(15)	(3)	-	-	(18)	(9)	-	-	-	(9)
Amortisation and impairment intangible assets	(173)	(100)	(84)	-	(357)	(206)	(86)	(50)	-	(342)
Earnings before interest and taxes (EBIT)	1 720	1 919	(716)	386	3 309	1 324	1 620	(367)	286	2 863
Segment assets ¹⁾	18 634	16 951	1 964	(266)	37 283	15 396	13 477	1 720	(248)	30 345
Segment investments ²⁾	171	948	595	-	1 714	154	304	331	-	789
Current segment liabilities and provisions ³⁾	10 050	10 502	1 030	(548)	21 034	8 414	9 521	798	(461)	18 272

1) The segment assets does not include derivatives and cash and cash equivalents, as these assets are assessed for the Group as a whole.

2) Investments comprise acquired property, plant and equipment, intangible assets and goodwill, excluding leasing. Including investments related to acquisitions of business.

3) Segment liabilities do not include deferred tax liabilities, tax payables, interest-bearing liabilities (exclusive short term leasing liabilities), other non-current liabilities or provisions and derivatives, as these liabilities are assessed for the Group as a whole.

None of KONGSBERG's customers account for more than ten per cent of the Group's total revenues in 2022.

There are no differences between the principles or 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.

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Reconciliation of assets

MNOK	Note	31 Dec 22	31 Dec 21
Segment assets		37 283	30 345
Deferred tax asset	17	235	248
Financial derivatives	21 A	1 596	545
Fair value financial instruments		179	54
Cash and cash equivalents	22	3 932	8 118
Total assets		43 225	39 310

Geographical information

In presenting information by geographical segments, revenues 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	2022								2021							
	Norway	Europe	North America	South America	Asia ¹⁾	Australia	Africa	Total	Norway	Europe	North America	South America	Asia ¹⁾	Australia	Africa	Total
Operating revenue from external customers	6 544	8 795	8 263	735	6 027	1 232	207	31 803	5 222	7 413	7 851	488	5 564	660	251	27 449
Operating revenues as % of the total	21%	28%	26%	2%	19%	4%	1%		19%	27%	29%	2%	20%	2%	1%	
Fixed assets	9 655	1 180	404	41	321	27	4	11 632	9 241	830	289	19	266	10	1	10 656

1) Middle-East is included in Asia.

Reconciliation of liabilities and provisions

MNOK	Note	31 Dec 22	31 Dec 21
Current segment liabilities and provisions		21 034	18 272
Short-term interest-bearing loans	21 D	450	-
Financial derivatives	21 A	1 559	378
Fair value financial instruments		377	317
Calculated income tax payable	17	677	197
Total current liabilities and provisions		24 097	19 164

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7 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 according to IFRS 15:

Step 1: Identifying customer contracts

Identified customer contracts in KONGSBERG 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

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

Kongsberg Defence & Aerospace'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.

Kongsberg Defence & Aerospace also has a series of identical deliveries that are covered by a single contract. These are treated as a single performance obligation.

Both Kongsberg Maritime and Kongsberg Defence & Aerospace supply equipment and services to the aftermarket. These deliveries are treated as separate delivery obligations.

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

Step 3: Determining the transaction price

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 is used as basis for discounts and incentives schemes when determining the transaction price. For contracts expanding less than a year the interest component will not be separated out from the contract revenue. For contracts where the financing component expanding more than a year and at the same time is significant, the financing component is separated from the contract revenue. KONGSBERG has no customer contracts with a significant financing element beyond one year as of 31 December 2022.

There may also be cases involving income reduction as a result of financial penalties for delays or other variable components. When determining the transaction price, these must only be taken into consideration if it is 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.

Step 5: Recognition when the performance obligation is fulfilled

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. Most of KONGSBERG's contracts are recognised according to level of progress (over time), 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.

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Assessments are based on different criteria were 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

In Kongsberg Maritime deliveries by the Sensor & Robotics and Integrated Solutions divisions, primarily 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 Kongsberg Maritime. 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.

Kongsberg Maritime also has a significant proportion of deliveries where the revenues are recognised upon delivery. This particularly applies such as 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 6](#) 'Operating Segments'.

Over 50 per cent of Kongsberg Maritime's revenues in 2022 are within the 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.

Kongsberg Defence & Aerospace'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 Kongsberg Defence & Aerospace. The customer contracts are normally long-term and large. Kongsberg Defence & Aerospace 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.

Kongsberg Defence & Aerospace makes little use of revenue recognition upon delivery, but this method may be used for example in connection with the delivery of communication equipment and equipment for the space industry.

Kongsberg Defence & Aerospace 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 Kongsberg Defence & Aerospace, see [Note 6](#) 'Operating Segments'.

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.

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	2022				2021			
	<i>Kongsberg Maritime</i>	<i>Kongsberg Defence & Aerospace</i>	<i>Other</i>	<i>Total</i>	<i>Kongsberg Maritime</i>	<i>Kongsberg Defence & Aerospace</i>	<i>Other</i>	<i>Total</i>
<i>MNOK</i>								
<i>Revenues</i>								
Revenue recognition based on progress in the projects (over time)	3 853	9 374	422	13 649	3 475	7 879	402	11 756
Revenue recognition upon delivery of goods and services	4 895	359	152	5 406	4 851	320	161	5 331
Aftermarket activities ¹⁾	10 097	2 098	453	12 648	8 114	1 846	325	10 285
Revenue from rental of property, plant and equipment	8	-	65	72	3	-	64	67
Total external revenues from customer contracts	18 853	11 830	1 091	31 775	16 442	10 045	952	27 440
Gains from sale of property, plant and equipment	28	-	-	28	8	7	(6)	9
Total external revenues	18 881	11 830	1 091	31 803	16 450	10 052	947	27 449

1) Revenues from aftermarket activities are mainly recognised upon delivery, but a share is recognised over time. Aftermarket includes revenues from service, maintenance, upgrades, spare parts, accessories and training linked to previously delivered systems. Spare parts 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 2022 are recognised as income:

	2022				2021			
	Date of revenue recognition				Date of revenue recognition			
	<i>Orderback log 31 Dec 22</i>	<i>2023</i>	<i>2024</i>	<i>2025 and later</i>	<i>Orderback log 31 Dec 21</i>	<i>2022</i>	<i>2023</i>	<i>2024 and later</i>
<i>MNOK</i>								
Kongsberg Maritime	18 641	11 325	3 948	3 368	13 023	8 506	2 582	1 935
Kongsberg Defence & Aerospace	43 540	13 159	9 762	20 619	35 632	10 877	7 566	17 190
Other/elimination	1 075	607	327	141	879	488	162	229
Total orderbacklog	63 256	25 091	14 037	24 128	49 535	19 872	10 310	19 354

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Operating revenues by division

MNOK	2022	2021
<i>Divisions</i>		
Global Customer Support	9 861	7 886
Integrated Solutions	3 856	3 807
Sensor & Robotics ¹⁾	3 314	2 736
Propulsion & Engines	2 463	2 468
Deck Machinery & Motion Control	904	887
Other/elimination	(1 421)	(1 276)
Kongsberg Maritime	18 978	16 507
<i>Divisions</i>		
Land Systems	2 325	3 053
Integrated Defence Systems	4 830	3 111
Aerostructures & MRO	2 520	2 367
Missile Systems	2 221	1 682
Space & Surveillance	764	692
Other/elimination	(800)	(827)
Kongsberg Defence & Aerospace	11 860	10 078
Other/elimination	965	864
Total revenues	31 803	27 449

1) From 1 January 2023 Sensor & Robotics operates as a separate business area in KONGSBERG.

For a more detailed description of the various divisions and their deliveries, see [Note 6](#) 'Operating Segments'.

Geographic distribution of external revenues from customer contracts

MNOK	Kongsberg Maritime	Kongsberg Defence & Aerospace	Other	Total
2022				
Norway	3 446	2 724	374	6 544
Europe	6 033	2 564	198	8 795
North America	2 874	5 125	264	8 263
South America	693	7	35	735
Asia ¹⁾	5 235	598	194	6 027
Africa	171	35	1	207
Australia	427	778	27	1 232
Total external revenues from customer contracts	18 880	11 830	1 093	31 803
2021				
Norway	3 107	1 725	390	5 222
Europe	5 452	1 830	131	7 413
North America	2 221	5 426	204	7 851
South America	443	5	40	488
Asia ¹⁾	4 843	566	155	5 564
Africa	147	103	1	251
Australia	238	397	25	660
Total external revenues from customer contracts	16 450	10 052	947	27 449

1) Middle-East is included in Asia.

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MNOK	31 Dec 22	31 Dec 21
Customer contracts in progress	2 339	2 489
Prepayments received from customers	(12 012)	(10 300)
Accrued assets, customer contracts	6 823	5 313
Accrued liabilities, customer contracts	(3 278)	(2 771)
Net contract balances	(6 128)	(5 269)

MNOK	31 Dec 22	31 Dec 21
Customer contracts, assets	8 031	6 518
Customer contracts, liabilities	(14 159)	(11 787)
Net contract balances	(6 128)	(5 269)

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 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.

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'.

'Customer contracts, assets'

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.

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, 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. 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 be started 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.

'Customer contracts, liabilities'

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.

In Kongsberg Maritime and Kongsberg Defence & Aerospace 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

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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.

Advances totalling over MNOK 6,700 registered in the opening balance were recognised as income during the 2022 financial year.

Revenue recognition from customer contracts includes

<i>MNOK</i>	2022	2021
Prepayments from customers included in 'Customer contracts, obligations' at the beginning of the year and which are recognised as income in the fiscal year	6 712	4 991
Revenue from performance obligations completed before the financial year	30	-

Estimate uncertainty related to customer contracts

The recognition of customer contracts is associated with uncertainty related to 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.

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.

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8 Shares in joint arrangements and associated companies

KONGSBERG has a few investments in joint ventures and associated companies. Based on the business size and strategic importance to KONGSBERG, Patria Oyj and Kongsberg Satellite Service AS are specified in more details below.

	2022				2021			
	Kongsberg Satellite		Others	Total	Kongsberg Satellite		Others	Total
<i>MNOK</i>	<i>Patria Oyj</i>	<i>Services</i>			<i>Patria Oyj</i>	<i>Services</i>		
Net holding 1 January	2 849	628	132	3 609	2 843	557	65	3 465
Acquisitions/disposal during the period	-	2	(80)	(78)	-	-	107	107
Share of net income during the period ¹⁾	164	154	70	387	150	133	(40)	244
Dividends received	(127)	(65)	(9)	(201)	(84)	(63)	(1)	(147)
Other items and comprehensive income during the period ²⁾	151	-	-	151	(60)	-	-	(60)
Net holding 31 December	3 037	719	113	3 868	2 849	628	132	3 609

1) The share of net income is recognised after tax and amortisation of excess values. The share of net income from Patria includes amortisations of MNOK 13 (MNOK 16 in 2021). In addition the share of net income from Patria is adjusted for non-controlling interests and net income from Kongsberg Aviation Maintenance Services AS (KAMS AS).

2) Other items and comprehensive income comprise translation differences mainly related to translation differences of excess values. See [Note 21 B 'Currency risk and currency hedging'](#).

Investments in associated Companies as of 31 December 2022 includes goodwill and other excess value of MNOK 1,634 and MNOK 33 (MNOK 1,561 and MNOK 47 as of 31 December 2021).

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The table below shows assets, liabilities and profit and loss for Patria Oyj and Kongsberg Satellite Service AS per 100 per cent basis.

Location	Patria Oyj		Kongsberg Satellite Services AS	
	Helsinki, Finland		Tromsø, Norge	
Ownership per cent	Associated company		Joint arrangement	
	49.9%		50.0%	
	MEUR		MNOK	
	2022	2021	2022	2021
Operation Revenues	627	548	1 471	1 232
Earnings after tax	46	54	308	274
Majority's share of the earnings after tax	38	46	308	274
Non-current assets	435	425	1 613	1 439
Current assets	377	340	767	528
Long-term liabilities	171	157	184	44
Short-term liabilities	341	324	711	628

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 over 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) is 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 monitoring based on satellitedata from the traditional space programmes and also satellite constellations within New

Space segments. KSAT has over 300 employees and is head-quartered 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:

MNOK	Share of net income		Dividend	
	2022	2021	2022	2021
Kongsberg Maritime	(1)	(3)	-	-
Kongsberg Defence & Aerospace	330	263	201	147
Other	58	(17)	-	-
Total	387	244	201	147

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9 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.

The Group's total inventories include the following:

<i>MNOK</i>	2022	2021
Raw materials	3 142	2 370
Work in progress	746	508
Finished products	1 605	1 428
Total as of 31 December	5 493	4 306
Profit value changes in inventory in the year amounts to	(67)	(52)
Cost of goods in the year amounts to	(11 210)	(9 577)

10 Personnel expenses, remuneration of the executive management and the Board

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

<i>MNOK</i>	Note	2022	2021
Salaries		8 579	7 744
Long-term incentiv scheme (LTI)		21	16
Shareprogram employees		72	78
Employer's National Insurance contributions on salaries		1 205	1 065
Pension expenses, defined benefit plan	11	(12)	(26)
Pension expenses, defined contribution pension schemes	11	757	688
Other benefits		617	410
Total personnel expenses		11 240	9 975
Average no. of full-time equivalents		11 387	10 690

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 personnel expenses. The Group also has a share programme for leading employees. For further details see the 'Remuneration report'.

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. The contingent compensation is in addition to the consideration for buying the company.

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Amounts in TNOK	Salary paid including holiday pay	Other benefits reported during the financial year ²⁾	Accrued long-term incentive plan (LTI) ³⁾	Accrued performance-related pay during the financial year (STI) ⁴⁾	Pension accrual during the year ⁵⁾	Long-term incentive plan (LTI) paid out ⁶⁾	Pension right for salary exceeding 12G 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
2022	29 885	3 479	5 201	12 843	1 362	6 925	3 924	-	13 563	150 588
2021	27 988	2 704	4 961	13 192	4 959	7 057	-	121	18 689	174 373

- 1) Compensation and other benefits to members of Executive Management are based on their time served as part of Executive management.
- 2) Benefits other than cash refers to expensed discounts on shares in connection to 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.
- 3) 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 the 'Remuneration report'.
- 4) Accrued performance-based part of salary (STI) in the financial year. To be paid when the accounts for the relevant year have been approved by the Board. A statement on STI pay is provided in the 'Remuneration report'.
- 5) All members of Executive management are included in the general contribution scheme for salaries up to 12G and this is included in the reported figures. The year's return on balance in the defined contribution pension scheme over 12G is included in the accrual for those included in this scheme.
- 6) LTI with tax compensation for disbursement the following year, where the net amount will be invested in KONGSBERG shares. A statement of LTI scheme is provided in the 'Remuneration report'.
- 7) Pension right for salary exceeding 12G is paid out to a member of the Executive Management who has terminated the employment.

For further information on remuneration to the Executive management and members of the Board see the separate Remuneration report published at kongsberg.com in relation with the notice of the Annual General Meeting.

Compensation to the members of the Board

Amounts in NOK	Number of shares	Fixed Board remuneration	Remuneration for committee meetings ¹⁾	Total Board remuneration	Number of Board meetings
2022	17 936	2 691 101	527 834	3 218 935	12
2021	22 695	2 585 831	446 999	3 032 830	11

- 1) 7 audit committee meetings (7 in 2021) and 5 compensation committee meetings (5 in 2021) were held in 2022.

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11 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 last-mentioned will be converted within 2023, with recognised accounting effect as of 31 December 2022. The service pension plan includes all employees of the Group in Norway. As of 31 December 2022, 7,967 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 pension schemes.

Defined contribution pension scheme

The Group has a defined contribution pension scheme for all employees in Norway with some exceptions. The contribution rates are five per cent of salary up to 7.1G, and eleven per cent of salary from 7.1G up to 12G. The employee can optionally invest the funds in one of three investment options; with either 50, 80 or 100 per cent of their shares in the portfolio with either active or index management and with or without reduction of share amount from the age of 57 years. In addition, the Group has a closed collective, unfunded contribution plan for salaries exceeding 12G. The Group's deposits in this plan is 18 per cent of the portion of the base salary exceeding 12G. On the operating-based schemes a savings profile with 50 per cent shares is used as return reference. Special terms for Executives are described in the 'Remuneration report' for KONGSBERG. KONGSBERG's companies abroad generally have defined contribution plans. As of 31 December 2022, approximately 7,347 employees in Norway and the majority of the employees abroad were covered by these plans. The contributions are expensed as incurred and are reported within personnel expenses in the consolidated statement of income.

Defined benefit plan

In connection with the transition to the defined contribution plan on 1 January 2008, employees aged 52 or more remained in the defined benefit plan. The pension plan is insured. The pension benefits are defined by the number of contribution years and the salary level of the individual employee at retirement. Pension costs are distributed over the employee's accrual period. The Board has approved the conversion of this plan. This implies that all members of the scheme will be issued paid-up policies and that active members will be transferred to the defined contribution scheme. The one-time effect is recognised as net gain on settlement of the pension scheme in 2022. In addition, the net capitalised pension liability is reduced as a result of large actuarial gains mainly due to large increase in the discount rate due to higher interest rate.

In addition, the Group has a collective defined benefit pension plan for salaries exceeding 12G. The collective defined benefit plan corresponds to about 60 per cent of the share of the final 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 and are described in the 'Remuneration report'.

In addition, the Group also has a collective defined benefit 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 (the same as the Norwegian base amount (G)) between 0 and 30.

To ensure a uniform calculation of KONGSBERG's pension liabilities, all corporate entities, except two entities, Kongsberg Aviation Maintenance Services AS and Kongsberg Maritime Sweden AB, have used the same actuary for the calculations. In the consolidat-

ed statement of income, 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, that reflects the duration of the pension liability. Actuarial gains or losses related to changes in the basis data, estimates and changes in assumptions are recognised in other comprehensive income.

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 three per cent of the pension basis from 0G to 12G, a supplement of 25 per cent of G and any child supplement of four per cent per child (maximum three 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.

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Early retirement schemes

A few years ago, it was decided that the Group would no longer offer early retirement schemes, but employees included in these schemes before 1 October 2015 had this continued. The Group still has outstanding obligations related to such early retirement pension agreements for a few people. Terms and conditions apply for Executives and are described in the 'Remuneration report'.

Pension assumptions

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

<i>Economic assumptions</i>	<i>31 Dec 22</i>	<i>31 Dec 21</i>
Discount rate, Norway	4.20%	1.80%
Discount rate, Sweden	3.95%	1.80%
Wage adjustment	3.00%	1.75%
Pension base level (G) adjustment	3.50%	2.25%
Pension adjustment	2.75%	1.90%

<i>Other Norwegian assumptions</i>	<i>31 Dec 22</i>	<i>31 Dec 21</i>
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:

<i>MNOK</i>	<i>2022</i>	<i>2021</i>
Costs, defined benefit plans	(12)	(26)
Costs of defined contribution plans in Norway	550	505
Costs of defined contribution plans abroad	206	183

Net interests costs are classified as finance expenses. Costs for defined benefit plans in 2022 include a net gain on the pension scheme settlement of MNOK 37 (MNOK 78 in 2021).

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Change in net pension liabilities recognised in the statement of financial position

MNOK	2022			2021		
	Funded	Unfunded	Total	Funded	Unfunded	Total
<i>Changes in gross pension liabilities</i>						
Gross pension liabilities as of 1 January	2 074	589	2 662	2 174	634	2 808
Present value of current year's contribution	5	9	14	15	20	36
Interest expenses on pension liabilities	29	12	41	28	9	36
Net gain on settlement of pension scheme	(37)	-	(37)	-	-	-
Actuarial losses/gains	(191)	(128)	(319)	160	(13)	147
Settlement of pension scheme	(1 575)	-	(1 575)	(168)	-	(168)
Payments of pensions/paid-up policies	(122)	(37)	(159)	(138)	(34)	(172)
Net change in social security expenses	(41)	(3)	(43)	3	-	2
Translation differences	-	(12)	(12)	-	(27)	(27)
Gross pension liabilities as of 31 December	144	429	573	2 074	589	2 662
<i>Changes in gross pension fund assets</i>						
Fair value, pension plan assets as of 1 January	1 557	-	1 557	1 671	-	1 671
Expected return on pension funds	23	-	23	22	-	22
Actuarial losses/gains	14	-	14	22	-	22
Premium payments	58	-	58	82	-	82
Payments of pensions/paid-up policies	(127)	-	(127)	(141)	-	(141)
Settlement of pension scheme	(1 506)	-	(1 506)	(98)	-	(98)
Fair value, pension plan assets as of 31 December	19	-	19	1 557	-	1 557
Net capitalised pension liabilities as of 31 December	124	429	553	516	589	1 104

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.

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<i>MNOK</i>	2022	2021	2020	2019	2018
Gross pension liabilities as of 31 December	573	2 662	2 808	2 690	1 947
Fair value, pension plan assets as of 31 December	19	1 557	1 671	1 716	1 409
Net pension liabilities as of 31 December	(553)	(1 104)	(1 137)	(974)	(538)
Actuarial gains/losses pension liabilities as of 31 December	(319)	147	148	67	26
Actuarial gains/losses pension assets as of 31 December	14	22	3	(37)	74
Accumulated estimated gains/losses recognised in the statement of comprehensive income after tax	(1 387)	(1 672)	(1 559)	(1 428)	(1 331)
Of which, constitutes experience deviations	(1 057)	(1 044)	(972)	(926)	(881)

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 plan from the age of 62, even if they continue to work. The 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 plan of the total payments made between 1G and 7.1G to the Group's employees. In 2022, the premium was 2.6 per cent (2.5 per cent in 2021) (estimated at MNOK 130). There is no accumulation of capital in the plan and further increases in the premium level are expected over the coming years.

Other

Expected pension payments within the defined benefit pension scheme are as follows:

	<i>MNOK</i>
2023	25
2024	27
2025	25
2026	26
2027	26
Next 5 years	122

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12 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.

KONGSBERG has production sites and offices in large parts of the world. Some of these can be more exposed to extreme weather events and climate change than others. The Group has relevant safety measures and alternative supply lines in place for locations that could be affected by extreme weather events. The Group's climate risk assessment indicates that there is low physical climate risk associated with KONGSBERG's property, facilities and equipment. Therefore, no impairment or adjustments have been made to depreciations related to climate risk on own property, facilities and equipment. KONGSBERG has Property Damage and Business Interruption Coverage (PDBI) insurance in place, which covers risks adapted to the Group's exposure.

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MNOK	2022						2021					
	Land	Buildings and other real property	Machinery and plant	Equipment and vehicles	Plant in progress	Total	Land	Buildings and other real property	Machinery and plant	Equipment and vehicles	Plant in progress	Total
<i>Acquisition cost</i>												
Acquisition cost as of 1 January	386	3 335	2 616	1 845	300	8 482	332	3 186	1 985	2 289	314	8 106
Reclassification ¹⁾	-	14	52	74	(18)	122	35	27	637	(510)	(1)	188
Additions through acquisition	-	-	11	1	-	12	-	-	-	-	-	-
Additions	22	167	202	149	138	678	21	195	172	196	(9)	576
Disposals	(1)	(64)	(119)	(232)	-	(416)	(1)	(55)	(174)	(125)	(5)	(360)
Disposal discontinued operations	-	-	-	-	-	-	-	(2)	(1)	(4)	-	(7)
Translation differences	4	87	28	36	2	157	(1)	(16)	(3)	(1)	1	(21)
Acquisition cost as of 31 December	411	3 539	2 790	1 873	422	9 035	386	3 335	2 616	1 845	300	8 482
<i>Accumulated depreciation and impairment</i>												
Total accumulated depreciation and impairment as of 1 January	(5)	1 394	1 768	1 422	2	4 581	(5)	1 305	1 210	1 925	6	4 441
Reclassification	-	14	52	75	-	141	-	11	515	(515)	1	12
Depreciation for the year	-	144	180	145	-	469	-	137	202	137	-	476
Impairment for the year	-	4	-	14	-	18	-	6	-	3	-	9
Accumulated depreciation through disposal	-	(50)	(116)	(198)	-	(364)	-	(60)	(164)	(119)	(5)	(348)
Accumulated depreciation through discontinued operations	-	-	-	-	-	-	-	(9)	(1)	(4)	-	(14)
Translation differences	-	34	17	32	-	83	-	4	6	(5)	-	5
Total accumulated depreciation and impairment as of 31 December	(5)	1 540	1 901	1 490	2	4 928	(5)	1 394	1 768	1 422	2	4 581
Carrying amount as of 31 December	416	1 999	889	383	420	4 107	391	1 941	848	423	298	3 901
Useful life		10-33 years	1-10 years	1-10 years				10-33 years	1-10 years	1-10 years		

1) Reclassification consist of a reclassification to an other balance sheet item of MNOK 18.

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13 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. 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 uniform principles in the recognition and measurement of leases. KONGSBERG applies the recognition exemption to leases that have a lease term of less than 12 months and leases of low value assets. Other performance 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 assets

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. The acquisition 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 15 'Impairment testing'](#).

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, not already paid leasing. 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 is reasonably certain that KONGSBERG will terminate the agreement.

Most leasing agreements in KONGSBERG regard leasing of property. The property yield is therefore used in the discounting of the lease payments to calculate the present value since the interest rate implicit in the lease is not normally readily determinable.

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. 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.

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.

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.

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Leasing assets

	2022			2021		
	Real property	Machinery and plant	Total	Real property	Machinery and plant	Total
<i>MNOK</i>						
<i>Acquisition cost</i>						
Acquisition cost as of 1 January	2 718	28	2 746	2 625	32	2 658
Additions through acquisition	18	-	18	-	-	-
Additions	501	8	509	156	8	164
Disposals	(124)	(12)	(135)	(51)	(11)	(61)
Translation differences	29	1	30	(14)	(1)	(14)
Total acquisition cost as of 31 December	3 142	25	3 168	2 718	28	2 746
<i>Accumulated depreciation and impairment</i>						
Accumulated depreciation and impairment as of 1 January	1 015	15	1 031	675	17	692
Depreciation for the year	441	7	449	386	10	396
Accumulated depreciation through disposal	(58)	(12)	(70)	(44)	(11)	(54)
Translation differences	14	-	15	(3)	(1)	(3)
Total accumulated depreciation and impairment as of 31 December	1 413	11	1 424	1 015	15	1 031
Carrying amount as of 31 December	1 729	14	1 743	1 702	13	1 715
Lease term	1-21 years	1-5 years		1-21 years	1-5 years	
Depreciation period	Linear	Linear		Linear	Linear	

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<i>MNOK</i>	<i>31 Dec 22</i>	<i>31 Dec 21</i>
Carrying amount as of 1 January	1 880	2 092
Additions through acquisition	18	-
Additions	509	164
Interest on leasing liabilities	128	132
Lease payments	(535)	(489)
Disposals	(71)	(8)
Translation differences	17	(12)
Carrying amount as of 31 December	1 945	1 880
Current leasing liabilities	419	380
Long-term leasing liabilities	1 526	1 500

See [Note 24](#) 'Provisions' regarding non-current liabilities associated with properties that have been sold and leased back. The total outgoing cash flows for leases was MNOK 566 in 2022 (MNOK 536 in 2021), which consist of calculated interest on leasing liabilities of MNOK 128, payment of principal portion of leasing liabilities of MNOK 408 and payment for leasing contracts not recognised in the financial position of MNOK 31.

For information on due dates for lease payments, see [Note 21 E](#) 'Financial instruments - Liquidity risk'.

Recognised in the income statement

<i>MNOK</i>	<i>2021</i>	<i>2020</i>
Depreciation on leases during the year	449	396
Interest expense on leasing liabilities	128	132
Costs related to short-term leases and leases on assets of low value	31	47
Total recognised in profit/loss	607	576

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14 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.

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. Significant improvements to already capitalised development must also be considered in relation to the defined requirements to capitalisation. 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. Capitalisation 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 capitalisation 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 amortisation start when the asset is available for use. The main 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 15 'Impairment testing'](#) has more details on the calculation.

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

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. Just over MNOK 700 of the carrying amount related to internally developed technology is from this business area. This includes technology associated to weapon stations, missile systems, control systems and communication equipment.

Development projects financed by customers are not capitalised, but KONGSBERG seeks to obtain ownership rights to the developed products.

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 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. In KONGSBERG

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'Other intangible assets' consists primarily of customer relations and trademarks acquired through acquisitions, as well as proprietary software.

MNOK	Note	2022					2021				
		Goodwill	Technology	Capitalised internal development	Other intangible assets	Total	Technology	Teknologi	Capitalised internal development	Other intangible assets	Total
<i>Acquisition cost</i>											
Acquisition cost as of 1 January		4 041	1 180	1 833	765	7 819	4 046	1 207	1 664	778	7 695
Reclassification ¹⁾		-	-	54	17	71	-	(33)	(18)	(14)	(65)
Adjustment according to final purchase allocation	5	-	-	-	-	-	6	-	-	-	6
Additions through acquisition		545	53	-	25	623	-	-	-	-	-
Additions		-	-	305	95	400	-	-	214	1	215
Disposals		-	-	-	-	-	-	-	-	-	-
Disposals discontinued operations		-	-	-	-	-	(11)	-	(27)	-	(38)
Translation differences		2	6	2	-	10	-	6	-	-	6
Acquisition cost as of 31 December		4 588	1 239	2 194	902	8 923	4 041	1 180	1 833	765	7 819
<i>Accumulated amortisation and impairment</i>											
Total accumulated amortisation and impairment as of 1 January		902	612	761	505	2 780	903	560	649	387	2 499
Reclassification		-	-	-	-	-	(1)	(34)	(16)	(13)	(64)
Amortisation		-	79	167	106	352	-	80	130	131	341
Impairment		-	-	4	-	4	-	-	2	-	2
Disposals discontinued operations		-	-	-	-	-	-	-	(4)	-	(4)
Translation differences		-	6	-	-	6	-	6	-	-	6
Total accumulated amortisation and impairment as of 31 December		902	697	932	611	3 142	902	612	761	505	2 780
Carrying amount as of 31 December		3 686	542	1 262	291	5 781	3 139	568	1 072	260	5 039
Useful life			1-10 years	1-10 years	1-10 years			1-10 years	1-10 years	1-10 years	

1) Reclassification in 2022 comes from other balance sheet items.

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Product maintenance and development recognised in profit and loss

MNOK	2022			2021		
	Product Maintenance	Development costs	Total	Product Maintenance	Development costs	Total
Kongsberg Maritime	424	930	1 354	395	836	1 231
Kongsberg Defence & Aerospace	20	104	123	28	115	143
Kongsberg Digital	28	170	198	28	105	133
Total	472	1 204	1 675	451	1 056	1 507

Estimation uncertainty

KONGSBERG has strict criteria that must be satisfied before capitalisation can start. The decision to start to capitalise a development program is based on assessments made by the management of the relevant business area. Management makes assessments of future market opportunities, ability to achieve the desired technological solution and of development costs that will be incurred. These are conditions that can change over time.

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. No impairment needs have been identified for existing technology and capitalised development as a result of the fact that this could potentially become outdated in the development of new technology that will contribute to solving climate challenges. 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 15](#) 'Impairment testing'.

15 Impairment testing

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

Group uses the value in use to determine the recoverable amount of the cash flow-generating units.

The calculation of net present value is based on a discount rate after 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.

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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.

Goodwill

Goodwill acquired through acquisitions is allocated to the Group's operating segments and is followed up and tested collectively for the group of cash flow-generating units included in the operating segment. Goodwill is followed up for groups of cash flow generating units that are similar to those defined as operating segments in accordance with [Note 6](#) 'Operating segments'.

Goodwill is allocated to the operating segments as follows:

MNOK	31 Dec 22	31 Dec 21
Kongsberg Maritime	2 858	2 857
Kongsberg Defence & Aerospace	628	181
Kongsberg Digital	201	101
Total goodwill recognised in the financial position	3 686	3 139

The Group tests goodwill for impairment annually or more frequently if there are indications of impairment. Goodwill write-downs cannot be reversed in a later period if the recoverable amount of the cash flow-generating unit increases. Any impairment is recognised as impairment in the income statement.

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 steady state. 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 ten-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 five-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. Markets where KONGSBERG operates are affected by climate change to variable degrees.

KONGSBERG with its world leading technological solutions is in a unique position to apply our competence to contribute to solve the climate challenges with sustainable solutions to customers across sectors. We deliver solutions for hybridisation and

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increased energy efficiency to reduce fuel consumption and emissions. Focus on improvements related to the existing fleet of vessels and other sectors that are under transition, such as oil & gas, is necessary to reach the global environmental goals.

In KONGSBERG's assessment of climate related risks, the maritime industry is, over time, perceived to be more exposed due to broad physical international presence and exposure to the oil and gas industry.

The revenues related to the oil and gas market in 2022 represent a significant share of the Group's activities within the maritime sector. Energy demand and oil-price developments affect the willingness to invest in this market. The last two years has been more positive than the previous five, and the outlook for 2023 is good. The focus on sustainability and climate continues to increase and this affects the activities and priorities of our customers and suppliers' going forward. The technologies and solutions which KONGSBERG is built on are to a large extent transferable to other industry verticals and the Group can benefit from the technology and competence it possesses to contribute to the green transition. For instance, Kongsberg Maritime's solutions for Dynamic Positioning have been an important delivery to vessels supporting the oil and gas market. These solutions are also especially important for vessels contributing in installation and maintenance of offshore wind farms. Strategic priorities are established within the Group to ensure that KONGSBERG takes part in the new opportunities the climate change represent.

A particular focus area is offshore wind, where we can utilise our current portfolio of products and solutions and where we also have a technology base to develop new solutions, that can both scale up offshore wind faster and at the same time ensuring we take the environment into account. KONGSBERG's advanced underwater- and sensor-technology solutions and expertise are examples where KONGSBERG develops solutions that ensure coexistence between different industries and the environment. In 2022, KONGSBERG had an order intake of around MNOK 1,700 from the

offshore wind segment, and the Group's ambition is to have MNOK 10,000 revenue from offshore wind and the renewable energy segment by 2030.

Another focus area is to be a leading partner in the development of decarbonisation solutions for the maritime industry. In 2022 KONGSBERG has delivered several hybrid solutions, propulsion-systems and hull upgrades and control and monitoring solutions to passenger expeditions vessels, advanced offshore vessel, ferries, ro-ro vessels, naval ships and more. There is no 'silver bullet' solution towards getting a more carbon neutral shipping industry. Kongsberg Maritime is a key partner to the ship owners helping them in making informed choices about the most optimal solutions.

Another potential market where KONGSBERG can contribute to solve the climate challenges is the development of autonomous and zero-emission vessels for short sea shipping. KONGSBERG has taken a leading position in this development through the two projects Yara Birkeland and ASKO. This technology is a result of collaboration across the Group and includes defence technology. The same technology can be used in several future projects for autonomous zero-emission vessels and KONGSBERG spearhead the development in several other projects.

KONGSBERG launched, together with Jotun, the Hull-Skater technology in 2022. This is an underwater robot that will help reduce emissions and the risk of spreading invasive species to other geographical areas they do not belong though cleaning of the vessels hull. In 2022 the Hull-Skater technology was delivered to 20 vessels.

A key to make operations more efficient and reduce both greenhouse gas emissions and environmental impact is to make use of our customers' vast amounts of data. Kongsberg Digital's cloud-based platform Vessel Insight and digital twins for ships and offshore installations help optimise the operations and reduce emissions.

In addition, KONGSBERG operates in the space technology segment and has been the largest space-industry player in the Nordics. With this technology KONGSBERG delivers solutions used for monitoring illegal fishing, deforestation and oil spill. This technology is also used in collecting climate related data which allows for better understanding of climate change.

The existing technology and the position to develop new technology and market position create opportunities for KONGSBERG to contribute to solve the climate challenges. For instance, technology for monitoring climate changes, technology for extreme weather conditions, new technology related to offshore wind, digitalisation and solutions that make use of alternative fuel. This can lead to increased revenues from existing technology solutions but also revenues from new solutions and products. Further, KONGSBERG's focus on circular economy can increase the attractiveness of KONGSBERG to customers while at the same time contribute to reduce the climate impact of our own products.

Key assumptions per cash flow-generating unit

<i>Per cent</i>	<i>Kongsberg</i>		
	<i>Kongsberg Defence & Maritime</i>	<i>Kongsberg Aerospace</i>	<i>Kongsberg Digital</i>
Discount rate before tax	10.98	9.54	10.80
Discount rate after tax	9.26	7.75	9.26
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.

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The cash generating units will not be in 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. In a world characterised by greater uncertainty related to an unstable energy market, high inflation, the transition to a circular economy and climate risk, which can lead to increased commodity prices and reduced access to subsidies, it is even more challenging to predict/calculate future cash flows, even though KONGSBERG

has initiated measures to limit the negative effects of this. The best estimate based on the latest available information and judgment has been used in relation to future earnings and operations.

Significant deviations in these can affect accounting estimates such as economically interchangeable useful life of assets and value in use calculation.

16 Financial income and financial 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, 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. In addition, there are interest expenses on leasing liabilities (see [Note 13](#)).

<i>MNOK</i>	<i>Note</i>	<i>2022</i>	<i>2021¹⁾</i>
Interest income from assets at amortised cost		124	45
Foreign exchange gain		106	47
Discounts of non-current provisions		3	-
Other financial income		17	6
Financial income		250	98
Interest expense from liabilities at amortised cost		173	88
Foreign exchange loss		85	27
Discounts of non-current provisions		-	2
Other financial expenses		64	34
Financial expenses		322	151
Interest expenses on leasing liabilities	13	128	132
Net financial items recognised in income statement		(200)	(185)

1) The comparable figures for 2021 have been reworked due to reclassification between the accounting lines.

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17 Income tax

Income tax expense

MNOK	2022	2021
Current tax on profits for the year (incl WHT)	922	359
Adjustment in respect of prior years - current tax	(16)	92
Total current income tax	906	451
Current year change in deferred tax	(209)	211
Adjustment in respect of prior periods	(9)	(30)
Total deferred income tax	(219)	181
Total income tax	687	632

Change in deferred tax recognised in other comprehensive income

MNOK	2022	2021
Tax (expense)/credit on cash flow hedges	14	(26)
Tax (expense)/credit on pension	(78)	32
Tax (expense)/credit in other comprehensive income	(64)	32

Effective tax rate

The table below reconciles the reported income tax expenses to the tax expenses if the tax rate of 22 per cent in Norway was applied:

MNOK	2022		2021	
	MNOK	Per cent	MNOK	Per cent
Earnings before tax	3 497		2 922	
Expected tax calculated at Norwegian tax rate of 22%	769	22.0%	643	22.0%
<i>Tax effects of:</i>				
Impact of change in tax rate	-	0.0%	(1)	0.0%
Equity transactions	-	-	1	0.0%
Adjustments in respect of prior years	(25)	(0.7)%	62	2.1%
Previously unrecognised tax losses and accruals	20	0.6%	(32)	(1.1)%
Tax effect on net income from joint arrangements and associated companies	(85)	(2.4)%	(54)	(1.8)%
Effect of different tax rates abroad	(20)	(0.6)%	(6)	(0.2)%
Effect of withholding tax	19	0.5%	34	1.2%
Other permanent differences	9	0.2%	(15)	(0.5)%
Income tax expense and effective tax rate	687	19.7%	632	21.6%

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MNOK	Note	2022			2021		
		Total	Norway	Abroad	Total	Norway	Abroad
Corporate income tax		395	157	238	331	6	326
Withholding tax		19	-	19	35	-	35
Total taxes paid		414	157	257	366	6	361

Recognized deferred tax assets and liabilities

MNOK	Opening Balance	Tax recognised in income statement	Changes in tax rate	Acquisitions/ Disposals	Tax recognised in total comprehensive income	Foreign exchange and reclassifications	Closing Balance
Property, plant and equipment	(8)	51	-	-	-	21	65
Customer contracts	(208)	29	-	(9)	-	(15)	(203)
Pension	201	(44)	-	-	(78)	-	78
Provisions / currency	383	94	-	-	-	-	477
Losses carried forward	47	(3)	-	-	-	-	44
Derivatives assets	(120)	(231)	-	-	-	-	(351)
Derivatives liability	83	246	-	-	14	-	343
Contracts under construction	(1 454)	119	-	-	-	3	(1 333)
Carried forward interest deductions	44	(40)	-	-	-	-	3
Net deferred tax assets / (Liability)	(1 033)	219	-	(9)	(64)	10	(877)

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. KONGSBERG has large and long-term ongoing contracts often resulting in significant temporary differences.

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Deferred tax

MNOK	31 Dec 22	31 Dec 21
Deferred tax asset	235	248
Deferred tax liability	(1 112)	(1 281)
Net deferred tax	(877)	(1 033)

Tax loss carry-forwards (gross amounts)

MNOK	Norway	Europe	Other	Total
Less than five years	-	-	58	58
5-10 years	-	-	-	-
10-20 years	-	4	21	25
Without time limit	187	63	5	255
Total	187	68	84	338

Unrecognized Deferred Tax Assets

MNOK	31 Dec 22	31 Dec 21
Unrecognized tax loss carry-forward	123	12
Unrecognized other tax assets	6	6
Total not recognized	129	19

Estimation uncertainty

KONGSBERG is subject to income taxes in numerous jurisdictions, and expose us to multiple tax regimes and their interaction. Management judgement may be involved when determining the taxable amount. Tax authorities in different jurisdictions may challenge KONGSBERGS' calculation of taxes payable from prior period, and as required the management has made provisions for such risk. Management judgement is required when assessing the valuation of unused tax losses, interests, and tax credits. The recoverability is assessed by estimating future profits, foreign revenue and the entities tax positions.

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18 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.

MNOK	2022	2021
<i>Earnings attributable to the ordinary shareholders</i>		
Earnings after tax	2 809	2 290
Non-controlling interests' share of the result	(36)	(131)
Earnings for the year/diluted earnings attributable to the ordinary shareholders	2 774	2 159

Number of shares	Note	2022	2021
<i>Number of shares</i>			
Number of shares outstanding as of 1 January		178.20	179.80
Number of shares as of 31 December	23	177.31	178.20
Average number of shares		177.37	179.02

NOK	2022	2021
Earnings for the year per share	15.64	12.06
Earnings per share for the year, diluted	15.64	12.06

19 Other non-current assets

MNOK	31 Dec 22	31 Dec 21
Shares at fair value through profit and loss	238	66
Loans to employees	3	3
Prepaid land rental	1	2
Long-term loans, associated companies	2	23
Other non-current assets ¹⁾	340	78
Total other non-current assets	585	172

1) Other non-current assets has increased due to a special agreement with a customer.

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20 Receivables and credit risk

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.

Credit risk

Exposure to credit risk

For an explanation of KONGSBERG's credit risk and the handling of this, see [Note 4](#) 'Management of capital and financial risk'.

Carrying value of financial assets represents the maximum credit exposure:

MNOK	Note	31 Dec 22	31 Dec 21
Trade receivable ¹⁾		7 402	4 932
Other short-term receivables		896	620
Customer contracts in progress	7	2 339	2 489
Other non-current assets	19	347	106
Cash and cash equivalents	22	3 932	8 118
Forward contracts and interest rate swaps are used as currency hedging	21 A	1 596	545
Total exposure to credit risk		16 512	16 810

- 1) Trade receivables have increased significantly since last year due to increases in deliveries and natural fluctuations in business with larger milestone payments. Included in trade receivables as of 31 December is a prepayment from a customer of MNOK 300 and MNOK 300 regarding a special agreement with a customer.

MNOK	31 Dec 22	31 Dec 21
Trade receivables	7 402	4 932
Provision for bad debts	(445)	(414)
Net trade receivables	6 957	4 518

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Trade receivables distributed by region

MNOK	31 Dec 22	31 Dec 21
Norway	620	632
Europe	1 837	1 293
North America	2 036	1 027
South America	446	200
Asia	1 528	1 229
Other countries	934	551
Total	7 402	4 932

KONGSBERG makes provision for expected credit losses on 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.

Credit exposure on the Group trade receivables

MNOK	31 Dec 22		31 Dec 21	
	Gross	Provision for bad debts	Gross	Provision for bad debts
Not due	4 444	(1)	2 431	(2)
Due 1–30 days	1 086	(9)	802	(8)
Due 31-90 days	523	(7)	513	(13)
Due 91-180 days	256	(25)	731	(18)
Due more than 180 days ¹⁾	1 093	(403)	455	(373)
Total	7 402	(445)	4 932	(414)

1) MNOK 300 is related to a customer with special terms of payment.

Trade receivables distributed by customer type

MNOK	31 Dec 22	31 Dec 21
Public	2 094	1 040
Private	5 307	3 892
Total	7 402	4 932

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.

Changes in provision for bad debts

MNOK	31 Dec 22	31 Dec 21
Provisions as of 1 January	(414)	(481)
Adjustment to opening balance	-	1
Actual losses	32	31
Allocation	(87)	(11)
Dissolved	24	46
Provision as of 31 December	(445)	(414)

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21 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 for 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 with changes in 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

A) Fair value hedges

Derivatives

Derivatives in KONGSBERG are comprised mainly of forward exchange contracts and currency swaps. Currency options and cross-currency 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.

<i>MNOK</i>	<i>Note</i>	<i>31 Dec 22</i>	<i>31 Dec 21</i>
<i>Current assets</i>			
Forward exchange contracts, cash flow hedges (a)	<u>21 C</u>	682	28
Forward exchange contracts, fair value hedges (b)	<u>21 B</u>	914	500
Cross-currency swaps		-	17
Total derivatives, current assets		1 596	545
<i>Current liabilities</i>			
Forward exchange contracts, cash flow hedges (c)	<u>21 C</u>	774	65
Forward exchange contracts, fair value hedges (d)	<u>21 B</u>	730	312
Cross-currency swaps		54	-
Total derivatives, current liabilities		1 559	378
Net forward exchange contracts, cash flow hedges (a) - (c)		(92)	(37)
Net forward exchange contracts, fair value hedges (b) - (d)		184	188
Total net forward exchange contracts		92	150

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B) Currency risk and currency hedging

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 through other comprehensive income, while changes in the value of fair value hedges are recognised against foreign currency assets or liabilities in the balance sheet.

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). KONGSBERG's currency risk and management of this risk are explained in [Note 4](#) 'Management of capital and financial risks'. In special cases, the Group uses forward exchange contracts or to some degree currency options as cash flow hedges, e.g. in large tenders where contract award is considered 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 hedge relationship 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 hedge 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 of a future cash flow from a recognised asset or liability, or an identified highly probable future transaction (cash flow hedges)

Fair value hedges

Fair value hedges are intended to secure contracted currency flows. This means that the fair value hedge secures trade receivables as well as remaining contractual amount on contractual transactions in a currency other than the entity's functional currency. Using fair value hedges the change in fair value of the hedge instrument is recognised against the hedged object. For currency hedges of future contractual transactions, this implies that the change 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.

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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	
	2022	2021	2022	2021
USD	9.63	8.63	9.80	9.03
EUR	10.12	10.18	10.48	10.24
GBP	11.84	11.85	11.85	12.01

As of 31 December, the group had the following hedges of net sales in foreign currencies, listed by hedge category:

Currency hedging, fair value hedges

Amounts in millions	2022										2021										
	Due in 2023		Due in 2024 and later		Total						Due in 2022		Due in 2023 and later		Total						
	Value in MNOK on agreed rates	Fair value in MNOK at 31 Dec 2022	Value in MNOK on agreed rates	Fair value in MNOK at 31 Dec 2022	Value in MNOK on agreed rates	Fair value in MNOK at 31 Dec 2022	Total hedged amount	Average hedged rate	Fair value 31 Dec 2021	Change in fair value from 31 Dec 2021	Value in MNOK on agreed rates	Fair value in MNOK at 31 Dec 2021	Value in MNOK on agreed rates	Fair value in MNOK at 31 Dec 2021	Value in MNOK on agreed rates	Fair value in MNOK at 31 Dec 2021	Total hedged amount	Average hedged rate	Fair value 31 Dec 2020	Change in fair value from 31 Dec 2020	
USD	7 137	(10)	3 318	80	10 455	69	1 082	9.66	(19)	88	5 313	8	1 279	(26)	6 592	(19)	748	8.81	405	(424)	
EUR	5 700	80	1 767	29	7 466	109	705	10.59	186	(77)	3 207	78	2 364	108	5 571	186	529	10.53	95	91	
GBP	360	7	417	30	777	36	64	12.14	(2)	39	100	4	962	(6)	1 062	(2)	88	12.02	15	(18)	
Other	308	(17)	179	(14)	488	(31)	-	-	24	(54)	490	9	253	15	742	24	-	-	114	(90)	
Total	13 505	59	5 681	125	19 185	184				188	(4)	9 109	99	4 858	89	13 968				629	(441)

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(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. Any currency options and cross-currency swaps 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 investments outside of Norway is applicable (net investment hedge). Net investment hedges are 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.

Currency hedging, cash flow hedges

Amounts in millions	2022										2021									
	Due in 2023		Due in 2024 and later		Total				Due in 2022		Due in 2023 and later		Total							
	Value in MNOK on agreed rates	Fair value in MNOK at 31 Dec 2022	Value in MNOK on agreed rates	Fair value in MNOK at 31 Dec 2022	Value in MNOK on agreed rates	Fair value in MNOK at 31 Dec 2022	Total hedged amount	Average hedged rate ¹⁾	Fair value 31 Dec 2021	Change in fair value from 31 Dec 2021	Value in MNOK on agreed rates	Fair value in MNOK at 31 Dec 2021	Value in MNOK on agreed rates	Fair value in MNOK at 31 Dec 2021	Value in MNOK on agreed rates	Fair value in MNOK at 31 Dec 2021	Total hedged amount	Average hedged rate ¹⁾	Fair value 31 Dec 2020	Change in fair value from 31 Dec 2020
USD	(1 137)	(176)	3 990	87	2 853	(89)	313	9.11	(38)	(51)	(404)	(23)	384	(15)	(20)	(38)	2	(9.50)	(69)	31
EUR	391	-	(111)	-	280	-	27	10.42	3	(3)	194	7	(101)	(4)	93	3	10	9.70	(9)	11
GBP	(20)	1	(86)	(1)	(106)	-	(9)	11.48	-	-	-	-	(5)	-	(5)	-	-	11.85	-	-
Other	(22)	-	(31)	(2)	(53)	(2)	-	-	(2)	-	(17)	-	(37)	(2)	(54)	(2)	-	-	-	(1)
Total	(788)	(175)	3 762	83	2 974	(92)			(37)	(54)	(227)	(16)	241	(21)	15	(37)			(78)	41

1) Average hedged rate in USD is influenced by the presentation of net figures. Average hedged rate for gross outflow and gross income is 10.00 (8.95) and 9.78 (8.68) in 2022.

Fair value is referring to the net present value of the variance between the 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.

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As of 31 December, the group had the following hedges of net sales in foreign currencies, listed by hedge category:

<i>Amounts in millions</i>	<i>Nominal</i>		<i>Due in 2024 and later</i>	
	<i>currency</i>	<i>amount</i>		<i>Due in 2023</i>
Hedge category				
<i>Forward exchange contracts, fair value hedges</i>				
USD		1 082	741	342
EUR		705	539	166
GBP		64	30	34
<i>Forward exchange contracts, cash flow hedges</i>				
USD		313	(100)	413
EUR		27	38	(11)
GBP		(9)	(2)	(7)

Follow-up of hedging effectiveness and hedge ineffectiveness

Ineffective fair value hedges may occur due to changes in timing of currency inflow or outflow. In order to maintain the hedge effectiveness currency swaps are used to balance cash inflow and outflow. At shorter time differences between the maturity of the forward contracts and the receipts/payments, KONGSBERG uses bank accounts in foreign currency to maintain the hedge effectiveness. 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. Ineffective cash flow hedges may occur if the highly probable transaction hedged as a cash flow hedge no longer is considered highly probable and therefore terminated.

As of 31 December, the group had recognised the following amounts as hedge ineffectiveness through profit and loss, listed by hedge category:

<i>MNOK</i>	<i>2022</i>	<i>2021</i>
<i>Hedge category</i>		
Forward exchange contracts, cash flow hedges ¹⁾	-	(31)
Forward exchange contracts, fair value hedges ²⁾	-	-
Total	-	(31)

- 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 188 during 2022 (MNOK 629 in 2021). 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 2021, KONGSBERG had no currency options.

Cross-currency swaps

Subsequent to the acquisition of shares in Patria Oyj in 2016, cross-currency swaps were entered in order to partially hedge net investment in foreign entity. The net investment in Patria is now hedged with cross-currency swaps of MEUR 98 and forward exchange contracts of MEUR 42, a total of MEUR 140. The cross-currency swap agreements mature in 2024. Per 31 December 2022 the cross-currency swaps had a fair value of MNOK -54 (MNOK 17 per 31 December 2021).

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A weakening of the NOK against USD and EUR as of 31 December of ten per cent would have changed other comprehensive income by the amount listed in the table below.

Estimated effect on other comprehensive income (after tax):

MNOK	2022	2021
Valutaterminer, kontantstrømsikringer i USD	239	1
Valutaterminer, kontantstrømsikringer i EUR	22	8
Rente- og valutabytteavtaler i EUR	(80)	(78)
Total	181	(69)

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.

Translation differences currency

MNOK	2022	2021
Translation differences Patria	151	(60)
Translation differences subsidiaries	136	(134)
Total	287	(194)

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:

MNOK	31 Dec 22				31 Dec 21			
	Carrying amount	Expected cash flow	2023	2024 and later	Carrying amount	Expected cash flow	2022	2023 and later
<i>Currency forward exchange contracts</i>								
Assets	682	768	79	689	28	28	23	5
Liabilities	(774)	(841)	(257)	(584)	(65)	(66)	(40)	(26)
Total	(92)	(72)	(178)	105	(37)	(38)	(17)	(21)

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List of the periods in which the cash flows related to derivatives that are cash flow hedges are expected to affect results:

MNOK	31 Dec 22				31 Dec 21			
	Carrying amount	Expected cash flow	2023	2024 and later	Carrying amount	Expected cash flow	2022	2023 and later
<i>Currency forward exchange contracts</i>								
Assets	682	768	307	461	28	28	11	17
Liabilities	(774)	(841)	(336)	(505)	(65)	(66)	(26)	(40)
Total	(92)	(72)	(29)	(43)	(37)	(38)	(15)	(23)

Cash flow hedges - hedge reserve

Hedging reserve includes total accumulated net changes in fair value for financial instruments used as cash flow hedges which are recognized in other comprehensive income.

MNOK	2022	2021
Opening balance 1 January	(165)	(258)
Changes in fair value during the period		
- Forward exchange contracts and roll-over effects ¹⁾	6	86
- Cross-currency swaps	(70)	45
- Currency options	-	(11)
Adaptations in connection with hedge accounting in acquired companies		
	-	-
Tax on items recognised directly in other comprehensive income	14	(26)
Closing balance hedge reserve 31 December	(215)	(165)
Amount reclassified from the cash flow hedges to fair value hedges ¹⁾		
	123	(15)
Ineffective cash flow hedges recognised in profit and loss	-	(31)

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 -14 as of 31 December 2022 (MNOK -75 as of 31 December 2021).

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.

No ineffective cash flow hedges was recognized in the ordinary result in 2022 (MNOK -31 in 2021).

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D) Interest rate risk on loans

MNOK	2022			2021	
	Due date	Nominal interest rate	Carrying amount ¹⁾	Nominal interest rate	Carrying amount ¹⁾
<i>Long-term loans</i>					
Bond issue KOG09 - fixed interest rate	2 Jun 26	3.20%	1 000	3.20%	1 000
Bond issue KOG13 - floating interest rate	6 Jun 24	4.62%	500	2.02%	500
Bond issue KOG14 - floating interest rate	26 Feb 26	4.34%	500	1.66%	500
Bond issue KOG11 - fixed interest rate ²⁾			-	2.90%	450
Other long-term loans ³⁾			3		-
Total long-term loans			2 003		2 450
<i>Short-term loans</i>					
Bond issue KOG11 - fixed interest rate ²⁾	5 Dec 23	2.90%	450		-
Total short-term loans			450		-
Total interest-bearing loans			2 453		2 450

MNOK	2022		2021
	Due date	Nominal amount	Nominal amount
Syndicated credit facility (unutilised borrowing limit) ⁴⁾	22 Mar 27	2 500	2 300
Overdraft facility (unutilised) ⁴⁾		1 000	500

- 1) Value is equal to nominal amount. For long-term bond loans, the carrying amount is equal to the nominal amount.
- 2) The bond issue KOG11 was reclassified to short-term loans at 5 December 2022.
- 3) Other long-term loans consisted of minor loans in some of the Group's subsidiaries.
- 4) During 2022 the syndicated credit facility was renewed and increased with MNOK 200 and the overdraft facility was increased with MNOK 500.

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MNOK	2022	2021
Carrying amount as of 1 January	2 450	3 471
Debt in acquired companies	3	-
Issuance of new bond	-	500
Repayment of debt	-	(1 521)
Carrying amount as of 31 December	2 453	2 450

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 22 March 2027. The interest rate is 3M NIBOR + a margin that depends on the ratio of net interest-bearing debt/EBITDA and can vary from 0.5 per cent to 2 per cent. The credit facility requires that net interest-bearing debt does not exceed 4.75 times EBITDA, but can be up to 5.25 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 2022. The new facility has a tenor of five years (2022-2027) and may be extended by two additional years through two extension options. The previous revolving credit facility has been cancelled.

Kongsberg Gruppen ASA held four bond loans at the end of 2022. 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 + 1.20 per cent for KOG13, + 0.86 per cent for KOG14. The fixed interest rates are 3.20 per cent for KOG09 and 2.90 per cent for KOG11. The group holds a overdraft facility of MNOK 1,000. As of 31 December 2022, this remains unutilised.

As of 31 December 2022, 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	2022	2021
Investments with floating interest rates	20	41
Variable interest rate loans	(10)	(5)
Cash flow sensitivity (net)	10	36

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E) Liquidity risk

Tabellen viser forfall i henhold til kontrakt for finansielle forpliktelser inkludert rentebetalinger. Forpliktelser som offentlige avgifter og skatter er ikke finansielle forpliktelser og derfor ikke inkludert. Det samme gjelder forskuddsbetalinger fra kunder og periodiseringer av prosjekter.

	31 Dec 22							31 Dec 21						
	Carrying amount	Contr-actual cash flows	2023	2024	2025	2026	2027 and later	Carrying amount	Contr-actual cash flows	2022	2023	2024	2025	2026 and later
<i>MNOK</i>														
<i>Financial liabilities that are not derivatives</i>														
Unhedged bond issues	2 450	(2 673)	(539)	(564)	(54)	(1 517)	-	2 450	(2 675)	(63)	(512)	(545)	(40)	(1 515)
Leasing liabilities	1 945	(2 314)	(532)	(442)	(340)	(287)	(713)	1 880	(2 308)	(494)	(447)	(352)	(259)	(756)
Other loans and long-term liabilities	3	(3)	(3)	-	-	-	-	-	-	-	-	-	-	-
Accounts payable	2 522	(2 522)	(2 522)	-	-	-	-	2 334	(2 334)	(2 334)	-	-	-	-
<i>Financial liabilities that are derivatives</i>														
Currency derivatives	1 504	(1 602)	(801)	(316)	(196)	(277)	(12)	378	(383)	(254)	(105)	(14)	(11)	-
Basis swaps	54	(54)	-	(54)	-	-	-	-	-	-	-	-	-	-
Total	8 478	(9 168)	(4 397)	(1 377)	(589)	(2 080)	(726)	7 042	(7 700)	(3 145)	(1 064)	(911)	(310)	(2 271)

F) Summary financial assets and liabilities

Financial assets at fair value with changes in value in the profit and loss statement

Except for investments in subsidiaries, joint ventures or associated companies in the balance sheet, all shares are defined as fair value with changes in value through profit and loss. [Note 3 'Fair value'](#) includes a 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.

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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.

Financial assets and liabilities divided into different categories for accounting purposes as of 31 December:

MNOK	Note	2022				2021					
		Amortised cost	Hedge derivatives	Fair value with change in value through profit or loss	Total	Fair value	Amortised cost	Hedge derivatives	Fair value with change in value through profit or loss	Total	Fair value
<i>Assets – non-current assets</i>											
Other non-current assets	19	347	-	238	585	585	107	-	66	172	172
<i>Assets – current assets</i>											
Derivatives	21 A	-	1 596	-	1 596	1 596	-	545	-	545	545
Receivables	20	7 852	-	-	7 852	7 852	5 138	-	-	5 138	5 138
Customer contracts in progress	7	2 339	-	-	2 339	2 339	2 489	-	-	2 489	2 489
Cash and cash equivalents	22	3 932	-	-	3 932	3 932	8 118	-	-	8 118	8 118
<i>Financial liabilities – non-current</i>											
Interest-bearing loans	21 D	2 003	-	-	2 003	1 957	2 450	-	-	2 450	2 511
Leasing liabilities	13	1 526	-	-	1 526	1 526	1 500	-	-	1 500	1 500
Other non-current liabilities		75	-	-	75	75	72	-	-	72	72
<i>Financial liabilities – current</i>											
Interest-bearing loans	21 D	450	-	-	450	442	-	-	-	-	-
Leasing liabilities	13	419	-	-	419	419	380	-	-	380	380
Derivatives	21 A	-	1 559	-	1 559	1 559	-	378	-	378	378
Accounts payable	25	2 522	-	-	2 522	2 522	2 334	-	-	2 334	2 334

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G) Assessment of fair value

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

MNOK	Note	2022			2021		
		Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<i>Assets</i>							
Shares at fair value through profit and loss	19	-	-	238	-	-	66
Derivatives	21 A	-	1 596	-	-	545	-
Total assets at fair value		-	1 596	238	-	545	66
<i>Liabilities</i>							
Derivatives	21 A	-	1 559	-	-	378	-
Interest-bearing liabilities (intended for note purposes)	21 F	-	2 511	-	-	2 511	-
Total liabilities at fair value		-	4 069	-	-	2 889	-

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.

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.

See [Note 3 'Fair Value'](#) for more details on fair value measurement.

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22 Cash and cash equivalents

Cash and short-term deposits comprise bank deposits and short-term liquid investments, such as money market funds, that can be immediately converted into a given sum of money and with immaterial risk of changes in value. Overdraft on cash pool is included in cash and cash equivalents in the statement of cash flow.

<i>MNOK</i>	<i>31 Dec 22</i>	<i>31 Dec 21</i>
Bank deposits	3 932	4 302
Money market funds	-	3 816
Total	3 932	8 118

In addition, the Group has an overdraft credit facility of MNOK 1,000 which is unused as of 31 December 2022. Bank guarantees have been furnished for funds related to withholding tax for employees of MNOK 437 (MNOK 402 in 2021). The Group's liquidity management is handled by the Group's corporate treasury unit.

23 Share capital

As of 31 December 2022, share capital consists of 177,313,072 shares, each with a nominal value of NOK 1.25.

Share capital trends

<i>Expansion type</i>	<i>Date</i>	<i>Number of shares</i>	<i>Nominal NOK</i>	<i>Amount, MNOK</i>	<i>Corr. Factor</i>	<i>Share capital MNOK</i>
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
Capital reduction, cancellation of own shares	2021	178 833 446	1.25	(2)		223.5
Capital reduction, cancellation of own shares ¹⁾	2022	177 313 072	1.25	(2)		221.6

1) Issued capital is reduced with NOK 1,900,467.5 during 2022 through cancellation of 1,520,374 shares.

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List of major shareholders as of 31 December 2022

Shareholders	Type	Number of Shares	%-holding
Ministry of Trade, Industry and Fisheries		88 663 794	50.004%
National Insurance Fund		10 502 973	5.92%
Must Invest AS		4 416 887	2.49%
Danske Bank AS		2 742 662	1.55%
MP Pensjon PK		2 366 661	1.33%
State Street Bank And Trust Comp	Nom	2 286 889	1.29%
Fløtemarken AS		2 000 000	1.13%
The Bank of New York Mellon	Nom	1 636 773	0.92%
The Northern Trust Comp, London Br	Nom	1 531 654	0.86%
JPMorgan Chase Bank, N.A., London	Nom	1 519 379	0.86%
State Street Bank And Trust Comp	Nom	1 416 599	0.80%
State Street Bank And Trust Comp	Nom	1 411 053	0.80%
Verdipapirfond Odin Norge		1 358 923	0.77%
The Northern Trust Comp, London Br	Nom	1 293 908	0.73%
Danske Invest Norske Aksjer Inst. II		1 163 100	0.66%
State Street Bank And Trust Comp	Nom	931 841	0.53%
Verdipapirfondet KLP Aksje Norge		886 223	0.50%
State Street Bank And Trust Comp	Nom	820 955	0.46%
Verdipapirfondet Alfred Berg Gambak		808 237	0.46%
Danske Invest Norske Aksjer Inst.		650 575	0.37%
Total		128 409 086	72.42%
Other		48 903 986	27.58%
Total number of shares		177 313 072	100.00%

Shareholders listed according to share holding size

Shareholding interval	Number of owners	Number of shares	%-holding
1-1 000	18 684	3 377 025	1.90%
1 001-10 000	3 094	8 492 866	4.79%
10 001-100 000	400	11 782 874	6.65%
100 001-1 000 000	105	29 349 052	16.55%
1 000 001-10 000 000	13	25 144 488	14.18%
Over 10 000 000	2	99 166 767	55.93%
Total	22 298	177 313 072	100.00%

Of the 22,298 shareholders as of 31 December 2022, 1,008 were foreign, with a total holding of 22.76 per cent.

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. As of 31 December 2022, KONGSBERG had a holding of 693,610 treasury shares. 653,331 of these shares are related to the share buy-back where the purpose is to buy back shares of up to MNOK 250 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 2021	613 987
Purchase of treasury shares in connection with employees share programme and long-term incentiv scheme	906 463
Purchase of treasury shares in connection with share buy-back programme for cancellation	1 581 677
Capital reduction, cancellation of own shares	(1 520 374)
Treasury shares sold to employees in connection with the share programme	(858 243)
Treasury shares sold to employees in connection with the long-term incentive scheme	(33 254)
Return of shares from former employee	3 354
Holding of treasury shares as of 31 December 2022	693 610

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Dividends

	2022	2021
Dividends paid in NOK per share	15.3	8.00
Dividends paid in MNOK	2 736	1 440
Of which, dividends treasury shares in MNOK	19.98	14.11

The Board has proposed a dividend for the 2022 accounting year of MNOK 2,128 equivalent to NOK 12.00 per share, of which NOK 8.40 per share is on top of the ordinary dividend. The approval date for the dividend is on 11 May 2023 and the ex date is on the following day. The dividend will be paid in two transactions: NOK 3.6/share will be paid on or about 30 May 2023 and NOK 8.40/share will be paid on or about 31 May 2023.

24 Provision

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.

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.

MNOK	Sale and leaseback	Other	Total
Carrying amount as of 1 January 2022	121	-	121
Provisions used	(7)	-	(7)
Allocation	-	1	1
Carrying amount as of 31 December 2022	114	1	115

Current provisions

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. Warranty costs are expensed concurrently with the percentage of completion of the customer contracts and are reclassified as provisions for warranty upon delivery.

Other provisions

Other 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. In addition, onerous contracts are classified as other provision. The estimated amount shall cover the lower of the cost of fulfilling the customer contract and any compensation or penalties arising to fulfil it. There must be an actual loss rather than just a reduced profit. When a customer contract is expected to result in a loss, the loss is recognised in its entirety immediately.

On the basis of the sanctions against Russia, 'Other provisions'

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include a loss provision related to customer contracts of MNOK 21 as of 31 December 2022.

Included in other provisions are also provisions for 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.

MNOK	Warranty	Other	Total
Carrying amount as of 1 January 2022	852	744	1 596
Reclassified from other accounting lines	5	31	36
Provisions used	(203)	(259)	(462)
Allocation	376	221	597
Dissolved	(184)	(23)	(207)
Currency	2	1	3
Carrying amount as of 31 December 2022	848	715	1 563

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.

25 Other current liabilities

MNOK	31 Dec 22	31 Dec 21
Accounts payable	2 522	2 334
Public charges owing	421	297
Calculated income tax payable	677	197
Accrued holiday pay	852	768
Withholding tax owed for employees ²⁾	340	297
Other accruals ¹⁾²⁾	1 135	1 131
Total	5 948	5 024

- 1) Other accruals relate to costs incurred for which invoices have not yet been received, salaries owed to employees and other non-interest-bearing liabilities.
- 2) In the amounts for 2021 there is done a reclassification of MNOK 297 from 'Other accruals' to 'Withholding tax owed for employees'.

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26 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.

<i>MNOK</i>	31 Dec 22	31 Dec 21
Guarantees issued by banks and insurance companies	3 390	2 563
Guarantees issued by Kongsberg Gruppen ASA (parent company)	16 710	16 114
Prepayments from and completion guarantees to customers	20 100	18 677

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

27 Auditor's fees

<i>TNOK</i>	2022				2021			
	<i>Parent company</i>	<i>Subsidiaries in Norway</i>	<i>Subsidiaries outside Norway</i>	<i>Total</i>	<i>Parent company</i>	<i>Subsidiaries in Norway</i>	<i>Subsidiaries outside Norway</i>	<i>Total</i>
<i>Group auditor EY</i>								
Statutory audit	2 055	11 478	11 166	24 699	1 738	10 468	9 817	22 023
Other assurance services	93	774	-	867	50	290	791	1 131
Tax consultancy	45	192	377	614	2 023	141	1 680	3 844
Other non-audit services	688	115	248	1 051	176	450	876	1 502
Total fees, EY	2 881	12 559	11 791	27 231	3 987	11 349	13 164	28 500
<i>Other auditors</i>								
Estimated audit fees	-	-	2 003	2 003	-	-	1 285	1 285

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28 List of Group companies

The following companies have been consolidated:

Name of company	Country of origin	Ownership stake	Ownership stake
		31 Dec 22	31 Dec 21
Kongsberg Gruppen ASA	Norway	Parent	Parent
Kongsberg Defence & Aerospace AS	Norway	100	100
Kongsberg Oil & Gas Technologies AS	Norway	Phased out	100
Kongsberg Digital AS	Norway	100	100
Kongsberg Digital Holding ASA	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
Kongsberg Næringsbygg 15 AS	Norway	100	100
Kongsberg Næringsbygg 16 AS	Norway	100	-
KNB12 Ulsteinvik AS	Norway	100	100
KNB13 Brattvåg AS	Norway	100	100
KNB14 Longva AS	Norway	Sold	100
Kongsberg Seatex AS	Norway	100	100
Vehicle Tracking and Information Systems AS	Norway	Merged	100
Kongsberg Maritime AS	Norway	100	100
Kongsberg Norcontrol AS	Norway	100	100
Visavi Technology AS	Norway	100	-
Simrad AS	Norway	100	100
Kongsberg Maritime CM AS	Norway	Merged	100
Ulstein Holding AS	Norway	Merged	100
Kongsberg Aviation Maintenance Services AS	Norway	50.1	50.1

Name of company	Country of origin	Ownership stake	Ownership stake
		31 Dec 22	31 Dec 21
Rygge 2 AS	Norway	50.1	50.1
Rygge Eiendom AS	Norway	50.1	50.1
Kongsberg Renewables Technologies AS	Norway	100	-
Kongsberg Naval Services AS	Norway	100	-
Kongsberg Maritime Italy S.R.L	Italy	100	100
Kongsberg Maritime Netherlands B.V	The Netherlands	100	100
Kongsberg Maritime CM Sp. z o.o.	Poland	100	100
Kongsberg Maritime Poland Sp. Z o.o.	Poland	100	100
Kongsberg Defence Sp. z o.o.	Poland	100	100
Kongsberg Maritime Spain S.L.	Spain	100	100
Kongsberg Defence Oy	Finland	100	100
Kongsberg Maritime Finland OY	Finland	100	100
Kongsberg Maritime Contros GmbH	Germany	100	100
Kongsberg Maritime France SARL	France	100	100
Kongsberg Defence Switzerland AG	Switzerland	100	100
Kongsberg Norcontrol Ltd.	Great Britain	100	100
Kongsberg Maritime Ltd.	Great Britain	100	100
NanoAvionics UK Ltd	Great Britain	78.5	-
Kongsberg Hungaria Kft.	Hungary	100	100
Navis Consult d.o.o.	Croatia	100	75
Kongsberg Maritime Hellas SA	Greece	100	100
Kongsberg Maritime Denmark A/S	Denmark	100	100
Coach Solutions ApS	Denmark	100	100
Kongsberg Maritime Sweden AB	Sweden	100	100
Kongsberg Maritime RUS LLC	Russia	Phasing out	100
NanoAvionics	Lithuania	78.5	-
Kongsberg Maritime Turkey Denizcilik Sanayi Ve Ticaret Limited Şirketi	Turkey	100	100
Interconsult Bulgaria Ltd	Bulgaria	65	-

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Name of company	Country of origin	Ownership stake	Ownership stake
		31 Dec 22	31 Dec 21
Kongsberg Geospatial Ltd.	Canada	100	100
Kongsberg Digital Simulation Ltd.	Canada	100	100
Kongsberg Maritime Canada Ltd.	Canada	100	100
Ulstein Maritime Ltd.	Canada	100	100
Kongsberg Digital Simulation 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 & Aerospace Inc.	USA	100	-
Kongsberg Defense Systems Inc.	USA	100	100
Kongsberg Geospatial Cooperation	USA	100	100
Kongsberg Integrated Tactical Systems Inc.	USA	100	100
NanoAvionics US LLC	USA	78.5	-
Kongsberg Maritime do Brazil Ltda	Brazil	100	100
Kongsberg Maritime Mexico SA DE CV	Mexico	100	100
Kongsberg Defence Chile Spa	Chile	100	100
Kongsberg Maritime Panama Corporation	Panama	100	100
Kongsberg Asia Pacific Ltd.	Hong Kong	Merged	100
Kongsberg Maritime Holdings Hong Kong Ltd (former Kongsberg Maritime Hoi Tung Holding Ltd.)	Hong Kong	100	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	Phased out	100
Kongsberg Digital Technology Service (Beijing) Co., Ltd	China	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
Kongsberg Digital Pte. Ltd	Singapore	100	-
Kongsberg Maritime Japan Co Ltd.	Japan	100	100

Name of company	Country of origin	Ownership stake	Ownership stake
		31 Dec 22	31 Dec 21
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 Services LCC	Qatar	100	-
Kongsberg Maritime Middle East DMCCO	UAE	100	100
Kongsberg Defence Australia Pty Ltd.	Australia	100	100
Kongsberg Defence Australia Mawson Lakes Property Pty Ltd.	Australia	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

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29 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 2022, KONGSBERG had an outstanding balance from state-owned customers of MNOK 58, while other liability items in respect of state suppliers amounted to MNOK 10 as of 31 December 2022.

In 2022, KONGSBERG issued invoices to state customers for a total of MNOK 1,457. Goods and services purchased from state suppliers in 2022, amounted to MNOK 254.

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 2022, KONGSBERG had trade receivables for associated companies of MNOK 24, while trade payables amounted to MNOK 0 as of 31 December 2022.

In addition, KONGSBERG has a long-term receivable from associated companies of MNOK 2.

In 2022, KONGSBERG issued invoices to associated companies for a total of MNOK 560. Goods and services purchased from associated companies in 2022 amounted to MNOK 9.

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30 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 2022 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.

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.

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. Working capital is calculated as follow:

<i>MNOK</i>	<i>31 Dec 22</i>	<i>31 Dec 21</i>
Current assets	26 905	24 624
Current liabilities and provisions	(24 097)	(19 164)
<i>Adjusted for</i>		
Cash and cash equivalents	(3 932)	(8 118)
Short-term interest-bearing loans	450	-
Short-term leasing liabilities	419	380
Net tax payable	660	180
Financial instruments classified as cash flow hedges	160	96
Working capital	565	(2 003)

Book-to-bill ratio is order intake divided by operating revenues.

Organic growth is change in operating revenues exclusive acquired companies.

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31 Events after balance date

Sensors & Robotics established as a new business area

With effect from 1 January 2023, KONGSBERG has established Sensors & Robotics as a new business area.

The area was previously a division in Kongsberg Maritime. Restated historical economic figures for Kongsberg Maritime and Sensors & Robotics will be published when the companies are separated, and before the first external reporting of Sensors & Robotics which is the reporting of the results for the first quarter 2023.

The new business area aims to grow through intensified development of advanced subsea sensor technology and solutions in hydroacoustics, sonar technology, robotics, and positioning systems. Through the establishment of Sensors & Robotics as a separate business area, Kongsberg Maritime's investments are strengthened and sharpened towards its traditional core areas, and the main focus going forward is to secure and further develop the business area's position as a leading maritime system integrator. Sensors & Robotics will be led by Martin Wien Fjell.

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Statement of income

Kongsberg Gruppen ASA

<i>MNOK</i>	<i>Note</i>	<i>2022</i>	<i>2021</i>
Operating revenues from subsidiaries	9	198	242
Other operating revenues		3	1
Total revenues		201	243
Personnel expenses	4, 5	(154)	(145)
Depreciation		(2)	(2)
Other operating expenses	4	(136)	(168)
Total operating expenses		(292)	(315)
Earnings before interest and tax		(91)	(72)
Dividends from subsidiaries		-	141
Interest from group companies		49	31
Net currency gains		36	5
Interest to Group companies		(1)	(3)
Interest income, bank and investment		9	15
Interest costs, external loans		(62)	(58)
Other financial expenses		(23)	(7)
Loss from disposals of subsidiaries		-	(41)
Group contribution		413	5 898
Net finance items		422	5 981
Earnings before tax (EBT)		331	5 909
Income tax expense (+income/expense)	6	(73)	(127)
Earnings after tax		257	5 782
<i>Allocations and equity transfers</i>			
Proposed dividend		(2 128)	(2 736)
Transfer to other equity		1 871	(3 046)

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Statement of financial position as of 31 December

Kongsberg Gruppen ASA

MNOK	Note	2022	2021
Assets			
<i>Non-current assets</i>			
Deferred tax assets	6	48	55
Fixed assets		13	12
Shares in subsidiaries	3	9 106	8 918
Shares in associated companies		11	121
Interest-bearing loans to Group companies	9	1 694	1 822
Other long-term receivables		13	37
Total non-current assets		10 885	10 965
<i>Current assets</i>			
Receivables from Group companies	9, 11	2 342	7 077
Other short-term receivables		224	235
Cash and cash equivalents	11	2 464	6 754
Total current assets		5 030	14 066
Total assets		15 915	25 031

Kongsberg, 23 March 2023

Eivind Reiten
Chairman

Anne-Grete Strøm-Erichsen
Deputy chair

Merete Hverven
Director

Morten Henriksen
Director

Per A. Sørli
Director

Rune Fanøy
Director

Oda Ellingsen
Director

Jo Even Bjerknes
Director

Geir Håøy
Chief Executive Officer

MNOK	Note	2022	2021
Equity, liabilities and provisions			
<i>Equity</i>			
Shares capital		222	224
Premiums		4 876	4 876
Total paid-in capital		5 098	5 100
Other equity		1 979	4 290
Total retained earnings		1 979	4 290
Total equity	2	7 077	9 390
<i>Non-current liabilities and provisions</i>			
Pension liabilities	5	234	268
Long-term interest-bearing loans	7	2 000	2 450
Other non-current liabilities		-	-
Total non-current liabilities and provisions		2 234	2 718
<i>Current liabilities and provisions</i>			
Dividend		2 128	2 736
Short-term interest-bearing loans	7	450	-
Liabilities to group companies	9, 11	3 808	10 071
Other current liabilities		218	116
Total current liabilities and provisions		6 604	12 923
Total equity, liabilities and provisions		15 915	25 031

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Statement of cash flow

Kongsberg Gruppen ASA

<i>MNOK</i>	<i>Note</i>	<i>2022</i>	<i>2021</i>
Earnings before tax		331	5 909
Depreciation		2	2
Income taxes paid	6	(7)	(6)
Net finance items		(422)	(5 981)
Changes in accruals, etc.		21	152
Net cash flows from operating activities		(75)	76
<i>Cash flow from investing activities</i>			
Purchase of equipment		(3)	-
Proceeds from acquiring subsidiaries		(26)	-
Interest income		60	45
Settlement of cross-currency swaps		1	(116)
Net cash flow used in investing activities		32	(71)
<i>Cash flow from financing activities</i>			
Payment of loans		1	39
Dividends received		-	14
Proceeds from interest-bearing loans		-	500
Repayment of interest-bearing loans		-	(1 500)
Interest paid		(59)	(61)
Other financial items paid		(8)	-
Dividend paid		(586)	(1 425)
Additional dividend		(2 130)	-
Net disbursements for purchase/disposal of treasury shares		(9)	(16)
Share buy-back related to share buy-back programme		(483)	(317)
Contribution received		5 898	3 205
Changes in intercompany balances		(6 871)	1 424
Net cash flow from financing activities		(4 247)	1 863
Net increase (reduction) in cash and cash equivalents		(4 290)	1 868
Cash and cash equivalents at the beginning of the period		6 754	4 886
Cash and cash equivalents at the end of the period		2 464	6 754

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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 21 B](#) 'Currency risk and currency hedging' 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

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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

<i>MNOK</i>	<i>Shares capital</i>	<i>Premiums</i>	<i>Other equity</i>	<i>Total equity</i>
Equity as of 31 December 2020	225	4 876	1 570	6 671
Earnings after tax	-	-	5 782	5 782
Transactions with treasury shares	(1)	-	(195)	(196)
Additional dividend	-	-	(119)	(119)
Dividend for 2021	-	-	(2 736)	(2 736)
Actuarial gain/loss on pension expense	-	-	(12)	(12)
Equity as of 31 December 2021	224	4 876	4 290	9 390
Earnings after tax	-	-	257	257
Capital decrease	(2)	-	(389)	(391)
Transactions with treasury shares	-	-	(76)	(76)
Dividend for 2022	-	-	(2 128)	(2 128)
Actuarial gain/loss on pension expense	-	-	25	25
Equity as of 31 December 2022	222	4 876	1 979	7 077

Other information about the company's share capital is provided in [Note 23 'Share capital'](#) of the consolidated financial statements. The total number of treasury shares as of 31 December 2022 is 693,610.

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3 Shares in subsidiaries

<i>MNOK</i>	<i>Date of acquisition</i>	<i>Business office</i>	<i>Owner/voting share %</i>	<i>Carrying amount as of 31 Dec</i>
Kongsberg Defence & Aerospace AS	1997	Kongsberg	100	1 206
Kongsberg Maritime AS	1992	Kongsberg	98.9	6 743
Kongsberg Eiendom Holding AS	2015	Kongsberg	100	497
Kongsberg Martime China Ltd	2016	Shanghai	100	25
Kongsberg Hungaria Kft ¹⁾	2003	Budapest	10	-
Kongsberg Oil & Gas Technologies AS ²⁾	2021	Asker	100	-
Kongsberg Digital Holding ASA	2021	Lysaker	100	441
Kongsberg Renewables Technologies AS	2022	Lysaker	100	193
Total				9 106

1) The remaining shares in Kongsberg Hungaria Kft. are owned by Kongsberg Defence & Aerospace AS.

2) Kongsberg Oil & Gas Technologies AS is phased out in 2022.

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 10](#) 'Personnel expenses, remuneration of Executive Management and the Board' in the consolidated financial statements and the 'Remuneration report'.

Personnel expenses

<i>MNOK</i>	<i>2022</i>	<i>2021</i>
Salaries	80	72
Social security expenses	19	17
Pension	12	14
Performance-based part of salary	17	17
Other benefits	26	25
Total personnel expenses	154	145
Number of full-time equivalents (FTEs)	71	66

Auditor's fees

<i>MNOK</i>	<i>2022</i>	<i>2021</i>
<i>Group auditor EY</i>		
Statutory audit	2 055	1 738
Other assurance services	93	50
Tax consultancy	46	2 023
Other non-audit services	688	176
Total fees, EY	2 882	3 987

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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

The Group has a defined contribution pension scheme for all employees in Norway with some exceptions. The contribution rates are five per cent up to 7.1G and eleven per cent of salary between 7.1G and 12G. The employee can optionally invest the funds in one of three investment options; with either 50, 80 or 100 per cent of their shares in the portfolio with either active or index management and with or without reduction of share amount from the age of 57 years. In addition, the Group has a closed collective, unfunded contribution plan for salaries exceeding 12G. The Group's deposits in this plan are 18 per cent of the portion of the base salary that exceeds 12G. On the operating-based schemes a savings profile with 50 per cent shares is used as return reference. Special terms and conditions apply for Executives. This is described in the 'Remuneration report'. The contributions are expensed as incurred.

The defined benefit plan

In connection with the transition to the defined contribution plan on 1 January 2008, employees aged 52 or more remained in the defined benefit plan. The pension plan is insured through DNB Life Insurance.

The pension benefits are defined by the number of contribution years and the salary level of the individual employee at the age of retirement. Pension costs are distributed over the employee's accrual period. The Board has approved the conversion of this plan. This implies that all members of the scheme will be issued paid-up policies and that active members will be transferred to the defined contribution scheme. This results in a net decrease of the pension liability. The one-time effect is recognised as a reduction of pension expenses on settlement of the pension scheme in 2022. The Group also has a closed collective, unfunded defined benefit plan for salaries exceeding 12G. The collective, unfunded benefits plan corresponds to about 60 per cent of the share of the final 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 the 'Remuneration report'.

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 three per cent of the pension basis from 0G to 12G, a pay increase of 25 per cent of G and any child supplement of four per cent per child (maximum three children). The scheme 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 is closed for new members.

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:

<i>MNOK</i>	2022	2021
Costs, defined benefit plans	6	8
Costs, defined contribution scheme	6	6

The net pension liability appears as follows:

<i>MNOK</i>	2022	2021
Total gross pension liabilities	232	265
Gross value of gross pension assets	(31)	(30)
Net pension liabilities	201	235
Social security expenses	33	33
Net pension liabilities in balance sheet	234	268

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6 Income tax

Income tax expense

<i>MNOK</i>	2022	2021
Taxes payable	(73)	(6)
Change in deferred tax	-	(121)
Tax income/expense	(73)	(127)

<i>MNOK</i>	2022	2021
Earnings before tax	331	5 909
Tax calculated – 22% of earnings before tax	(73)	(1 300)
Correction of taxes from previous years	(7)	(6)
Group contribution without tax effect	-	1 161
Net permanent differences	7	18
Tax income/expense	(73)	(127)

Deferred tax and deferred tax asset

<i>MNOK</i>	2022	2021
Pensions	51	59
Tax losses carried forward	-	-
Other	(3)	(4)
Recognised deferred tax asset	48	55
Tax rate in Norway	22%	22%

Change in deferred tax recognised directly in equity as follows:

<i>MNOK</i>	2022	2021
Pensions	7	(3)
Other	-	(25)
Total	7	(28)

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7 Long-term interest-bearing loans and credit facilities

As of 31 December 2022, Kongsberg Gruppen ASA had the following loans and credit facilities:

<i>MNOK</i>	<i>Due date</i>	<i>Nominal interest rate</i>	<i>Carrying amount 31 Dec 22</i>	<i>Carrying amount 31 Dec 21</i>
Bond loan KOG09 - fixed interest	2 Jun 26	3.20%	1 000	1 000
Bond loan KOG11 - fixed interest	5 Dec 23	2.90%	-	450
Bond loan KOG13 - floating interest	6 Jun 24	4.62%	500	500
Bond loan KOG14 - floating interest	26 Feb 26	4.34%	500	500
Total long-term loans			2 000	2 450
Bond loan KOG11 - fixed interest	5 Dec 23	2.90%	450	-
Total current liabilities			450	-
Total interest-bearing loans			2 450	2 450
Credit facility (undrawn borrowing limit)	15 Mar 27		2 500	2 300
Overdraft (unused)			500	500

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 2027. The interest rate is 3M 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 2022.

Kongsberg Gruppen ASA had four bond loans at the end of 2022. The bond loans were issued in NOK and listed on the Oslo Stock Exchange. The interest rate terms on loans with floating rates are 3M NIBOR with a margin of + 1.20 per cent for KOG13, + 0.86 per cent for KOG14. The interest conditions for the loans with fixed interest are 3.2 per cent for KOG09 and 2.9 per cent for KOG11.

The Group holds a overdraft facility of MNOK 500. As of 31 December 2022, this remains unutilised.

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

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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. Kongsberg Næringsparkutvikling AS is responsible for these obligations, but Kongsberg Gruppen ASA guarantees that the obligations are observed. Further information on provisions related to these leases is given in [Note 24](#) '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.

<i>MNOK</i>	2022	2021
Guarantees issued by banks and insurance companies	3 390	2 563
Guarantees issued by Kongsberg Gruppen ASA	16 710	16 114
Prepayments and completion guarantees to customers	20 100	18 677

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

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9 Related parties

Operating revenues

MNOK	2022	2021
Kongsberg Maritime AS	105	140
Kongsberg Defence & Aerospace AS	86	93
Kongsberg Digital AS	6	7
Other Group companies	1	2
Total operating revenues - related parties	198	242

Operating revenues from related parties mainly comprises corporate charge and guarantees.

Interest-bearing loans to Group companies

MNOK	2022	2021
Kongsberg Næringsseiendom AS	100	100
Kongsberg Næringsbygg 2 AS	54	54
Kongsberg Næringsbygg 3 AS	60	77
Kongsberg Næringsbygg 5 AS	96	96
Kongsberg Næringsbygg 11 AS	102	182
KNB12 Ulsteinvik AS	35	35
KNB13 Brattvåg AS	19	19
Kongsberg Næringsbygg 15 AS	113	78
Kongsberg Norcontrol Pte Ltd	12	5
Kongsberg Maritime Hoi Tung Holding Ltd	-	121
Kongsberg Maritime do Brasil SA	23	28
Kongsberg Maritime Pty Ltd	7	6
Kongsberg Maritime India PVT. LTD	6	8
Navis Consult d.o.o Croatia	25	24
Kongsberg Maritime Finland OY	733	701
Kongsberg Martime Inc	101	161
Kongsberg Maritime CM Pty Ltd	7	16
Kongsberg Martime Germany GmbH	26	25
Kongsberg Martime Sweden AB	81	83
Kongsberg Maritime CM NZ Pty Ltd	2	2
KM-CM-TURKEY-TR	3	-
KM-KOREA-KR	73	-
NanoAvionics	16	-
Other companies	-	1
Total	1 694	1 822

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Current liabilities to Group companies

<i>MNOK</i>	2022	2021
Kongsberg Defence & Aerospace AS	2	12
Kongsberg Maritime AS	-	4
Kongsberg Aviation Maintenance Services AS	-	74
Kongsberg Digital AS	4	-
Kongsberg Teknologipark AS	2	-
Kongsberg Næringsparkutvikling AS	1	-
Other companies	1	2
Subsidiaries deposits cash pool	3 798	9 979
Total	3 808	10 071

Current receivables from Group companies

<i>MNOK</i>	2022	2021
Kongsberg Maritime AS	13	5 284
Kongsberg Defence & Aerospace AS	416	630
Kongsberg Maritime Sweden AB	1	-
Kongsberg Digital AS	1	1
Kongsberg Maritime Finland OY	4	1
Kongsberg MaritimeKorea KR	1	-
Kongsberg Næringsbygg 11 AS	1	2
Kongsberg Næringsbygg 15 AS	1	-
Kongsberg Næringsbygg 5 AS	1	-
Kongsberg Næringsseiendom AS	1	-
Kongsberg Maritime Hoi Tung Holding Ltd	-	4
Kongsberg Maritime Inc	2	3
Kongsberg Maritime CM US	2	-
Other companies	15	7
Subsidiaries draft cash pool	1 883	1 145
Total	2 342	7 077

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10 Currency hedging

As of 31 December, the company had the following net sale of foreign currency hedges, divided by hedge category:

	2022								2021									
	Value in NOK on agreed rates		Fair value in NOK	Total hedged amount in USD	Average hedged rate in USD	Total hedged amount in EUR	Average hedged rate in EUR	Total hedged amount in GBP	Average hedged rate in GBP	Value in NOK on agreed rates		Fair value in NOK	Total hedged amount in USD	Average hedged rate in USD	Total hedged amount in EUR	Average hedged rate in EUR	Total hedged amount in GBP	Average hedged rate in GBP
	31 Dec 22	31 Dec 22	31 Dec 22	31 Dec 22	31 Dec 22	31 Dec 22	31 Dec 22	31 Dec 22	31 Dec 22	31 Dec 21	31 Dec 21	31 Dec 21	31 Dec 21	31 Dec 21	31 Dec 21	31 Dec 21	31 Dec 21	31 Dec 21
<i>Amounts in millions</i>																		
<i>Hedge category</i>																		
Forward exchange contracts, cash flow hedges	2 974	(92)	313	9.1	27	10.4	(9)	11.5	15	(37)	2	(9.5)	10	9.7	-	11.9		
Forward exchange contracts, fair value hedges	19 185	184	1 082	9.7	705	10.6	64	12.1	13 968	188	748	8.8	529	10.5	88	12.0		
Total	22 159	92	1 395		732		55		13 982	151	750		539		88			

Fair value is referring to the net present value of the variance between the forward rate at 31 December 2022 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 2022, Kongsberg Gruppen ASA had no currency options.

Cross-currency swaps

Subsequent to the acquisition of shares in Patria Oyj in 2016 (MEUR 284.9), cross-currency swaps were entered in order to partially hedge net investment in foreign entity. The net investment in Patria is hedged with cross-currency swaps of MEUR 98 and forward exchange contracts of MEUR 42, a total of MEUR 140. The cross-currency swap agreements mature in 2024. Per 31 December 2022 the cross-currency swaps had a fair value of MNOK (54) (MNOK 17 per 31 December 2021). Fair value changes have not been included in Kongsberg Gruppen ASA's statement in accordance with Norwegian GAAP, but the roll forward effect is recognised in the statement of financial position.

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Currency transactions, related parties

Subsidiary

Subsidiary	2022					2021				
	Value in NOK based on agreed rates	Fair value in NOK	Total hedged amount in USD	Total hedged amount in EUR	Total hedged amount in GBP	Value in NOK based on agreed rates	Fair value in NOK	Total hedged amount in USD	Total hedged amount in EUR	Total hedged amount in GBP
	31 Dec 22	31 Dec 22	31 Dec 22	31 Dec 22	31 Dec 22	31 Dec 21	31 Dec 21	31 Dec 21	31 Dec 21	31 Dec 21
<i>Amounts in millions</i>										
<i>Forward exchange contracts, cash flow hedges</i>										
Kongsberg Defence & Aerospace	2 974	(92)	313	27	(9)	15	(37)	2	10	-
Total cash flow hedges	2 974	(92)	313	27	(9)	15	(37)	2	10	-
<i>Forward exchange contracts, fair value hedges</i>										
Kongsberg Maritime	6 410	33	376	278	1	3 886	(47)	298	126	2
Kongsberg Digital	420	8	14	6	11	402	1	20	11	-
Kongsberg Defence & Aerospace	11 219	191	671	345	51	8 443	191	394	319	85
(No internal counterparty)	1 136	(47)	21	77	1	1 236	42	36	72	1
Total fair value hedges	19 185	184	1 082	705	64	13 968	188	748	529	88
Total	22 159	92	1 395	732	55	13 982	151	750	539	88

Associated company

Associated company	2022				2021			
	Value in NOK based on agreed rates	Fair value in NOK	Total hedged amount in USD	Total hedged amount in EUR	Value in NOK based on agreed rates	Fair value in NOK	Total hedged amount in USD	Total hedged amount in EUR
	31 Dec 22	31 Dec 22	31 Dec 22	31 Dec 22	31 Dec 21	31 Dec 21	31 Dec 21	31 Dec 21
<i>Amounts in millions</i>								
<i>Forward exchange contracts, fair value hedges</i>								
Kongsberg Satellite Services	1 342	7	118	28	1 663	37	36	114

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11 Cash and cash equivalents

<i>MNOK</i>	<i>Note</i>	<i>2022</i>	<i>2021</i>
Net deposit cash pool		2 461	2 435
Other deposits		3	503
Money market funds		-	3 816
Total		2 464	6 754
Subsidiaries deposit cash pool	9	3 798	9 979
Parent's deposit cash pool		546	-
Subsidiaries draft cash pool	9	(1 883)	(1 145)
Parent's draft cash pool		-	(6 399)
Net deposit cash pool		2 461	2 435

Bank guarantees amounting to MNOK 15 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. Net deposits cash pool, represent total net deposits in the cash pools for all companies included in the cash pools. Total deposit on the cash pools for the parent company in 2022 is MNOK 546 compared to total draft 2021 MNOK 6,399.

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Kongsberg Gruppen ASA

We hereby confirm, to the best of our conviction, that the financial statements for 1 January to 31 December 2022 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, 23 March 2023

Eivind Reiten
Chairman

Anne-Grete Strøm-Erichsen
Deputy chair

Merete Hverven
Director

Morten Henriksen
Director

Per A. Sørli
Director

Rune Fanøy
Director

Oda Ellingsen
Director

Jo Even Bjerknes
Director

Geir Håøy
Chief Executive Officer

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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 (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2022 and the income statement and statement 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 of the Group comprise the balance sheet as at 31 December 2022, the income statement, statement of comprehensive income, statement of cash flows and statement of 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 comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2022 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 36 years from the election by the general meeting of the shareholders in 1987.

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 2022. These matters were addressed in the context of our

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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 the 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.

Recognition of revenue from customer contracts over time

<p><i>Basis for the key audit matter</i> 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.</p>	<p><i>Our audit response</i> 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.</p>
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We refer to note 2 for details on estimation uncertainty and note 7 on revenue from customer contracts in the financial statements for further information.


Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager) is 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 board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be

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materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group'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 the Group, 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 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 and the Group'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 and the Group'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

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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 and the Group 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 the board of directors 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 the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the board of directors, 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 requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Kongsberg Gruppen ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name kongsberggruppenasa-2022-12-31-nb, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

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Auditor's responsibilities

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation. We conduct our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 23 March 2023
ERNST & YOUNG AS

Finn Espen Sellæg
State Authorised Public Accountant (Norway)

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

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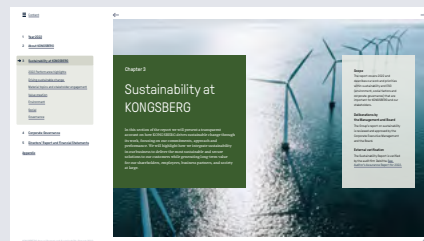
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About the sustainability section of the Report

KONGSBERG's 2022 Annual report is an integrated report, presenting our strategic ambitions, development across our different business areas, the environmental, social and governance (ESG) performance and financial statements. The reporting covers period from 1 January to 31 December 2022. Any significant events after balance date will also be included. The report was published on 30 March 2023 in two language versions, English and Norwegian.



External verification

The sustainability section of the report has been externally audited with a limited level of assurance. [The independent assurance statement](#) for sustainability section was conducted by Deloitte and is available in the appendix of the report.

Approval by the management and board

The Group's 2022 integrated report, including the sustainability section, has been reviewed and approved by the Corporate Executive Management and the Board of Directors.

GRI-Index

[Our 2022 GRI index is available here.](#)

Sustainability at KONGSBERG

The report covers 2022 and describes our work and priorities within sustainability and ESG (environment, social factors and corporate governance) that are important for KONGSBERG and our stakeholders.

This section of the report presents a transparent account on how KONGSBERG drives sustainable change, focusing on our commitments, strategic approach, ESG performance and forward-looking outlook.

The structure of the sustainability section of the report was informed and guided by KONGSBERG's material topics that were identified in the materiality assessment concluded in Q4 2022.

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Materiality assessment

KONGSBERG conducted a materiality assessment to identify, assess and prioritise its most material sustainability topics, including E, S, and G themes for reporting. The materiality determination process followed the GRI standard 3 'Material Topics'. The identified material ESG topics for reporting were adopted by the corporate management and approved by KONGSBERG's Board of Directors. A detailed list of materially deemed topics can be found in the '[Material topics and stakeholder engagement](#)' section.

Double materiality consideration

KONGSBERG is preparing for the upcoming implementation of the European Union's Corporate Sustainability Reporting Directive (CSRD), requiring large and listed companies to disclose material ESG information. The proposed new European Sustainability Reporting Standards (ESRS) require reporting entities to take a double materiality approach, considering both the impact the company has on the society and environment, as well as ESG topics which may impact the value of company.

KONGSBERG has begun taking this double materiality approach in 2022, and alongside its traditional assessment of ESG impact materiality, is now also considering the materiality of topics which may impact enterprise value – these potentially financially material topics include climate, transition to a circular economy, human rights, anti-corruption and sustainable supply chain.

Stakeholder engagement

KONGSBERG has a regular dialogue with its stakeholders, which include employees, investors, governments, customers, local communities, suppliers, academia, research institutions and civil society and intergovernmental organisations. This ongoing dialogue allows us to capture invaluable insight into our stakeholders' interests and expectations and to build respectful relationships that assist us in realizing our ambitions and delivering on our strategy. KONGSBERG's overview of our stakeholders' engagement can be found in the '[Material topics and stakeholder engagement](#)' section.

Restatements

As a process of improving our reporting and the quality of the data in our climate accounts, there have been some restatements of the historical data and calculation methodology due to the changes in reporting principles. Wherever the changes have been applied, there is either an explanation or a disclaimer directly in the report or in the appendix.

Reporting boundaries

The information presented in the report covers KONGSBERG and all companies of which KONGSBERG owns at least 50 per cent.

All reported greenhouse gas emission data was prepared on the operational control basis.

KONGSBERG's consumption and emissions from all production sites, and all offices with more than 20 employees are included. The reporting covers 98.3 per cent of all employees, and it is estimated that the exclusions represent less than 1.7 per cent of the emissions.

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Reporting requirements and frameworks

KONGSBERG is committed to transparent reporting as a way of building trust with our stakeholders. To provide the most comprehensive and holistic overview of our approach and performance we comply to legislative reporting requirements and recognised reporting frameworks.

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The Norwegian Accounting Act and other relevant laws

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 Director's report and Sustainability section of the report for 2022 fulfils these requirements. We strive to follow all applicable laws in our reporting, such as the Equality and Anti-Discrimination Act's provision on the statement on equality and non-discrimination. From 2022, we have harmonised our report in line with the Norwegian Transparency Act. A separate report according to the Transparency Act will be published on our websites by 30 June 2023.

Global Reporting Initiative Standards (GRI)

The sustainability part of the report has been prepared with reference to the Global Reporting Initiative Standards (GRI) 2021 and covers all KONGSBERG's material impacts across environmental, social and governance spectrum. Material topics were revised in 2022 and a detailed list of the topics can be found in the ['Material topics and stakeholder engagement'](#) section.

The GRI Index is based on the English version of the 2022 KONGSBERG Annual report. To provide a more comprehensive overview of KONGSBERG's sustainable performance, all the disclosures cited in the GRI content index were supplemented with information on how they relate to Sustainable Development Goals (SDGs) and UN Global Compact Principles.

Euronext's ESG Reporting Guide (2022)

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

Sustainable Development Goals (SDGs)

The UN Sustainable Development Goals (SDG) set a common global agenda, and guide our sustainability priorities, strategy, and collaborative approach. KONGSBERG is committed to contributing to sustainable development and supports all 17 SDGs. In this report we highlight six SDGs that KONGSBERG, through its core business, has the most significant impact on.

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UN 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 through a *Communication on Progress* report (COP).

The EU Taxonomy

The EU Taxonomy regulation is a key element of the Sustainable Finance Action Plan established by the European Commission and set criteria to identify sustainable financial activities. Activities described and prioritised by the EU Taxonomy aim to make a step change in a sustainable direction where significant improvements are possible. As such, non-eligible activities are not synonymous with un-sustainable activities. KONGSBERG welcomes the introduction of the EU Taxonomy and will use the framework as guidance for strategy decisions and investments in the future. Although, the EU Taxonomy is not yet in force in Norway, KONGSBERG reports on voluntary basis for 2022. In this first report we focus on the revenue (turnover) KPI. More details are available in the [‘EU Taxonomy’ report](#).

Task Force on Climate-Related Financial Disclosures (TCFD)

The recommendations from the Financial Stability Board-appointed Task Force on Climate-Related Financial Disclosures (TCFD) is established as the central framework for how climate related risks and opportunities are analysed, managed and reported. We have integrated this framework into our risk assessment process to improve our climate related risk assessment and reporting on climate-related financial information. A detailed climate-related risk and opportunities overview and scenario analysis can be found in [‘Climate risk and opportunities’](#) chapter.

Greenhouse Gas Protocol

KONGSBERG's emission accounts are calculated in accordance with the Greenhouse Gas Protocol, the most comprehensive and widely used methodology for calculating emissions. In this year's report we increased the number of reporting units from 44 to 63. Moreover, we expanded our Scope 2 reporting to market-based emission calculations and reported on 4 additional categories of Scope 3.

The emissions' calculations are also prepared according to GRI Standards, GRI 305: Emissions 2016.

Meld. St. 6 (2022-2023) (The white paper on ownership policy) ‘Greener and more active state ownership – The State's direct ownership of companies’

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 meet the expectations outlined in the White Paper.

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Global Reporting Initiative (GRI) Content Index 2022

KONGSBERG's reporting on sustainability has been prepared with reference to the Global Reporting Initiative (GRI) Standard from 2021. The report covers all KONGSBERG's material impacts across environmental, social and governance (ESG) spectrum.

In 2022, KONGSBERG conducted an independent materiality assessment to identify, assess and prioritise its most material sustainability topics, across the ESG areas. The materiality determination process followed the GRI standard 3 'Material Topics'. The recommended material ESG topics for reporting were adopted by the corporate management and approved by KONGSBERG's Board of Directors. A detailed list of revised material topics can be found in the 'Material topics and stakeholder engagement' section of the report.

To provide a more comprehensive overview of KONGSBERG's sustainable performance, all the disclosures cited in the GRI content index were supplemented with information on how they relate to Sustainable Development Goals (SDGs) and UN Global Compact Principles.

For a full description of the individual disclosure, see GRI's homepages, www.globalreporting.org

We have engaged Deloitte AS for independent assurance of the company's sustainability report based on the GRI Standards 2021. The assurance is based on the International Standard on Assurance Engagements ISAE 3000 'Assurance engagements other than audits or reviews of historical financial information', published by the International Auditing and Assurance Standards Board, and is issued with a limited level of assurance. [The Auditor's Assurance Report](#) is presented on pages 305–306 in the KONGSBERG Annual Report and Sustainability Report 2022.

KONGSBERG Annual Report and Sustainability Report 2022 was published on the 30 March 2022.

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Statement of use	KONGSBERG has reported the information cited in this GRI content index for the period of 1 January 2022 to 31 December 2022 with reference to the GRI Standards.		
GRI 1 used	GRI 1: Foundation 2021		
GRI	Reference page and/or response	SDG	UN Global Compact Principles

General disclosures – Organisational profile			
		Kongsberg Gruppen ASA, 153	
2-1	Organisational details	Publicly listed company on the Stock Exchange	
		Headquarters: Kirkegårdsveien 45 NO-3616 Kongsberg	
2-2	Entities included in the organization's sustainability reporting	282–285	
2-3	Reporting period, frequency and contact point	282–285, 307	
2-4	Restatements of information	283	
2-5	External assurance	282, 305–307	
2-6	Activities, value chain and other business relationships	13, 21–51, 141–144	
2-7	Employees	65, 117–118	SDG 8, 10 Principle 6
2-9	Governance structure and composition	134, 152–155	SDG 5, 16
2-10	Nomination and selection of the highest governance body	154, 160, 162	SDG 5, 16
2-11	Chair of the highest governance body	154, 157, 160–162	SDG 16 Principle 7
2-12	Role of the highest governance body in overseeing the management of impacts	152, 157–158, 163–169	SDG 16
2-13	Delegation of responsibility for managing impacts	58, 62, 77, 107, 134, 163	
2-14	Role of the highest governance body in sustainability reporting	58, 62, 77, 134, 156–169	
2-15	Conflicts of interest	162	SDG 16 Principle 10
2-16	Communication of critical concerns	58, 131, 134, 139	
2-17	Collective knowledge of the highest governance body	56, 164	
2-18	Evaluation of the performance of the highest governance body	165	

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GRI		Reference page and/or response	SDG	UN Global Compact Principles
2-19	Remuneration policies	119, 166–168		
2-20	Process to determine remuneration	119, 165–168		
2-22	Statement on sustainable development strategy	8–11		Principle 7, 8, 9
2-23	Policy commitments	75, 103, 112–114, 135, 142, 146, 149	SDG 16	
2-24	Embedding policy commitments	53–150		
2-25	Processes to remediate negative impacts	113–115, 131, 137		
2-26	Mechanisms for seeking advice and raising concerns	115, 131, 137	SDG 16	
2-27	Compliance with laws and regulations	133, 137		
2-28	Membership associations	66–67, 101, 133, 135		
2-29	Approach to stakeholder engagement	62–63		
2-30	Collective bargaining agreements	In Norway, all employees are covered directly or indirectly by the collective pay negotiations. For our employees outside Norway, local agreements and guidelines apply.	SDG 8	Principle 3
Material topics 2021				
3-1	Process to determine material topics	59–60		
3-2	List of material topics	61		
GRI 201: Economic Performance 2016				
3-3	Management of material topics	8–11, 14, 23, 24–27, 34–37, 42–48, 54–56		
201-1	Direct economic value generated and distributed	194	SDG 8, 9	
201-2	Financial implications and other risks and opportunities due to climate change	201–202, 223, 228–233	SDG 13	Principle 7
201-3	Defined benefit plan obligations and other retirement plans	268		
201-4	Financial assistance received from government	297		
GRI 203: Indirect Economic Impacts 2016				
3-3	Management of material topics	59–61, 64–69,		
203-2	Significant indirect economic impacts	64–69	SDG 1, 3, 8	
GRI 204: Procurement Practices 2016				
3-3	Management of material topics	64, 141		
204-1	Proportion of spending on local suppliers	65, 145	SDG 8	

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GRI		Reference page and/or response	SDG	UN Global Compact Principles
GRI 205: Anti-corruption 2016				
3-3	Management of material topics	135–137		
205-1	Operations assessed for risks related to corruption	135–137	SDG 16	Principle 10
205-2	Communication and training about anti-corruption policies and procedures	136–137	SDG 16	Principle 10
205-3	Confirmed incidents of corruption and actions taken	137	SDG 16	Principle 10
GRI 206: Anti-competitive Behavior 2016				
3-3	Management of material topics	130		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	133	SDG 16	Principle 10
GRI 207: Tax 2019				
3-3	Management of material topics	148		
207-1	Approach to tax	64, 148–150	SDG 1, 10, 17	
207-2	Tax governance, control, and risk management	149–150	SDG 1, 10, 17	
207-3	Stakeholder engagement and management of concerns related to tax	148	SDG 1, 10, 17	
207-4	Country-by-country reporting	65, 150, 234 Disclosure not fully aligned with the requirement, reporting per region	SDG 1, 10, 17	
GRI 302: Energy 2016				
3-3	Management of material topics	74–77, 83		
302-1	Energy consumption within the organization	5, 84, 300–302	SDG 7, 12, 13	Principle 7, 8
302-3	Energy intensity	80–82, 300	SDG 7, 8, 12, 13	Principle 8
302-4	Reduction of energy consumption	80–82, 300–302	SDG 7, 8, 12, 13	Principle 8, 9
GRI 303: Water and Effluents 2018				
3-3	Management of material topics	100–103		
303-1	Interactions with water as a shared resource	9, 30, 34–41, 57, 67–69, 100–104	SDG 6, 12	Principle 7, 8
GRI 304: Biodiversity 2016				
3-3	Management of material topics	100–103		
304-2	Significant impacts of activities, products and services on biodiversity	100–104	SDG 6, 14, 15	Principle 7, 8

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GRI		Reference page and/or response	SDG	UN Global Compact Principles
GRI 305: Emissions 2016				
3-3	Management of material topics	74–77, 80–81		
305-1	Direct (Scope 1) GHG emissions	82–83, 300–302	SDG 3, 12, 13, 14, 15	Principle 7, 8
305-2	Energy indirect (Scope 2) GHG emissions	82–83, 300–302	SDG 3, 12, 13, 14, 15	Principle 7, 8
305-3	Other indirect (Scope 3) GHG emissions	82–83, 300–302	SDG 3, 12, 13, 14, 15	Principle 7, 8
305-4	GHG emissions intensity	80–82, 300	SDG 13, 14, 15	Principle 7, 8
305-5	Reduction of GHG emissions	75–79, 80–82	SDG 13, 14, 15	Principle 8
GRI 306: Waste 2020				
3-3	Management of material topics	85, 96–97		
306-1	Waste generation and significant waste-related impacts	5, 85, 96–97	SDG 3, 6, 12, 11	Principle 8
306-2	Management of significant waste-related impacts	85, 96–97	SDG 3, 6, 8, 12, 11	Principle 8
306-3	Waste generated	5, 85, 96–97	SDG 3, 6, 12, 11, 15	Principle 8
306-5	Waste directed to disposal	85, 96–97, 300	SDG 3, 6, 11, 12, 15	Principle 8
GRI 308: Supplier Environmental Assessment 2016				
3-3	Management of material topics	141–144		
308-1	New suppliers that were screened using environmental criteria	142–144		Principle 8
308-2	Negative environmental impacts in the supply chain and actions taken	143		Principle 8
GRI 401: Employment 2016				
3-3	Management of material topics	64, 116–122		
401-1	New employee hires and employee turnover	116	SDG 5, 8, 10	Principle 6
GRI 402: Labor/Management Relations 2016				
3-3	Management of material topics	106–110		
402-1	Minimum notice periods regarding operational changes	Comply with national laws in the countries in which we operate	SDG 8	Principle 3
GRI 403: Occupational Health and Safety 2018				
3-3	Management of material topics	106–108		
403-1	Occupational health and safety management system	107	SDG 8	
403-2	Hazard identification, risk assessment, and incident investigation	107	SDG 8	
403-3	Occupational health services	109	SDG 8	

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GRI		Reference page and/or response	SDG	UN Global Compact Principles
403-5	Worker training on occupational health and safety	108	SDG 8	
403-6	Promotion of worker health	109–110, 120	SDG 3	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	106–109	SDG 8	
403-8	Workers covered by an occupational health and safety management system	107	SDG 8	
403-9	Work-related injuries	108–109	SDG 3, 8, 16, 16	
GRI 404: Training and Education 2016				
3-3	Management of material topics	108, 110, 116–118		
404-2	Programs for upgrading employee skills and transition assistance programs	118	SDG 8	Principle 3
404-3	Percentage of employees receiving regular performance and career development reviews	118	SDG 8, 10	Principle 3
GRI 405: Diversity and Equal Opportunity 2016				
3-3	Management of material topics	121		
405-1	Diversity of governance bodies and employees	121	SDG 5, 8	Principle 6
405-2	Ratio of basic salary and remuneration of women to men	119	SDG 5, 8, 10	Principle 6
GRI 406: Non-discrimination 2016				
3-3	Management of material topics	111, 114, 120		
406-1	Incidents of discrimination and corrective actions taken	120	SDG 5, 8	Principle 6
GRI 407: Freedom of Association and Collective Bargaining 2016				
3-3	Management of material topics	111–114		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	111–114, 142–144	SDG 8	Principle 3
GRI 408: Child Labor 2016				
3-3	Management of material topics	111–114		
408-1	Operations and suppliers at significant risk for incidents of child labor	111–115, 136 –137	SDG 5, 8, 16	Principle 5
GRI 409: Forced or Compulsory Labor 2016				
3-3	Management of material topics	111–114		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	111–115, 136–137	SDG 5, 8	Principle 4

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GRI		Reference page and/or response	SDG	UN Global Compact Principles
GRI 413: Local Communities 2016				
3-3	Management of material topics	64–65, 124–128		
413-1	Operations with local community engagement, impact assessments, and development programs	62–63, 64–65, 124–128		Principle 1, 2
GRI 414: Supplier Social Assessment 2016				
3-3	Management of material topics	111–113, 141–144		
414-1	New suppliers that were screened using social criteria	111–115, 141–143	SDG 5,8,16	Principle 2
414-2	Negative social impacts in the supply chain and actions taken	111–115, 141–144	SDG 5,8,16	Principle 2
GRI 415: Public Policy 2016				
3-3	Management of material topics	145–146		
415-1	Political contributions	146	SGD 16	Principle 10
GRI 418: Customer Privacy 2016				
3-3	Management of material topics	138–140		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	140	SGD 16	

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Material topics

The table below shows KONGSBERG's material topics and relevant GRI Standards disclosures.

KONGSBERG's material topic	GRI Disclosure		
Environment	2-23	Policy commitments	
	201-2	Financial implications and other risks and opportunities due to climate change	
	302-1	Energy consumption within the organization	
	302-2	Energy consumption outside of the organization	
	302-3	Energy intensity	
	302-4	Reduction of energy consumption	
	Climate	305-1	Direct (Scope 1) GHG emissions
		305-2	Energy indirect (Scope 2) GHG emissions
		305-3	Other indirect (Scope 3) GHG emissions
		305-4	GHG emissions intensity
305-5		Reduction of GHG emissions	
Responsible supply chain	306-1	Waste generation and significant waste-related impacts	
	306-2	Management of significant waste-related impacts	
	306-3	Waste generated	
	306-5	Waste directed to disposal	
Biodiversity	303-1	Interactions with water as a shared resource	
	304-2	Significant impacts of activities, products and services on biodiversity	

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KONGSBERG's material topic	GRI Disclosure	
Social		
Health, Safety and Well-being	403-1	Occupational health and safety management system
	403-2	Hazard identification, risk assessment, and incident investigation
	403-3	Occupational health services
	403-5	Worker training on occupational health and safety
	403-6	Promotion of worker health
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
	403-8	Workers covered by an occupational health and safety management system
	403-9	Work-related injuries
	Human Rights	2-23
2-25		Processes to remediate negative impacts
2-26		Mechanisms for seeking advice and raising concerns
2-30		Collective bargaining agreements
406-1		Incidents of discrimination and corrective actions taken
407-1		Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
408-1		Operations and suppliers at significant risk for incidents of child labor
Caring for people	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor
	401-1	New employee hires and employee turnover
	402-1	Minimum notice periods regarding operational changes
	404-2	Programs for upgrading employee skills and transition assistance programs
	404-3	Percentage of employees receiving regular performance and career development reviews
	405-1	Diversity of governance bodies and employees
	405-2	Ratio of basic salary and remuneration of women to men
Local communities	406-1	Incidents of discrimination and corrective actions taken
	413-1	Operations with local community engagement, impact assessments, and development programs

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Governance	2-9	Governance structure and composition
	2-10	Nomination and selection of the highest governance body
	2-11	Chair of the highest governance body
	2-12	Role of the highest governance body in overseeing the management of impacts
	2-13	Delegation of responsibility for managing impacts
	2-14	Role of the highest governance body in sustainability reporting
	2-15	Conflicts of interest
	2-16	Communication of critical concerns
	2-17	Collective knowledge of the highest governance body
	2-18	Evaluation of the performance of the highest governance body
	2-19	Remuneration policies
	2-20	Process to determine remuneration
	2-22	Statement on sustainable development strategy
	2-23	Policy commitments
	2-24	Embedding policy commitments
	2-27	Compliance with laws and regulations
	2-29	Approach to stakeholder engagement
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices
	2-23	Policy commitments
	205-1	Operations assessed for risks related to corruption
	205-2	Communication and training about anti-corruption policies and procedures
	205-3	Confirmed incidents of corruption and actions taken
Security and cybersecurity	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data

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KONGSBERG's material topic	GRI Disclosure	
Responsible supply chain	2-6	Activities, value chain and other business relationships
	204-1	Proportion of spending on local suppliers
	308-1	New suppliers that were screened using environmental criteria
	308-2	Negative environmental impacts in the supply chain and actions taken
	414-1	New suppliers that were screened using social criteria
	414-2	Negative social impacts in the supply chain and actions taken
Political engagement	415-1	Political contributions
Tax and transparency	207-1	Approach to tax
	207-2	Tax governance, control, and risk management
	207-3	Stakeholder engagement and management of concerns related to tax
	207-4	Country-by-country reporting

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Financial value creation

MNOK	2022	2021	2020	2019	2018
<i>Added value</i>					
Salaries	8 600	7 760	7 472	6 908	4 638
Dividends	2 128	2 736	1 440	2 250	450
Dividends – % of earnings	75.8%	119.5%	49.1%	313.8%	64.0%
Interest to lenders	173	72	99	122	103
Retained earnings	681	(446)	1 492	267	254
<i>Other financial key figures</i>					
Costs related to the purchase of goods and services	15 962	13 387	12 851	13 059	7 239
Financial support received from authorities	93	120	121	103	53
<i>Income tax expense¹⁾</i>					
Norway	444	332	152	92	61
Rest of Europe	140	178	136	71	14
North and South America	41	62	47	47	38
Asia, Africa and Australia	62	60	40	40	27
Total	687	632	374	250	140

1) Tax expenses for 2019 includes tax expenses for disposed of activities.

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Employees

	2022	2021	2020	2019	2018
<i>Level of education</i>					
Master's degree (%)	26	26	24	23	29
– of which doctorates (PhD)	1	1	1	1	2
Bachelor's degree (%)	34	36	31	30	36
Technicians (%)	12	10	9	7	12
Production workers (%)	15	15	14	16	11
Other (%)	13	12	21	21	11
<i>Number of employees</i>					
Number of employees, total	12 187	11 122	10 689	10 793	6 842
Number of full-time equivalents (FTEs)	12 081	10 940	10 565	10 704	6 771
Number of full-time employees	11 956	10 810	10 252	10 488	6 674
Number of part-time employees	231	312	437	305	168
<i>Age</i>					
Average age	42.4	43.9	43.2	43.5	43
Employees under age 30 (%)	16	12	12	12	13
Employees between ages 30 and 50 (%)	55	56	59	58	59
Employees over age 50 (%)	28	32	29	30	28
<i>Percentage of women</i>					
Women as a % of the number of employees	21.1	20	20.1	19.5	21.8
Women in managerial positions as a % of total managerial positions	20	19	19	20,7	20
Shareholder-elected women on the Board (%)	40	40	40	40	60
<i>Turnover</i>					
Turnover (employees who have resigned)	683	686	388	809	465
Turnover (%)	5.6	6.2	3.6	7.5	6.8
– Men	4.4	4.9	2.8	5.1	5.6
– Turnover men, of total men	5.6	6.1	3.5	6.6	7.1
– Women	1.2	1.3	0.9	2.4	1.2
– Turnover women, of total women	5.6	6.3	4.2	13.1	5.6

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Health and safety

	2022	2021	2020	2019	2018
Sick leave as a % of hours worked	3.6	3	2.9	2.6	2.6
Sick leave for the Norwegian companies	4.2	3.2	3.2	3.1	3.0
Number of reported injuries per million hours worked (TRI) ¹⁾	2.01	2.2	1.7	2.3	1.6
Number of lost time days per million hours worked (ISR) (F-verdi)	12.7	30	21.2	31.4	17.6
Number of reported injuries leading to absence among employees	27	37	26	30	13
Total number of injuries among employees ²⁾	117	79	103	111	71
Total number of near-accidents among employees	814	908	684	387	379
Registered work-related fatalities	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.

Social investments

<i>MNOK</i>	2022	2021	2020	2019	2018
Financial support to organisations, etc. ¹⁾	7.9	14.5	7.6	6.8	6.9

- 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 chapter 'Local communities' for further information.

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	2022	2021	2020 ²⁾	2019 ²⁾	2018 ⁴⁾
<i>CO₂ emissions (metric tonnes)</i>					
CO ₂ emissions Scope 1 + 2 (metric tonnes) ³⁾	53 811	55 504	52 391	56 229	27 920
CO ₂ emissions Scope 3 from transport and flights (metric tonnes)	33 020	23 700	29 910	58 191	7 546
CO ₂ emissions Scope 3 from categories not previously reported	5 919	-	-	-	-
Total CO ₂ emissions (metric tonnes) ³⁾ without new Scope 3 categories	86 832	79 204	82 031	114 420	35 466
Total CO ₂ emissions (metric tonnes) ³⁾ inclusive new Scope 3 categories	92 751	-	-	-	-
CO ₂ emissions (Scope 1 + 2) relative to sales (metric tonnes/MNOK) ³⁾	1.69	2.02	2.05	2.42	2.5
CO ₂ emissions (Scope 1 + 2) relative to man-years of labour (metric tonnes/man-years of labour) ³⁾	4.42	4.99	4.9	5.21	5.2
<i>Energy use (MWh)</i>					
Electricity (MWh)	125 129	131 205	122 510	133 686	102 071
Gas/oil (MWh)	16 074	10 371	6 195	6 277	4 095
Heat recovery (MWh) ^{1) 3)}	36 831	41 187	32 865	38 060	25 004
Energy consumption (MWh) per employee	14.6	16.4	15.1	16.5	19.2
Energy consumption (MWh/MNOK)	5.6	6.7	6.3	7.4	9.1
<i>Waste (metric tonnes)</i>					
Waste for recycling	13 941	6 408	5 422	5 712	937
Residual waste	931	789	1 029	1 080	549
Hazardous waste	1 321	882	969	1 038	402

- 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) CO₂ 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. The district heating produced is consumed by both KONGSBERG companies, and external companies in the park. Indirect emissions include the consumption of electricity, district heating and cooling produced by external suppliers within the business areas. The emissions from electricity has been calculated using the market based accounting approach. In previous reporting, KONGSBERG has used the location based calculation of Scope 2 emissions for electricity. Figure for Polish District heating in 2021 has been corrected with a new emission factor, changing the related emission totals.
- 4) 2018 figures are not comparable to the ones reported for 2019–2022. The emission accounting uses a location based approach for Scope 2 etc.

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CO₂ emissions

Metric tonnes	2022	2021	2020 ⁴⁾	2019 ⁴⁾	2018
Scope 1 (Direct emissions)³⁾	3 232	2 447	1 076	1 255	830
Oil and gas (business area)	1 204	631	1 036	1 207	631
Oil and gas (Kongsberg Technology Park)	2 028	1 816	40	49	199
Scope 2 (Indirect emissions)³⁾	50 579	53 056	51 034	54 974	10 290
Electricity (business area)	39 196	39 272	37 229	39 703	8 521
Electricity (Kongsberg Technology Park)	9 979	12 226	11 712	13 229	1 766
District heating/cooling from external suppliers	1 404	1 558	2 094	2 042	3
Total scope 1 and 2	53 811	55 504	52 391	56 229	11 120
Scope 3 (Other emissions)⁶⁾	38 939	23 700	29 910	58 191	-
Business travel, flights	15 737	6 430	7 979	33 782	16 800
Upstream transportation and distribution ²⁾	17 283	17 270	21 931	24 409 ⁵⁾	7 546
Fuel and Energy related activities	2 728	-	-	-	-
Waste	425	-	-	-	-
Upstream leased assets	2 757	-	-	-	-
Downstream leased assets	10	-	-	-	-
Total all scopes⁶⁾	92 750	79 203	82 300	114 420	-
Scope 2 Electricity - Location based calculation	5 550	6 390	6 203	7 540	-

- 1) Sources: Fossil fuel emission factors from the Department for Environment Food & Rural Affairs, UK 2022. For Norway, a market based emission factor of 405 g CO₂e per kWh has been used in the main calculation, and a location-based factor of 4 g per CO₂ per kWh has been used for the additional calculation, taken from the Association of issuing bodies (AIB). The same source for emission factors has been used for 2019–2022 data.
- 2) CO₂ emissions from transport of goods and products are data reported by the four of the main suppliers: DSV, DHL, JAS Greencarrier and Ahola transport.
- 3) CO₂ 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. The district heating produced is consumed by both KONGSBERG companies, and external companies in the park. Indirect emissions include the consumption of electricity, district heating and cooling produced by external suppliers within the business areas. The emissions from electricity has been calculated using the market based accounting approach. In previous reporting, KONGSBERG has used the location based calculation of Scope 2 emissions for electricity. Figure for Polish District heating in 2021 has been corrected with a new emission factor, changing the related emission totals.
- 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.
- 6) Inclusive scope 3 categories reported for the first time for 2022.

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The chosen consolidation approach for KONGSBERG's climate accounting is 'Operational control'. KONGSBERG reports on all locations that are not offices, and offices having more than 20 Full Time Equivalents (FTE). The reporting covers more than 98.3 per cent of all FTE, and emissions excluded is estimated to be under 1.7 per cent.

The carbon calculations have been made by using emission factors from Department for Environment, Food and Rural Affairs UK (DEFRA), Association of Issuing Bodies (AIB), U.S. Energy Information Administration (EIA), and the Climate transparency reports etc.

KONGSBERG have increased the use of biofuels in 2022, and this will continue to increase in 2023. The small amounts of emissions related to the burning of biofuels is included in Scope 1, and their value chain emissions is included in Scope 3 (Fuel and Energy related activities). No biogenic CO₂ emissions reported in other Scope 3 accounts. Out of Scope emissions has not been calculated or included in this report.

Waste related data is reported from each business unit, to KONGSBERG on an annual basis. The data is then compiled for each business area and aggregated to a total for the group.

Waste that was directed to disposal was in total 2,252 tonnes, and includes 1,321 tonnes of hazardous waste, and 931 tonnes of residual waste. The amount of waste incinerated with energy recovery is 642 tonnes and amount landfilled 289 tonnes.

Direct emissions (Scope 1): Emissions from the use of fuel oil and gas for heating processes and fuel for vehicles and equipment, 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 CO₂ emission factors used for electricity are both market based and location-based and in accordance with GHG Protocol Scope 2 Guidance¹⁾.

Emissions from flights for business travel and the transport of goods and products (Scope 3): Emissions from flights and emissions associated with the transport of goods and merchandise²⁾.

The GWPs³⁾ used in the calculation of CO₂e are based on the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4) over a 100-year period.

1) Sources: Fossil fuel emission factors from the Department for Environment Food & Rural Affairs, UK 2022. For Norway, a market based emission factor of 405 g CO₂e per kWh has been used in the main calculation, and a location-based factor of 4 g per CO₂e per kWh has been used for the additional calculation, taken from the Association of issuing bodies (AIB) (this emission factor for Norway has not been used for previous reporting years).

2) CO₂ emissions from transport of goods and products are data reported by the four of the main suppliers: DSV, DHL, JAS Greencarrier and Ahola transport.

3) The GWP (Global Warming Potential) value is a measure of the different greenhouse gases impacts the climate accumulated over a period of 100 years.

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#	TCFD recommendation	Reference
Governance – <i>Disclose the organisation's governance around climate-related risks and opportunities</i>		
1.	Describe the Board's oversight of climate related risks and opportunities.	AR & SR ¹⁾ 3 – Driving sustainable change (p. 58) AR & SR 3 – Organisation and management systems (p. 134) AR & SR 5 – Directors' Report 2022 / Risk factors and risk management (p. 182–185) CDP ²⁾ C1 – Governance Code of Ethics and Business Conduct Supplier Conduct Principles
2.	Describe management's role in assessing and managing climate related risks and opportunities.	AR & SR 3 – Organisation and management systems (p. 134) AR & SR 5 – Directors' Report 2022 / Risk factors and risk management (p. 182–185) CDP C1 - Governance Code of Ethics and Business Conduct Supplier Conduct Principles
Strategy – <i>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</i>		
3.	Describe the climate related risks and opportunities the organisation has identified over the short, medium, and long term.	AR & SR 3 – Climate risk and opportunities (p. 86–88) AR & SR 5 – Financial Statements and Notes 2022 / Note 4 / Climate risk (p. 201–202) AR & SR 5 – Financial Statements and Notes 2022 / Note 12 (p. 223) AR & SR 5 – Financial Statements and Notes 2022 / Note 14 / Estimation uncertainty (p. 230) CDP C2 – Risks and opportunities
4.	Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.	AR & SR 3 – Climate risk and opportunities (p. 86–88) AR & SR 5 – Financial Statements and Notes 2022 / Note 4 / Climate risk (p. 201–202) AR & SR 5 – Financial Statements and Notes 2022 / Note 12 (p. 223) AR & SR 5 – Financial Statements and Notes 2022 / Note 14 / Estimation uncertainty (p. 230) CDP C2 – Risks and opportunities CDP C3 – Business Strategy

1) AR & SR: Annual Report and Sustainability Report.

2) CDP: [CDP Climate Change Questionnaire response 2022](#)

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#	TCFD recommendation	Reference
5.	Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios.	AR & SR 3 – Climate risk and opportunities (p. 89–90) CDP C2 – Risks and opportunities CDP C3 – Business Strategy
Risk Management – <i>Disclose how the organisation identifies, assesses, and manages climate-related risks</i>		
6.	Describe the organisation's processes for identifying and assessing climate related risks.	AR & SR 3 – Climate risk and opportunities (p. 86) AR & SR 3 – Responsible supply chain (p. 141–143)
7.	Describe the organisation's processes for managing climate related risks.	AR & SR 5 – Directors' Report 2022 / Risk factors and risk management (p. 182–185) CDP C2 – Risks and opportunities
8.	Describe how processes for identifying, assessing, and managing climate related risks are integrated into the organisation's overall risk management.	
Metrics and targets – <i>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material</i>		
9.	Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process.	AR & SR 3 – Driving sustainable change (p. 58) AR & SR 3 – Climate (p. 75–78) AR & SR 3 – Climate and environmental results and comments (p. 80–85) AR & SR 3 – Climate risk and opportunities (p. 86–88) AR & SR Appendix – Climate and environmental accounts for 2022 (p. 301–303)
10.	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	AR & SR 3 – Climate and environmental results and comments (p. 80–82)
11.	Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	AR & SR 3 – Climate (p. 75–77, 79) AR & SR 5 – Directors' Report 2022 / Climate and environment (p. 187) CDP C4 – Targets and performance

1) AR & SR: Annual Report and Sustainability Report.

2) CDP: [CDP Climate Change Questionnaire response 2022](#)

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To the Management of Kongsberg Gruppen ASA

INDEPENDENT AUDITOR'S LIMITED ASSURANCE REPORT ON KONGSBERG'S SUSTAINABILITY REPORT 2022

This Independent Auditor's Limited Assurance Report to the Management of Kongsberg Gruppen ASA (KONGSBERG) relates to information in Chapter 3 Sustainability at KONGSBERG and in the Appendix, sections About the sustainability section of the Report; Global Reporting Initiative (GRI) Content Index 2022; and Key Figures Sustainability (In total referred to as the "Selected Information") within the KONGSBERG Annual Report and Sustainability Report 2022.

Our assurance conclusion

Based on our procedures described in this report, and evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information, as listed below has not been prepared, in all material respects, in accordance with the Applicable Criteria.

Scope of our work

KONGSBERG engaged Deloitte AS to provide an Independent Limited Assurance Report in accordance with International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 (Revised)"), issued by the International Auditing and Assurance Standards Board ("IAASB") and our agreed terms of engagement.

The Selected Information in scope of our engagement, as presented in the KONGSBERG Annual Report and Sustainability Report 2022, for the period ended 31 December 2022 is as follows:

Selected Information	Applicable Criteria
Chapter 3 Sustainability at KONGSBERG, except the information in the "EU Taxonomy" chapter. Appendix: The sections About the sustainability section of the Report; Global Reporting Initiative (GRI) Content Index 2022; and Key Figures Sustainability.	Reporting with reference to the GRI Standards 2021, pursuant to KONGSBERG's disclosures under the "Global Reporting Initiative (GRI) Content Index 2022".

In relation to the Selected Information, as listed in the above table, the Selected Information needs to be read and understood together with the Applicable Criteria.

Inherent limitations of the Selected Information

We obtained limited assurance over the preparation of the Selected Information in accordance with the Applicable Criteria. Inherent limitations exist in all assurance engagements.

Any internal control structure, no matter how effective, cannot eliminate the possibility that fraud, errors or irregularities may occur and remain undetected and because we use selective testing in our engagement, we cannot guarantee that errors or irregularities, if present, will be detected.

The Management's responsibilities

The Management is responsible for:

- Selecting and establishing the Applicable Criteria.

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 Organisasjonsnummer: 980 211 282

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- Preparing, measuring, presenting, and reporting the Selected Information in accordance with the Applicable Criteria.
- Publishing the Applicable Criteria publicly, where it is not publicly available, in advance of, or at the same time as, the publication of the Selected Information.
- Designing, implementing, and maintaining internal processes and controls over information relevant to the preparation of the Selected Information to ensure that they are free from material misstatement, including whether due to fraud or error.
- Providing sufficient access and making available all necessary records, correspondence, information and explanations to allow the successful completion of the Services.
- Confirming to us through written representations that you have provided us with all information relevant to our Services of which you are aware, and that the measurement or evaluation of the underlying subject matter against the Applicable Criteria, including that all relevant matters, are reflected in the Selected Information.

Our responsibilities

We are responsible for:

- Planning and performing procedures to obtain sufficient appropriate evidence in order to express an independent limited assurance conclusion on the Selected Information.
- Communicating matters that may be relevant to the Selected Information to the appropriate party including identified or suspected non-compliance with laws and regulations, fraud or suspected fraud, and bias in the preparation of the Selected Information.
- Reporting our conclusion in the form of an independent limited Assurance Report to the Management.

Our independence and quality management

We are independent of the company as required by laws and regulations and the International Ethics Standards Board for Accountants' Code of International Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We apply the International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Key procedures

We are required to plan and perform our work to address the areas where we have identified that a material misstatement of the description of activities undertaken in respect of the Selected Information is likely to arise. The procedures we performed were based on our professional judgment. In carrying out the limited assurance engagement on the description of activities undertaken in respect of the Selected Information, we performed the following procedures:

- Obtained an understanding of KONGSBERG's systems and processes for the identification, processing and controls associated with the Selected information.
- Made inquiries with relevant personnel to obtain an understanding of the process for collecting and reporting the Selected Information, and relevant internal controls; but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Performed limited substantive testing on a selective basis of the Applicable Criteria to test whether data has been appropriately measured, recorded, collated and reported.

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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 in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Oslo, 23 March 2023
Deloitte AS

Eivind Skaug
State Authorised Public Accountant (Norway)

Frank Dahl
Sustainability expert

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

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Financial calendar

Annual general meetings
The ordinary Annual General Meeting will be held on Thursday 11 May 2023.

Presentation of quarterly results
Q1: 27 April 2023
Q2: 12 July 2023
Q3: 27 October 2023

Ticker code: KOG (Oslo Stock Exchange)

Publication to stock exchange
Release date for Annual Report and Sustainability Report 2022, 30 March 2023.

Contact details

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Design: Kikkut kommunikasjon. **Photos:** Magnus Bjørnnes, NTB/Heiko Junge

Disclaimer: In the event of any discrepancy between the Norwegian and English versions of KONGSBERG's Annual Report and Sustainability Report 2022, the Norwegian version is the authoritative one.

