ANNUAL REPORT AND SUSTAIN ABILITY REPORT

2021

01 YEAR 2021

02 ABOUT KONGSBERG

03 SUSTAINABILITY

04 CORPORATE GOVERNANCE

05 DIRECTORS' REPORT AND FINANCIAL STATEMENTS

01

YEAR 2021

Key Figures 2021

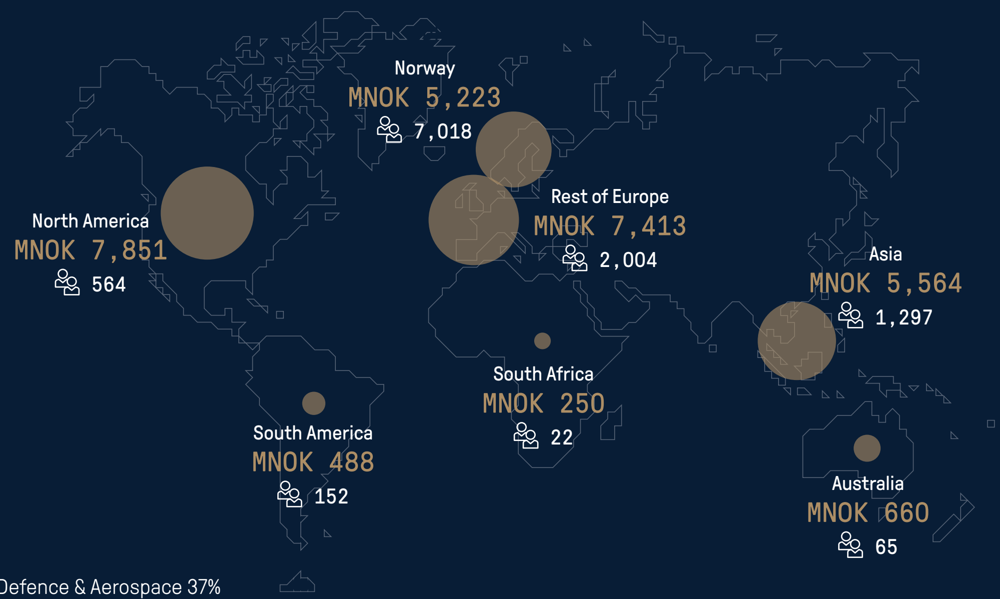
MNOK	*2021*	*2020*	*2019*[3]	*2018*[3]	*2017*	*2016*	*2015*	*2014*	*2013*	*2012*
SALES										
Revenues	27 449	25 612	23 245	13 807	14 490	15 845	17 032	16 613	16 323	15 652
New orders	40 979	28 818	31 413	15 879	13 430	14 319	15 238	22 097	15 043	14 605
Order backlog	49 535	35 947	32 347	16 707	15 629	16 914	19 597	21 020	15 687	16 523
Book-to-bill ratio	1,49	1,12	1,35	1.15	0.9	0.9	0.9	1.3	0.9	0.9
PERFORMANCE										
Earnings before interest, taxes, depreciation and amortisation (EBITDA)[1)4)]	4 086	3 250	2 113	1 126	1 092	988	1 697	1 998	2142	2294
Earnings before interest and taxes (EBIT)[1)4)]	2 863	1 905	1 029	701	585	462	857	1 196	1 659	1 840
Earnings before taxes (EBT)	1 855	1 855	833	780	654	729	944	1 285	1 644	1 809
Earnings after tax	2 290	2 932	717	704	559	651	755	880	1 225	1 304
PROFITABILITY										
EBITDA %[4)]	14.9%	12.7%	9.1%	8.2%	7.5%	6.2%	10.0%	12.0%	13.1%	14.7%
EBIT %[4)]	10.4%	7.4%	4.4%	5.1%	4.0%	2.9%	5.0%	7.2%	10.2%	11.8%
BALANSE										
Equity	13 618	13 301	12 810	12 626	7 365	6 725	6 127	6 282	6 657	6 274
Equity ratio %[5)]	34.6%	33.9%	32.8%	45.7%	35.6%	31.7%	32.0%	31.0%	38.2%	38.6%
Net interest-bearing debt	(5 668)	(3 949)	(1 565)	(5 706)	384	2 195	(941)	(3 551)	(1 935)	(1 198)
Working capital[1)]	(2 003)	(458)	17	(14)	955	2 533	2 698	155	775	1 000
ROACE[1)]	32.7%	20.8%	10.0%	12.5%	9.1%	8.2%	21.8%	35.9%	32.5%	36.3%
EMPLOYEES										
Number of employees, total	11 122	10 689	10 793	6 842	6 830	7 159	7 688	7 664	7 493	7 259
Number of reported injuries per million hours worked (TRI)	2.2	1.7	2.3	1.6	3.2	3.5	4.1	4.7	3.7	1.5
Number of lost time days per million hours worked (ISR)	30.0	21.2	31.4	17.6	16.2	32	14.2	45.3	15.6	13.6
THE ENVIRONMENT[2)5)]										
Energy consumption (GWh)	182.8	161.6	178.4	131.2	124.4	122.8	119.35	123.7	127	114.7
CO_2 emissions (metric tonnes)	34 942	39 283	69 028	35 466	32 517	33 464	39 268	26 006	25 294	19 579
Waste (metric tonnes)	8 079	7 420	7 830	1 888	1 884	1 986	2 368	1 788	1 935	1 784
OWNERS' VALUE										
Market capitalisation	51 146	31 714	24 839	21 167	18 120	14 940	17 400	14 760	15 300	14 940
Earnings per share after tax (EPS) in NOK	12.06	16.08	3.89	5.58	4.62	5.44	6.23	7.28	10.24	10.91
P/E in NOK	23.71	10.82	34.64	30.2	32.7	22.95	23.05	16.77	12.49	11.46
Dividend per share in NOK[6)]	15.30	8.00	12.50	2.50	3.75	3.75	4.25	9.25	5.25	3.75

1) See Note 31 for definitions.
2) See Climate and Environmental Accounts pages 49–52 for comparable figures.
3) Figures in the income statement, orderintake and order backlog for 2019 and 2018 are adjusted for discontinued operations. Comparable figures earlier years are not adjusted.
4) From 2020 onwards profit shares are not longer included in EBITDA and EBIT. Compareable figures are adjusted.
5) Figures for 2019 have been corrected.
6) Proposed dividend per share for 2021 is NOK 15.30 whereof NOK 3.30 is according to the ordinary dividend policy.

KONGSBERG

REVENUES

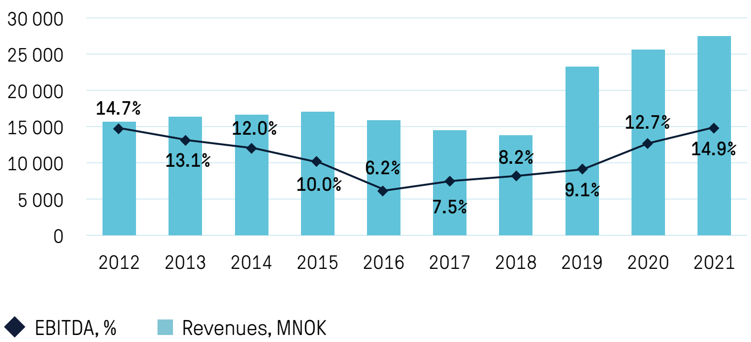
MNOK 27,449



Kongsberg Defence & Aerospace 37%
Kongsberg Maritime 60%
Other activities 3 %

EBITDA	EBIT	Profit for the year
MNOK 4,086	MNOK 2,863	MNOK 2,290
Proposed dividend per share	**Earnings per share after tax**	**Market capitalisation**
NOK 15.30[3)]	NOK 12.06	MNOK 51,146

Historic[1)2)]



1) Figures for income statement for 2019 and 2018 are adjusted for disposed companies. Comparable figures earlier years are not adjusted.
2) From 2020 onwards profit shares are not longer included in EBITDA and EBIT. Compareable figures are adjusted.
3) Proposed dividend per share for 2021 is NOK 15.30 whereof NOK 3.30 is according to the ordinary dividend policy.

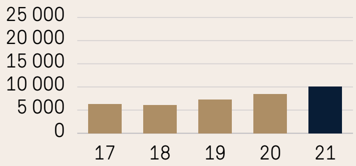
KONGSBERG DEFENCE & AEROSPACE

3,428

Revenues

MNOK 10,078

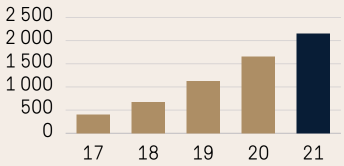
+18.5% from 2020



EBITDA[2)]

MNOK 2,150

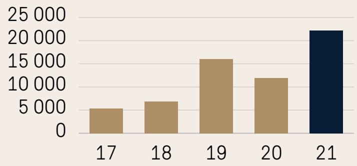
+29.8% from 2020



New orders

MNOK 22,221

+86.9% from 2020



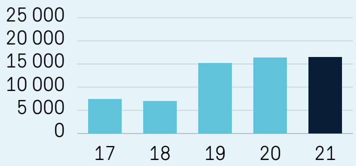
KONGSBERG MARITIME

6,857

Revenue[1)]

MNOK 16,507

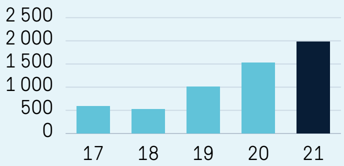
+1.2% from 2020



EBITDA[1)]

MNOK 1,977

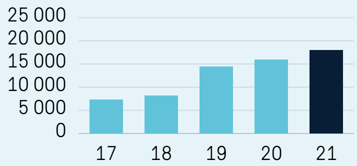
+29.1% from 2020



New orders[1)]

MNOK 17,936

+12.6% from 2020



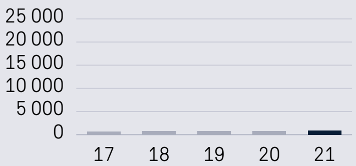
OTHER ACTIVITIES

837

Revenues

MNOK 864

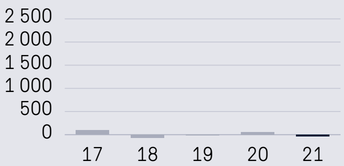
+9.5% from 2020



EBITDA[2)]

MNOK (41)

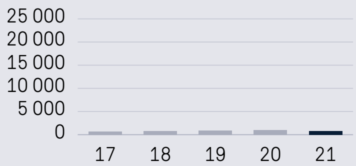
-166.1% from 2020



New orders

MNOK 822

-18.0% from 2020



1) Figures in the income statement, orderintake and order backlog for 2019 and 2018 are adjusted for discontinued operations. Comparable figures earlier years are not adjusted.
2) From 2020 onwards profit shares are not longer included in EBITDA. Compareable figures are adjusted.

Important milestones 2021

KONGSBERG

- A solid year with strong performance.
- Order intake of NOK 41 billion in 2021 result in a record high order backlog of almost NOK 50 billion.
- Strong external ESG (environmental, social and governance) ratings on our ESG performance.
- Signed up and committed to setting Science Based Targets.

KONGSBERG DEFENCE & AEROSPACE

- Good order intake with important contracts including Joint Strike Missile for Norway's new F-35 fighter aircraft, Naval Strike Missile for Norway and Germany, ORCCA combat system for new Norwegian and German submarines and extension of the CROWS framework agreement with the US Army.
- A solid margin was among others a result of good project implementation, a favourable project mix and strong project execution throughout the organisation.
- All divisions had more than 10 per cent growth compared to 2020.

KONGSBERG MARITIME

- Order intake of NOK 17.8 billion in 2021, an increase of NOK 2 billion from the previous year and book / bill of 1.09. Both from Offshore Wind, Naval and the Tugs segment, there was an order intake of more than NOK 1 billion.
- Cross selling was one of the main synergy potentials in the acquisition of RRCM. In 2021, the business area realized NOK 1.5 billion in cross sales within new sales and aftermarket of which MNOK 500 offshore wind.
- The business area further improved its profitability in 2021. EBITDA grew by MNOK 445 to MNOK 1,977. The EBITDA margin increases from 9.4 per cent to 12.0 per cent in 2021 among others as a result of improved operations and favourable project mix.

KONGSBERG DIGITAL

- Kongsberg Digital is experiencing increased demand and interest for the company's digital solutions and increased its recurring revenues from 35 per cent to 41 per cent and hired over 200 new colleagues in 2021.
- Entered into an international framework agreement with Shell for SiteCom, the cloud solution for monitoring and improving drilling operations, in addition to extending the agreement with AkerBP.
- Continued rollout of the digital twin solution Kognitwin Energy under a framework agreement with Shell, among others on the Ormen Lange field.
- Secured agreements for the maritime cloud solution Vessel Insight with, among others, Olympic Subsea, Island Offshore and Höegh Autoliners.

President and CEO Geir Håøy

After an eventful year, KONGSBERG ends 2021 with a record-high order backlog. We took significant steps in the development of new sustainable technologies and solutions for our customers, experienced solid growth and delivered increased profitability. We are entering 2022 with a solid foundation for further growth.

Like 2020, the year 2021 was substantially influenced by the COVID-19 pandemic. In demanding and insecure situations, our top priority is to safeguard our employees and follow government guidelines, while making every effort to maintain safe and efficient operations and deliver strategically important solutions to our customers.

At the time of writing this, we are witnessing a war and a humanitarian catastrophe, touching us all. I speak for everyone at KONGSBERG when expressing our deepest concern and compassion for the people involved in the Russian invasion of Ukraine.

The world is facing a number of challenges within security, climate and environment, transport, energy, and food, natural resources and biodiversity. Technology is central to solving these challenges and KONGSBERG wants to make a difference. In particular, we can play a role in developing and establishing best sustainable practice in maritime energy solutions, advanced sensors, autonomy, and circular and materials technology.

We will develop existing positions and explore new markets. In 2021, we were awarded several projects within offshore wind, a rapidly growing global market. Our technologies encompass mapping and field development, operation and decommissioning, including environmental mapping and monitoring, applications and functions for smart data and decision support for wind farms and vessel concepts for operation and maintenance. KONGSBERG has the unique ability to further develop and deliver complete solutions within new and growing industries. This ability unlocks opportunities across sectors and industries in the green and digital transition.

In July we signed an agreement with our partners to deliver systems for six new submarines for Norway and Germany. We will also deliver the anti-ship Naval Strike Missile to the two countries' navies. The two agreements, which have a total value for KONGSBERG of NOK 8.2 billion, were important milestones in terms of both our focus on defence technology and the German–Norwegian submarine collaboration.

KONGSBERG will create long-term value while contributing to solving the challenges of society. That is why sustainability is integrated into our strategy and the way that we work.

KONGSBERG is committed to supporting the aim of the Paris Agreement of net zero greenhouse gas emissions by 2050. By setting clear and ambitious targets for emissions reductions, both in our own operations and in our value chain, we want to be at the forefront of both market and regulatory requirements. We do this because it is the right thing to do, for the environment, our employees, customers and owners. We are a member of, and support the UN initiative UN Global Compact, and have implemented their ten principles for responsible business in each of the four areas of human rights, labor, environment and anti-corruption.

During the autumn of 2021, we updated our climate strategy and established a collaboration with the Science Based Targets initiative, which represents international best practice for the quality assurance of climate-related targets in line with the Paris Agreement. In order to address the climate challenge, business needs to engage, and we are working with both customers and suppliers to turn words into action. One of our ambitions is to aim for two-thirds of our suppliers to set CO_2 emission reduction targets in line with the Paris agreement within five years.

With our leading global positions within technology, we contribute to a number of international forums. As an advisor and partner to the UN's Ocean Panel, we also advocate for sustainable marine management and healthy and productive oceans across the world.

Nature is under increased pressure. In order to achieve the UN Sustainability Goals by 2030, a transition to a circular economy is essential, and this is an important focus area throughout KONGSBERG's business. Within our defence operations, we are working closely with our customers to develop solutions that

> KONGSBERG has the unique ability to further develop and deliver complete solutions within new and growing industries. This ability opens up great opportunities across sectors and industries as part of the green and digital transition.

With our portfolio of high-tech solutions, innovative DNA and agile organisation, we are ready to deliver on our ambitions and profitable growth.

reduce emissions and minimise the environmental impact of the production and life cycle of our products. In recent years, we have built up a significant business in aircraft and helicopter maintenance to extend the lifetime of systems and materials. In 2021, we also started collaboration on research with the Ministry of Defence to study materials technology and production processes that will contribute to more sustainable defence products.

We already supply a number of zero-emission solutions for shipping. In the autumn of 2021 the Yara Birkeland, the world's first fully electrical and autonomous zero-emission container vessel, was launched. The ship has a combination of new technology and existing solutions, building on expertise from across the Group, including defence technology.

I am optimistic about the future and 2022 will be a year in which KONGSBERG makes new progress. I am confident that our highly skilled colleagues, customers and suppliers we will succeed in making a difference in also in the future. With our portfolio of high-tech solutions, innovative DNA and agile organisation, we are ready to deliver on our ambitions and profitable growth.

In the defence field, we have a significant order backlog to be delivered. We will secure new and important contracts that strengthen our position as a leading, responsible defence supplier in Northern Europe and the United States. Our products and positions in the space industry also have considerable opportunities in front of them, and we will work to improve and consolidate the breadth of our solutions, within the entire value chain of space operations.

Within the maritime sector, we are committed to sustainable innovation and pioneering concepts, including further development of our product and market positions within digitisation of the industry.

KONGSBERG has taken up an international leadership role within industrial digitisation. Kognitwin is established as a leading dynamic digital twin solution for the energy sector, including an agreement with Shell International for the roll-out of digital twins for their global portfolio of facilities. In 2022 and beyond, we will continue to work to reach out to more companies with our digital solutions that increase efficiency, contribute to safer operations and reduce emissions.

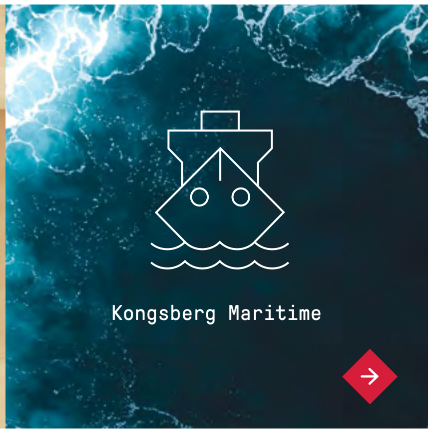
A big thank you to shareholders, customers and all our partners. A particular thank you to our employees all over the world, who have shown great flexibility and not least dedication. Our values are stronger than ever and in the past year, we have developed KONGSBERG together to be in a position to make progress in 2022 and the years ahead.

Geir Håøy
President and CEO
March 2022

02

ABOUT KONGSBERG

This is KONGSBERG



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

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

Organisation

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

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

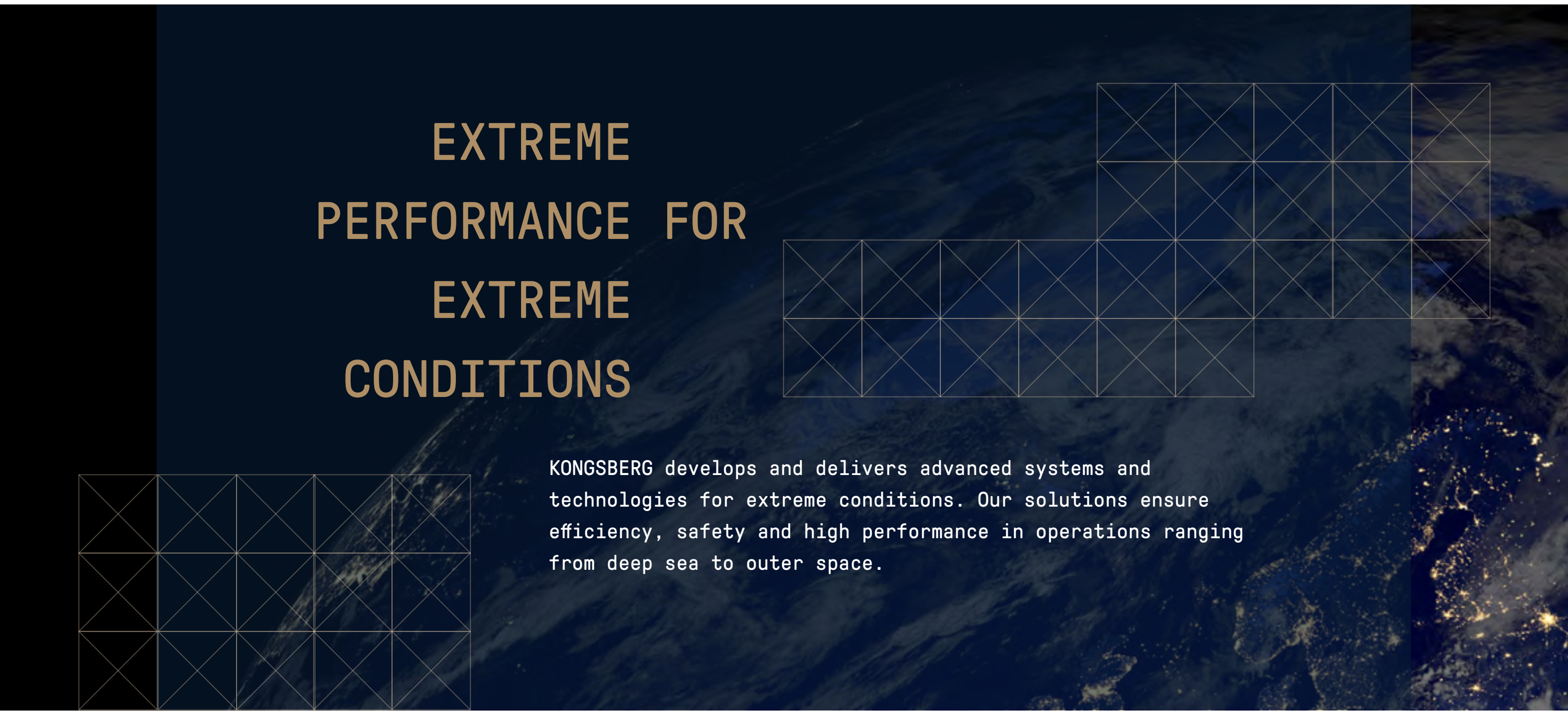
At KONGSBERG, we create value in the areas and countries in which we operate. We create value for our customers through our products. We create value through the payment of government fees and taxes, dividends to owners and wages to employees, and indirectly by buying goods and services from suppliers. 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.



Strategy and ambitions

KONGSBERG is a world-leading technology company that supplies products and solutions with extreme performance for extreme conditions. An inclusive culture with world-leading expertise, sustainable innovation and partnerships will ensure that our positions in technology continue to deliver sustainable and profitable growth.

KONGSBERG's deliveries have strategic importance to our customers. Our solutions help meet key societal needs in defence and security, energy, transport, climate and the environment.

KONGSBERG develops technology and solutions where we are either world-leading or have ambition and potential to become world-leading in the long term. To improve and develop our competitive edge, efficient operations, positioning in existing and new markets, and new initiatives are our top priorities. Our business culture is characterised by high ethical standards and integrity, and forms the basis for our strategic decisions and business choices.

KONGSBERG creates value through organic growth and acquisitions. Organic growth is based on development and expansion of existing products, services and market positions as well as the development of new products for new markets.

Sustainability and consideration of the environment, people, society and responsible corporate governance are established and integrated into our business strategy. This is central to both the development of existing positions and new business opportunities. The UN Sustainable Development Goals and the Paris Agreement's ambition to limit global warming to 1.5 degrees are important drivers of our direction. KONGSBERG wants to contribute to solving the challenges facing society, and with our technology expertise we will deliver sustainable solutions to our customers, across industries. As a technology company, KONGSBERG will create a competitive edge by taking a leading role in the green transition.

KONGSBERG is committed to supporting the Paris Agreement's aim of net zero greenhouse gas emissions by 2050. By setting clear and ambitious targets for emissions reductions, both in our own business and in our value chain, we want to be at the forefront of both market and regulatory requirements. We do this because we can, we want to and because we believe this is best for the environment, our employees and shareholders. We cooperate with the Science Based Targets initiative, which represents international best practice for the quality assurance of climate-related goals in line with the ambitions of the Paris Agreement.

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. A central part of our strategy is, therefore, to be an attractive employer. Employee involvement, leadership development and a strong culture where diversity, continuous learning, improvement and development are prioritised, are important for KONGSBERG.

Overall strategic focus

We must:

- Develop new business opportunities within the green transition and improve our market position in existing markets.
- Create long-term value through a combination of organic growth and acquisitions.
- Have a flexible organisation consisting of people with world-leading skills and expertise.
- Occupy leading positions within digital solutions in our industrial segments.
- Prioritise sustainable innovation, technology and solutions in research and development work across the Group to develop a competitive edge.
- Ensure reductions in emissions in line with the target of net zero by 2050.
- Foster an inclusive and cooperative working culture characterised by high ethical standards.

Strategic priorities for the Group's business areas

Kongsberg Defence & Aerospace

Secure strategically important contracts, and achieve growth in selected geographical areas both through our own activities and in collaboration with partners. KONGSBERG will continue to be a strategic partner for Norway, become a leading defence supplier in Northern Europe and strengthen our position in the US. We will identify and develop sustainable solutions that contribute to the green transition and that safeguard our societal role in security and defence.

Kongsberg Maritime

Be a leading global maritime technology supplier, with sustainable innovation directed towards green solutions and groundbreaking concepts. We will help shape the maritime future by developing new opportunities throughout the ocean environment. Continue to increase margins through successful implementation of identified efficiency measures.

Kongsberg Digital

Drive the digital transformation of capital-intensive industries by creating the number-one digital working area. Take the leading position within digitisation of the maritime, energy and renewables industries, with a focus on Vessel Insight, Digital Twin and the Kognifai platform.

Vision

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

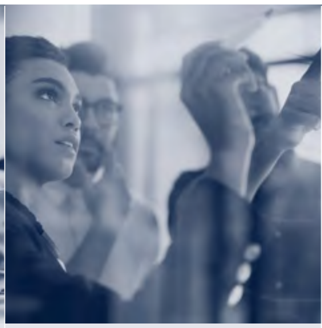
Our values

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

DETERMINED

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

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



INNOVATIVE

We relentlessly pursue improvements, new ideas and new solutions.

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

COLLABORATIVE

We collaborate as individuals and as an organisation.

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

RELIABLE

We are reliable people. We are responsible citizens.

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

Corporate Executive Management

GEIR HÅØY

President and
Chief Executive Officer

GYRID SKALLEBERG INGERØ

Chief Financial Officer
Group Executive Vice President
Compliance and Property

CHRISTIAN KARDE

Group Executive Vice
President General Counsel

HANS PETTER BLOKKUM

Group Executive Vice President
HR, HSE, Security and Crisis
Management

IVER CHRISTIAN OLERUD

Group Executive Vice President
Strategy and Business
Development

EVEN AAS

Group Executive Vice President
Public Affairs, Communication
and Sustainability

EGIL HAUGSDAL

Executive Vice President,
KONGSBERG.
President, Kongsberg Maritime

EIRIK LIE

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

HEGE SKRYSETH

Executive Vice President,
KONGSBERG.
President, Kongsberg Digital

BUSINESS AREAS

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

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

→ Kongsberg Defence & Aerospace

→ Kongsberg Maritime

→ Kongsberg Digital

WORLD CLASS DEFENCE SYSTEMS

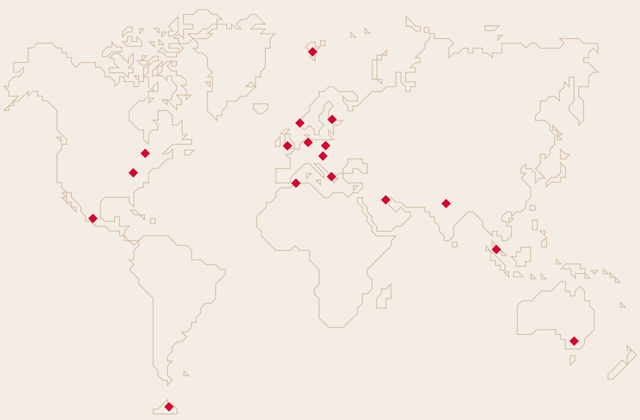
Kongsberg Defence & Aerospace

DEFENCE PRODUCTS

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

In 2021, Kongsberg Defence & Aerospace (KDA) secured a significant order intake and ended the year with a record-high order backlog. A long-term and focused effort to gain market position, with leading technology and solutions, has produced good results. The year 2021 was characterised by large contracts for submarines and missiles, in addition to a high level of activity in air defence and weapon stations.

KDA is a respected global technology leader and a leading supplier within defence, monitoring, space and aerostructures. KDA has built up a solid order backlog with good prospects on the horizon and experienced growth in most product areas and continues to establish positions within new niche markets for maintenance, space travel and the production of advanced structures.



KDA is present in 16 countries and has approx. 3,500 employees.

Land Systems

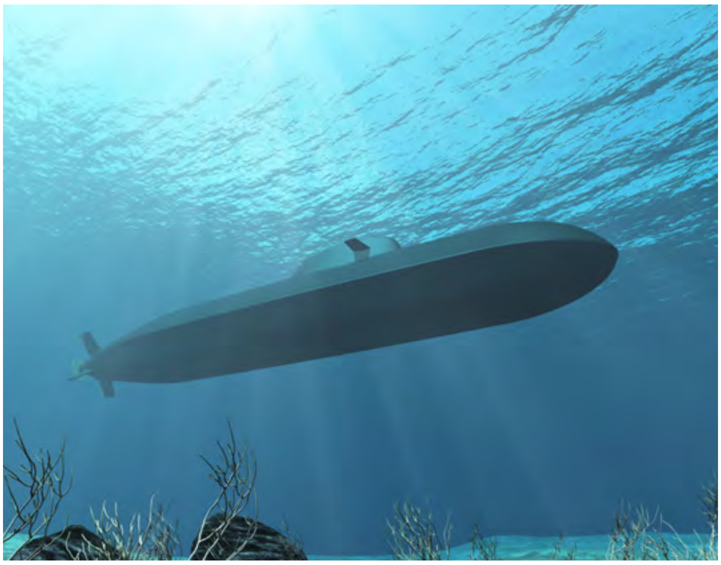
Land Systems is a world-leading supplier of remote-controlled weapon stations, tower systems, radios and radio communications. The weapon stations enable soldiers to operate from a protected position inside a vehicle. The division has produced 20,000 weapons stations that have been delivered to 28 nations.

In 2021, KDA was awarded a framework agreement with the U.S. Marine Corps on serial production of RS6, a 30 mm RWS with cannon and missiles to engage unmanned small drones. U.S. Marine Corps made the first call under this agreement on 26 systems. Since the first stations were produced in the early 2000s, the division has delivered stations to a value in excess of MNOK 40,000. The division's radios are used in advanced tactical communication systems, such as in vehicles and air defence systems. The tactical communication solutions are used in more than 30 countries.

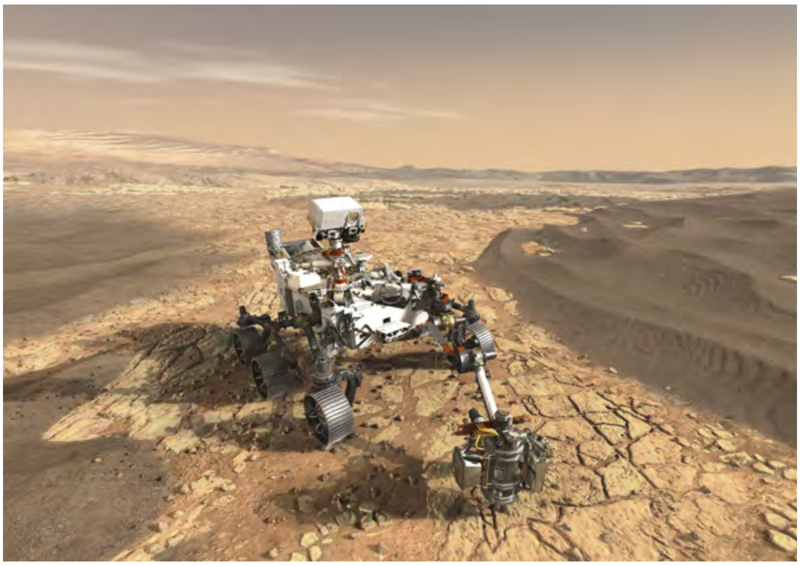
Integrated Defence Systems

The Integrated Defence Systems division supplies 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. The division has a strategic cooperation agreement with Raytheon for NASAMS and a joint venture company, kta naval systems AS, for the ORCCA submarine combat system together with ThyssenKrupp Marine Systems (tkMS) and Atlas Elektronik.

The year 2021 was characterised by a high level of air defence activity and the contract award for the delivery of ORCCA combat systems for the new Norwegian/German 212CD submarines. The ORCCA activity is being conducted with the



Kongsberg Defence & Aerospace entered into contracts with Norway and Germany to deliver ORCCA™ combat system elements to the six new 212CD submarines, and Naval Strike Missile to the two nations' Navies.



NASA's Mars rover's Radar Imager for Mars' Subsurface Experiment (RIMFAX) uses radar waves to explore world that lies beneath the surface. KDA's Space & Surveillance division assembled, qualified and delivered the RIMFAX Electronics and contributed with consultation in the design process of the radar. Photo: NASA/JPL-Caltech

longer term in mind, with deliveries over several years, and, significantly, provides an important position and reference for KDA and its partners on the international market.

NASAMS is the best-selling air defence system in the world in its class, with 12 countries using NASAMS elements in their defence systems, but the division is also the world leader in systems for artillery command, vehicle digitisation and marine combat management. The delivery of the world's largest airport remote management programme, Remote Tower Systems, continues, while the division seeks to position itself for the international market.

Space & Surveillance

The Space & Surveillance division supplies a broad spectrum of equipment, systems and services linked to space and maritime surveillance in more than 40 countries. The space portfolio includes equipment and components for satellites used for communication, navigation and earth observation, as well as space probes for space exploration. The division also supplies equipment for launch vehicles that carry craft into space and ground stations that receive data from satellites. Space & Surveillance works closely with customers such as the European Space Agency (ESA), National Aeronautics and Space Administration (NASA), as well as major players such as Airbus, Thales and Northrop Grumman. The division has recently won a number of contracts to provide market-leading signal processing equipment and mechanisms for the control of solar panels and

> "The year 2021 has seen exceptionally high levels of activity. The year has shown us how important it is to have the ability to change and adapt to new challenges. At the same time, we have won significant contracts and will end the year with a record-high order backlog. The times in which we live are characterised by the importance of focusing on sustainability, and these are important objectives for us too. We must be at the forefront of delivering technology solutions while contributing to the circular economy. With our large order backlog, we expect substantial growth in the coming years in all our core segments."
>
> **Eirik Lie** – President, Kongsberg Defence & Aerospace

antennas, for the major EU space monitoring programme Copernicus.

KONGSBERG owns 50 per cent of Kongsberg Satellite Services (KSAT), a world-leading supplier of communication services for spacecraft and launch platforms and advanced monitoring services via satellites. Through its holding in KSAT, KDA is a world-leading supplier of ground stations for the downloading and processing of satellite data, as well as a service provider of satellite data from ground stations in Svalbard, Antarctica and many other locations.

Missile Systems

The Missile Systems division has over 50 years' experience from a variety of missile programmes. Products include Penguin, the Naval Strike Missile (NSM) and the Joint Strike Missile (JSM) which is launched from surface ships, helicopters and fighter aircraft. KONGSBERG is the world's only supplier of fifth-generation long-range precision strike missiles with stealth capabilities. In 2018, the US Navy chose NSM for its OTH (Over-the-Horizon Weapon System) programme, and in 2020 the US Marine Corps chose NSM for a vehicle-based coastal defence system. These are framework contracts with annual call-offs. During 2021, further JSM supply contracts were entered into with Japan and Norway, as well as delivery contracts for NSM for Norway and Germany. Demand and interest in NSM and JSM are increasing in the global market.

Aerostructures & MRO (Maintenance, Repair and Overhaul)

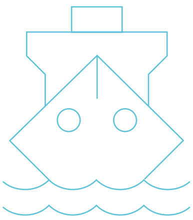
The Aerostructures division comprises a Centre of Excellence and offers deliveries of maintenance services through Kongsberg Aviation Maintenance Services (KAMS). Production involves complex composite structures, components and metal alloy details. Its core capabilities range from design, prototyping and industrialisation, to mass production for aerospace and other high-performing markets. Activities range from the manufacture of parts for the F-35, missiles and helicopters, to mechanical production for the NASAMS air defence system and the maintenance of dynamic components for helicopters. There was continued growth in 2021, both in production and maintenance services.

Kongsberg Aviation Maintenance Services (KAMS) is part of the Aerostructures division. With KAMS, KONGSBERG has taken a new strategic step into the maintenance market for aircraft and helicopters in the Nordic region and Northern Europe. KAMS is jointly owned by KDA, which owns 50.1 per cent, and Patria, which owns 49.9 per cent. KAMS is a strategic partner of the Norwegian Armed Forces for the maintenance of air systems.

Patria

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

Kongsberg Defence & Aerospace was awarded a contract with the Norwegian Defence Materiel Agency to supply the Joint Strike Missile (JSM) for Norway's fleet of F-35A Lightning II fighter aircrafts.
Photo: Torbjørn Kjosvold / Forsvaret



Kongsberg Maritime

Kongsberg Maritime (KM) provides the technology, equipment and services required to operate at sea in the most sustainable way. The market is vast – and covers advanced offshore and research vessels, merchant vessels and large fishing vessels, as well as advanced offshore installations linked to aquaculture, oil and gas, and wind power.

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

The global pandemic brings uncertainty to the maritime industry, but KM has looked ahead and achieved major ocean technology milestones in 2021. Together with significant market wins which have increased the order book, KM is now well positioned to bring positive environmental impact to the ocean space.

Integrated Solutions (ISOL) – connects everything

KM has a proud legacy of providing market leading and pioneering products within dynamic positioning, propulsion control, automation, bridge systems, electric and digital solutions. When combined with KM's wider portfolio this forms the basis for a range of unique integrated solutions.

Seamless integration of a broad portfolio of mission critical products and systems creates customer value and represents a sustainable competitive advantage for both KM and its customers. Our Integrated Solutions are developed in collaboration with experienced users and domain specialists providing significant benefits in terms of increased operational efficiency, safety, and sustainability.

There are great gains to be made through digitalization, and for KM the digital dimension represents a key part of our integrated solutions. Based on our digitally enabled products and digital platform we develop advanced product and segment specific applications and digital solutions. The aim is to leverage our digital frontrunner status with the advantage of being a leading integrator.

Global Customer Support (GCS) – the service heroes

GCS supports 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. This contributes to fast and competent support wherever the client is operating.

GCS works closely with the customers throughout the lifetime of vessels to ensure cost-effective upgrades, safe operation and environmentally friendly

KM is present in 34 countries and has approx. 7,000 employees. About 1,500 of these are Field Service Engineers who support customers wherever they are.

The market for tugs is one of several where KM has succeeded with cross-sales following the acquisition of Kongsberg Maritime in 2019. This leads to a larger scope of delivery per contract.

Hydrogen is set to be a fuel of the future for many of the ocean's vessels and it's a technology in which KONGSBERG is emerging as a global leader. Along with our partners on the EU funded HySeas III project, we have successfully tested a maritime hybrid drive train using hydrogen fuel cells. The next step is installation aboard a Scottish ferry that is under construction.

solutions adapted to the vessel's operating profile. Our solutions and services are based on many years of experience with products and systems from bridge to propeller. This encompasses batteries, propulsion, deck machinery, ship design, control systems, dynamic positioning, electrical engineering and energy management. Through KONGSBERG's digital solutions, we offer support and service also without needing to board the vessel. This safeguards the vessel's uptime and benefits the environment.

Propulsion & Engines – provides thrust and power

KM is a world-leading supplier of propulsion systems and empowers a transition to more sustainable solutions. The products supplied by Propulsion & Engines fulfil the requirements for performance, cost-effectiveness, and sustainability for customers in a global market. This happens through cleaner fuels, high efficiency, electrification, wind assisted propulsion, and low noise technologies integrated into our products. With a global delivery chain and production in three Nordic countries. Product development takes place in close collaboration with both customers and leading universities. 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.

The product areas are propellers, rudders, thrusters including electrical POD's, waterjets as well as complete propulsion and manoeuvring

"2021 proved to be a good year for Kongsberg Maritime despite the uncertainties of a global pandemic. This year we have dealt with closed borders, lack of deliveries from suppliers, potential unsafe conditions for our service engineers, and natural disasters in locations where we have people based. Still, after about six years with quite a lot of headwinds in the market, it looks like the wind has now changed, and we are moving faster forward."

Egil Haugsdal – President, Kongsberg Maritime systems for offshore, merchant and defence markets. KM also acts as the sales channel for the renowned medium-speed engines manufactured by Bergen Engines.

Sensors & Robotics – understanding the ocean space

KM's portfolio of sensors and sensor solutions is key to mapping, monitoring and understanding the environmental conditions 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. Another example is Eelume, a co-owned company that offers a disruptive technology for subsea inspection, maintenance and repair (IMR) with the help of a snake robot equipped with sensor technology from KM. Cloud-based monitoring and control solutions are also becoming an increasingly important part of converting the high fidelity data from our sensors into accessible knowledge about the ocean space – knowledge needed in a sustainable ocean economy.

Deck Machinery and Motion Control (DMMC) – the efficient handling provider

KM offers an extensive range of products and systems within safety critical deck machinery, from mooring and anchoring winches to anchor handling, specialized winches and handling systems for offshore, merchant, tugs, fisheries, naval vessels and many 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 in this division. Efficient and sustainable operations are key drivers in the market.

The Motion Control products of DMMC have a significant addressable market. Our steering gears are suitable for all types and sizes of ships. Our fin stabilizers contribute to secure cargo, stable naval vessels and safe and pleasant cruise voyages at sea.

Scientists at the Norwegian Institute of Marine Research (IMR) will soon be harvesting much more high-quality ocean data. Two autonomous underwater vehicles (AUV) and two Sounder unmanned surface vessels (USV) from Kongsberg Maritime will provide a seamless stream of data from various sensors over a digital cloud-based infrastructure system, providing Blue Insight.

NEXT-GENERATION SOLUTIONS

Kongsberg Digital

Kongsberg Digital (KDI) works to digitise the world's industries. The company, which was established in 2016, delivers next-generation software and digital solutions to complex industries, including the maritime, oil and gas, processing and renewable energy sectors. KDI possess leading domain and digital expertise, and all our products and solutions are built on secure data infrastructure that provides access to reliable data. With KDI's digital solutions, industries have the opportunity to streamline processes, reduce emissions and increase operational security.

Vessel Insight and Kognifai Marketplace – a digital ecosystem for shipping companies

Demand for KDI's "ship-to-cloud" solution Vessel Insight increased throughout 2021. The maritime industry is facing enormous pressure to evolve in order to meet ever more stringent global sustainability requirements.

KDI is present in 6 countries and has approx. 700 employees.

Reduced emissions, complex reporting processes and stricter safety requirements are factors that vessel owners must comply with. At the same time, they are operating in an extremely competitive industry where streamlining is necessary in order to compete. Digitisation is one solution to these challenges, and the market has really opened its eyes to its potential. In addition to being a data infrastructure, Vessel Insight gives access to an ecosystem of applications and solutions for energy efficiency, maintenance, market insights, compliance etc. These are available to the customer at the KDI marketplace, Kognifai Marketplace.

Collectively, Vessel Insight enables customers to connect ships to the cloud, retrieve data for use in analyses and develop or download value-creating applications on top. In 2021, KDI signed a number of new agreements with vessel owners, such as Olympic Subsea, Island Offshore, Güngen, Marinvest, the Norwegian Coastal Administration, Höegh Autoliners and Dorian LPG (Denmark). In addition, the company has entered into a number of agreements with marketplace application partners, including ABS, ABB Tekomar, Marine Benchmark, Vessel Performance Solutions, Zegaba and Bunkermetric.

Kognitwin Energy – a dynamic digital twin for the energy industry

Kongsberg Digital's market-leading digital twin solution for the energy sector, Kognitwin Energy, is an advanced digital twin. In addition to providing insight, it provides solutions that can significantly reduce operating costs, and improve and streamline work processes. This may in turn lead to increased oil and gas production. By providing an accurate overview of energy resources, Kognitwin Energy is a key tool for optimising operations and reducing emissions from industrial plants.

Through the cloud solution Vessel Insight and Kognifai Marketplace, shipping companies have access to an ecosystem of applications and solutions for factors including energy efficiency, maintenance, market insight and compliance.

With hybrid analytics, it is possible to perform continuous testing of various operating scenarios, predict adverse events and ensure production optimisation. This provides flow and process simulators, assembled by dynamic data from automation. With Kognitwin Energy, it is also possible to ensure the automation of processes, control complex plants remotely and achieve a higher degree of autonomy in process control systems.

Demand for Kognitwin Energy increased during 2021. During the past year, KDI signed an agreement with ExxonMobil to install and evaluate Kognitwin at one of its facilities in Guyana. Kognitwin®Energy is used when "Norske Shell" creates a virtual representation of the deepwater gas field Ormen Lange. Together with the digital twin solution on land, developed at Nyhamna processing plant, the two twins will be the world's first fully integrated twin solution from reservoir to market. This will be the first fully integrated twin to span the entire process from upstream to downstream.

Another key contract is the agreement with The Metals Company for the development of a digital twin for 3D visualisation of deepwater environments. In the autumn of 2021, KDI also entered into two new strategic partnerships with Data Gumbo and FutureOn, respectively. In addition, KDI has a number of ongoing "proof of concept" (POC) agreements where the customer will test and evaluate Kognitwin on individual installations.

SiteCom – real-time visualisation of drilling operations in the cloud

With SiteCom, KDI supplies a software product for data acquisition and the visualisation of drilling operations in real time, as well as applications for operations analysis and advanced decision support. SiteCom's cloud solution gives users easy access to real-time data from different locations, rigs and suppliers. KDI also supplies solutions that increase production efficiency using real-time simulators for design, multi-phase flow and operator training. These systems collectively offer drilling operators much improved well safety and greater efficiency during the drilling process. In 2021, KDI signed contracts with companies including the Brazilian drilling contractor Ocyan and extended its cooperation with Aker BP.

In order to achieve the goal of reducing greenhouse gas emissions, there will be an increased degree of electrification in the transport sector and the use of new energy sources. This will put a great deal of pressure on an already stretched and ageing

"Kongsberg Digital had its fifth anniversary in 2021, and this year we really consolidated our position as a market leader in the digitisation of the maritime and energy sectors with several new Vessel Insight customers, and an increase from two to eight active Kognitwin solutions. The possibilities inherent in digitisation in terms of streamlining, reducing emissions and increasing safety are becoming clearer to more people, and we are seeing increased demand in the market as awareness grows. Increased demand for the ship-to-cloud solution Vessel Insight and our digital twin Kognitwin Energy is evidence of this. The launch of Kognitwin Grid for the power industry was a milestone for us, and we see the opportunities in the power industry as being very promising. With over 200 new employees globally in 2021, we are preparing the organisation for significant growth, and there is no doubt that we are on an exciting journey. There is no doubt that 2022 and the next five years will be significant for KDI."

Hege Skryseth – President, Kongsberg Digital

Kongsberg Digital's market-leading digital twin solution for the energy sector, Kognitwin Energy, is an advanced digital twin that provides insight and improves and streamlines work processes.

power grid. Rather than expanding the network, a more efficient solution is to utilise digital twins, enabling accurate and data-driven real-time insight to enable operators to anticipate specific needs, implement network-balancing measures and prevent power outages. There is, therefore, considerable potential in the market for digital solutions for the power sector.

The launch of Kognitwin Grid, a digital twin for the power grid, was thus an important milestone in KDI's focus on the power industry. Kognitwin Grid builds on KDI's work on digitisation of the energy sector and a multi-year research project in which KDI has worked with Microsoft, SINTEF and a number of Norwegian power companies. After completion of the research project in 2021, the power companies BKK Net and Tensio each signed an R&D agreement for the further development and testing of Kognitwin Grid.

In addition, KDI and its project partners have received funding from the Research Council, Enova and Innovation Norway for a two-year project that aims to make better use of existing grid capacity through the use of flexibility. The flexibility system will be based on KDI's digital twin for the power industry, Kognitwin Grid.

Maritime simulation – maritime simulation and education

Kongsberg Digital has market-leading simulator solutions that ensure the authentic and thorough training of students and staff in the maritime, marine and offshore markets. With the COVID-19 pandemic and the resulting closure of educational and training institutions, 2020 and 2021 were challenging years for this part of the business. After the easing of restrictions during 2021, demand is increasing, and KDI has entered into a number of new contracts to supply simulators to existing and new customers worldwide. The development and introduction of cloud-based simulator solutions provides an opportunity to expand the market and also strengthens the existing product portfolio.

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

Digital twins provide an accurate and data-driven insight into the power grid. This means that power companies can anticipate specific needs, take action, survey capacity in the network and prevent power outages.

03

SUSTAIN-ABILITY

SCOPE

The report covers 2021 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 a third party, the audit firm Deloitte. See auditor's statement for 2021.

Sustainability and ESG priorities

We will create long-term value in a responsible manner while helping to solve the challenges facing society. Our technology and solutions will make a difference in defence and security, energy, transport, climate and the environment.

2021 AT A GLANCE

In 2021 we achieved 11 per cent CO_2 emission reductions in total,

mainly due to reduced business travel and lower emissions from freight.

We signed up and committed to setting Science Based Targets

to reduce emissions in line with the ambitions of the Paris agreement.

Delivered sustainable innovation

In 2021 we delivered zero emission technologies for shipping and transport such as Yara Birkeland, the world's first fully emission-free container ship and Hyseas, the world's first full scale hydrogen-based propulsion system.

Our ambition is to increase the share of women across the company

In 2021 we have achieved an increase and will continue to work diligently towards a more diverse workforce. 2021: 20.4 per cent (total workforce) and 25 per cent (leadership positions).

Solid external ratings

KONGSBERG was, in 2022, recognized as an ESG industry Top Rated company by the ESG analysis company, Sustainalytics.

We respect and promote human rights

In 2021 we established a high priority project to develop and implement a comprehensive human rights due diligence program.

CORRUPTION

On track with our anti-corruption program

We conduct a systematic, risk-based due diligence program to manage risk related to market representatives. We do regular audits of all and in 2021 we achieved the ambition of auditing the 25 per cent in scope.

Ethics and compliance training for all employees

We conduct continuous training to ensure a high ethical standard and strengthen a robust culture. We aim for 100 per cent completion rate. In 2021, we introduced a better learning platform that caused some delays and achieved 79 per cent at year end.

MATERIALITY ASSESSMENT

KONGSBERG is a global company and our activities involve a wide range of sectors. Our activities have the potential to affect society and the environment in both positive and negative ways. Therefore, we regularly perform materiality assessments to ensure that our work and priorities within sustainability and ESG are relevant and targeted. We assess current developments and trends, reporting frameworks, regulatory development and talk to our stakeholders to understand the issues that are important to them.

We make continuous assessments to ensure that the analysis is up-to-date at all times. In 2021, human rights has characterized the agenda, both in the social debate and in regulatory development. Climate change and the ongoing energy transition demands that human rights must be prioritised at the highest level. A just transition into a sustainable society requires the safeguarding of vulnerable groups, without increasing inequality. The Norwegian Transparency Act and the EU taxonomy are presenting clear ESG requirements that companies across industries must observe and deliver on.

The combination of our own and our stakeholders' assessments of the importance of human rights means that the topic is considered an important, stand-alone topic, and has thus been elevated to high materiality. Read more about this in the section on human rights. In 2022 we will carry out a new materiality assessment in line with updated GRI guidelines.

The table below shows the most important topics for KONGSBERG, reviewed and approved by corporate executive management and the Board of Directors. A more detailed description of the process and dialogue with stakeholders can be found in the "About the Sustainability Report" section.

ENVIRONMENT

Climate and environment

Climate risk, greenhouse gas emissions, energy management, waste management

Sustainable innovation

Business opportunities, research and development, product design and circular economy

SOCIAL

Attractive employer

Labour rights and conditions, diversity and inclusion, social commitment, economic contributions

HSE

A safe, developing workplace, handling the COVID-19 pandemic, good working environment

Human Rights

Respect and promote human rights in our business and value chain

GOVERNANCE

Responsible business conduct

Integrity and anti-corruption, transparency, responsible technology development and artificial intelligence, emergency preparedness, stakeholder dialogue, community involvement

Cyber and information security

Responsible supply chain

Integrity and anti-corruption, due diligence, raw materials procurement, human rights

SUSTAINABILITY AT KONGSBERG

The UN Sustainable Development Goals set a common global agenda, guiding our priorities. The 17 goals can only be achieved through the efforts of businesses. We aim to support all the goals through our business, in terms of reducing negative impact, promoting sustainable development, and grasping the business opportunities arising in achieving the goals.

KONGSBERG delivers strategic solutions within several sectors, such as defense, maritime, energy, fishery and aerospace. Through our core business, we believe that our contributions are in particular supporting the achievement of the following goals:

Goal 13: Climate action
Goal 14: Life below water
Goal 16: Peace, justice and strong institutions

A modern defence is essential for all nations' safety, democracy and freedom, a prerequisite for sustainable societies. Advanced technologies contributing to reduce harmful GHG emissions are necessary to solve the climate challenge. Healthy and productive oceans unify climate solutions, food security and safety at sea.

The core of our work is to manage ESG-related risks and minimise negative impact on people, the environment and society. At the same time, we are developing solutions to accelerate sustainable development and create long-term value for our employees, owners and society as a whole. We will be on top of regulatory requirements and meet expectations from our stakeholders.

We believe that business must play an active role in the success of global sustainable

OUR PRIORITIES

- Ensure competitive, long-term value creation while supporting the Paris Agreement's ambition of net zero greenhouse gas emissions in 2050.
- We will create and develop good jobs with a focus on health and safety, sustainability and labour rights.
- We respect and promote human rights in our operations and value chain.
- Every aspect of our business will be carried out in an ethical and responsible way and we have zero tolerance for corruption throughout the value chain.
- We conduct due diligence when selecting business partners and emphasise sustainability and ESG in our assessments.
- We will continuously protect information, personnel, physical assets and technology to avoid damage, misuse and breakdowns, and to ensure that our products and services work as intended.

KONGSBERG bought goods and services for MNOK 13,387 in 2021, from over 8,500 suppliers. We have a responsibility to contribute to a responsible supply chain across the ESG agenda. We will promote and create sustainable jobs, reduce GHG emissions and pollution, while creating value in local communities where we are present.

Our values – determined, innovative, collaborative, and reliable – dictate the framework for our work and guide us on our journey to making a difference to people and the planet.

development. At KONGSBERG all of our employees play a role in ensuring that we are a part of this journey. The CEO and President is responsible for our sustainability ambitions and priorities being monitored, complied with and integrated into the company's strategy and culture. In 2021, sustainability was regularly on the agenda of the management meetings. The CEO and President also has personal goals related to sustainability, including the environment, social and corporate governance for 2022.

We work with international organisations such as the UN Global Compact, academia, our partners, employees, owners and other stakeholders to share knowledge and identify opportunities where together we can make a greater difference.

High ambitions for the future

The climate challenge remains the most critical risk we must succeed in solving as a society, and we must act now. KONGSBERG will play its part by reducing emissions and developing solutions that accelerate the energy transition. At the same time, we are taking an active role in increasing our commitment to sustainability across industries and nations. To achieve the goal of net zero carbon emissions in 2050, we need to work together, challenge and support each other on the way.

To reduce greenhouse gas emissions, KONGSBERG will both improve its own business and engage in the value chain – where we can make the most difference. In 2021, we committed to setting targets in accordance with the Science Based Targets initiative (SBTi), in line with climate science and the goal of limiting global warming to 1.5 degrees. The SBTi is recognised as best international practice in terms of quality and support of the private sector in developing targets for emissions reductions. Read more about our work in the chapter on climate and environment.

In 2021, we committed to setting targets in accordance with the Science Based Targets initiative (SBTi), in line with climate science and the goal of limiting global warming to 1.5 degrees.

KONGSBERG: A COMPANY FOR THE FUTURE

Sustainable innovation

For over 200 years, KONGSBERG has supplied advanced technology of strategic importance across markets and sectors. Our technology and expertise will accelerate the green transition while helping to create good jobs for people who want to make a difference. Through spearheading sustainable innovation, KONGSBERG will remain a robust company and a reliable partner for the future.

Product development

KONGSBERG spends considerable resources on product development every year. In 2021 this amounted to a total of MNOK 1,721 of which 1.507 was expensed and 214 capitalised (MNOK 1,576 of which 1.353 was expensed and 223 activated). Over two-thirds of our investments are made in areas that largely support new sustainable solutions, and approximately one-third supports the development of existing products.

Examples of sustainable solutions are:

- Reduction of energy consumption and environmental impact alongside increased efficiency in the maritime sector
- Observation, monitoring and management of marine natural resources and satellite monitoring of rainforests
- Carbon-neutral solutions, such as offshore wind and zero-emission vessels

KONGSBERG has a clear direction in terms of participation in national and international

Increased knowledge of the ocean space is necessary to promote sustainable management and use of the sea.

research and development programmes. In 2021 we participated in 13 national programmes at the Centre for Research-based Innovation (SFI), Norwegian Centres of Excellence (SFF), Centres for Environment-friendly Energy Research (FME) and NorthWind (FME). KONGSBERG participates in European research projects, where the Autoship programme, the EU programme for the development of autonomous shipping to reduce transport on land, is among the largest. In 2021, KONGSBERG entered into a collaboration with the Massachusetts Institute of Technology (MIT) and their "Industrial Liaison Program" which aims to link world-leading research with players within industry and technology in specific projects.

By sharing knowledge and experience we have been active in technology for over 200 years. We look to contribute to sustainable development across sectors, such as maritime energy solutions, advanced sensors, autonomy, and circular and materials technology.

In the field of energy solutions, KONGSBERG was the first company in the world to verify a full-scale hydrogen-based propulsion system for ships and ferries in 2021. This project demonstrates that the technology is now ready to use hydrogen as an energy carrier on ships. The programme is the third and final stage of the EU-supported project "HySeas", which has been running since 2013 with the aim of demonstrating a scalable hydrogen system for ships and ferries.

Clearer requirements and definitions of sustainable activities and products will provide better documentation of our sustainable contributions. In 2022 we will define the baseline for sustainable products and activities in accordance with the EU's classification system (taxonomy).

Marine ecosystems

Food from the sea and marine life are key elements of the UN Sustainability Goals. KONGSBERG is committed through both international and local projects to contribute to increasing knowledge of the marine environment and to promoting sustainable management and utilisation of the sea. KONGSBERG has been a consultant to the UN ocean panel since it was established in 2018, and contributed to related events during COP26 in Glasgow in 2021. There, KONGSBERG signed the UN Global Compact's "Ocean For Climate Declaration" which commits us to contribute to the sustainable development of the oceans at both national and international levels. Throughout 2021, KONGSBERG has been an active contributor to the UN Global Compact's "Ocean Stewardship Coalition" where we have engaged in green shipping and renewable energy projects.

Transparency and knowledge of the sea are both essential for sustainable management. In 2021, KONGSBERG signed an agreement with its partners in the UNESCO Seabed 2030 project, which will map the entire global seabed by 2030. In the Frisk Oslofjord project, 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 2021, Yara Birkeland, the world's first fully electrical and autonomous zero-emissions container ship, was completed. Compared to traditional solutions, the Yara Birkeland will cut nearly 1,000 tonnes of CO_2, equivalent to around 40,000 truck journeys per year.

Circular economy

The main principle of circular economy is to use natural resources and products efficiently and for as long as possible, in a cycle where as few resources as possible are lost. This means that products must be designed for long-term use, that maintenance, repair and upgrading should be promoted, and that waste material is recycled and reused into new production. This will reduce consumption and strain on nature and climate. Circular economy is one of the environmental objectives of the EU taxonomy, and a premise for achieving the goals set out in the Paris Agreement.

At KONGSBERG, we work to reinforce and to an even greater extent incorporate circular principles into our business models, with particular emphasis on product design, material technology, waste management and end use of products. This will open up new business opportunities and at the same time strengthen our capability to adapt across maritime, defence and digital activities. In 2021 we have mapped parts of our business and prepared for digitization of work and material processes and reporting together with Circular Norway. We have also established a collaboration with the Ministry of Defence to study material technology and production processes that will contribute to more environmentally friendly defense products.

Technology and solutions

KONGSBERG works both on the development of new solutions and further development of our existing technology portfolio. KONGSBERG has a significant product base and solutions installed with our customers, and we continuously work on upgrades and improvements.

In 2021, Yara Birkeland, the world's first fully electrical and autonomous zero-emissions container ship, was completed. Compared to traditional solutions, Yara Birkeland will cut nearly 1,000 tonnes of CO_2, 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. Kongsberg Maritime and Massterly will, among other things, equip and

These vessels will replace 2 million kilometres of transport by truck, saving about 5,000 tonnes of CO_2 equivalents annually.

operate two autonomous zero-emission vessels for ASKO.

Offshore wind

Offshore wind is an area of significant growth. In 2021 we saw over NOK 1 billion in order intake, and we see great potential going forward. Our technology spans from mapping and field development to operations and decommissioning. This includes environmental mapping and monitoring, applications and features for smart data and decision support for wind farms and vessel concepts for operation and maintenance. The delivery of automation systems, propulsion solution, deck solutions and dynamic positioning for Danish Cadeler's two new turbine installation vessels was one of many projects KONGSBERG delivered to in 2021.

Ship design

The green transition is also taking place to a large extent within sailing vessels. Over 30,000 sailing vessels have KONGSBERG equipment. In 2021, we performed and delivered a number of conversions of existing vessels, from conventional propulsion solutions to hybrid solutions. Our hybrid solutions, propulsion upgrades, hull improvements and control and monitoring technology continue to introduce new efficiencies for ships, enabling smarter, more profitable operation through fuel reduction. Through the delivery of multiple upgrades and solutions to Hurtigruten (Norwegian Coastal Express), we have contributed to a calculated emissions reduction of 21 per cent for three of their vessels.

Space

KONGSBERG has 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).

THE EU ACTION PLAN ON SUSTAINABLE FINANCE

We are preparing for new reporting requirements that will follow the EU action plan on sustainable finance. The taxonomy, defining environmentally sustainable economic activities, means opportunities for KONGSBERG, as a supplier of technology and solutions in the green transition. At the same time, we believe that the EU's goal of increased transparency and the statutory reporting of sustainability-related information will support the ambitions of the action plan: accelerated sustainable development and management of climate-related financial risk.
In 2021 we started mapping and analyzing how the EU environmental goals affect KONGSBERG. As part of this work, we are also considering how the framework can be used for internal risk management, financial planning and as an input to our strategy processes.

The classification system can also act as an important indicator of sustainable growth in the company, including in investment analysis and when considering future indicators and targets.

We will continue to engage in various forums to support the establishment of a common industrial understanding and method of approaching the concept of economic activity in line with the EU taxonomy, as well as actively raise issues where the intention of the taxonomy differs from the execution. It is important for the framework also to support in a practical sense the objective of increased green competitiveness and more capital for sustainable investments.

ESG RATINGS AND RANKINGS

KONGSBERGs ESG performance is regularly assessed by third party data providers and rating agencies. In 2022 KONGSBERG was recognized as a top ESG performer and was awarded the *Industry top-rated badge* by the ESG analysis company, Sustainalytics[1].

An overview of assessments we actively engage in is available below.

CDP	Score: B	B	Read more about our reporting to Carbon Disclosure Project https://www.kongsberg.com/investor-relations/reports-and-presentations/
SUSTAINALYTICS a Morningstar company	ESG Risk Rating: 25.8 Medium risk		Read more about our results: www.sustainalytics.com/esg-rating/kongsberg-gruppen-asa/1008754100/
THE GOVERNANCE GROUP	Score: A-	A-	Read more about our results: https://www.thegovgroup.org/baerekraft-pa-bors-2021/
TRANSPARENCY INTERNATIONAL Defence & Security	Score: C - Moderate		Read more about our results (2020) here: https://ti-defence.org/dci/companies/kongsberg-gruppen-asa/
MSCI	Score: AA		Read more: https://www.msci.com/

ENVIRONMENT

Risks and opportunities in the energy transition

Climate and the environment

We aim to ensure competitive, long-term value creation – in line with the ambitions of the Paris Agreement. We will do this by using our technology and expertise for innovative, competitive, profitable and sustainable solutions for our customers and partners. At the same time, we will reduce the CO_2 emissions from our own operations and from our value chain.

Climate strategy

KONGSBERG's operations have very low direct emissions. However, the carbon footprint of our entire value chain is significant, and in 2021, we have prioritised to improve the data quality in our climate accounts and set emission reduction targets for our own operations and supply chain. To support the Paris Agreement, we need to reduce energy consumption, transition to renewable energy and develop solutions that help our customers reduce their own emissions.

KONGSBERG can make a substantial difference throughout the value chain. To deliver our systems and products, KONGSBERG relies on thousands of sub-suppliers all over the world and our clients use our systems everywhere 24/7, from the very deep oceans to outer space. To make a real difference we need to involve the entire value chain from our sub-suppliers to our clients, both in Norway and internationally.

KONGSBERG has developed a new climate strategy in line with the goals of the Paris Agreement. In October 2021 our CEO Geir Håøy signed and submitted a Commitment letter to the Science Based Targets initiative (SBTi) where he committed KONGSBERG

WE AIM FOR

near 100 per cent reduction of CO_2 emissions (scope 1 & 2) by 2030

compared to a baseline set on 2019 figures

2/3 of our suppliers will set science-based CO_2 emission reduction targets within the next 5-year period

25 per cent reduction in emissions from logistics (scope 3) by 2030

30 per cent reduction in emissions from business travel (scope 3) by 2030

to set climate targets that are in line with a 1.5-degree scenario. We have set preliminary targets for 2030 and will during 2022 further develop the targets as part of the approval process in collaboration with the SBTi.

We will focus on reducing carbon intensity in our own business, increase the use of green logistics solutions, reduce our own travel, increase the amount of waste recycling, optimize material management and implement a greater degree of circularity in our activities. We will also further develop our analysis and reporting of climate related risks and opportunities, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

We aim for near 100 per cent reductions of CO_2 emissions by 2030 (scope 1&2), compared to 2019 (baseline). This will be achieved by a combination of energy efficiency measures and tech upgrades from fossil to renewable energy together with sourcing certified green electricity. We will provide more details on approach, measures and methodology when the targets are final. We are also addressing emissions occurring in our value chain, as preliminary analysis shows that this represents our biggest impact and thus improvement potential. In our current reporting we have available data for logistics and business travel (scope 3), and we are working to further increase data quality to expand the scope 3 emissions reporting. We aim for 25 per cent reduction in emissions from logistics and 30 per cent reduction in emissions from business travel by 2030.

In addition, we will engage and collaborate with our suppliers. Our aim is that within the next 5-year period, 2/3 of KONGSBERG suppliers set science-based CO_2 emissions reduction targets.

This will require major efforts both by us and our business partners, but it is needed to achieve net-zero and limit global warming to 1.5-degrees by 2050.

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 almost two years where the way we work has been affected by a still ongoing pandemic. This means that comparison with historical emission figures has its limitations. For our future targets we have decided that the representative baseline for business as usual is 2019 adjusted to include full year operations, including acquired companies.

We are monitoring our production facilities and preparing climate and environmental accounts which give an overview of our energy consumption, CO_2 emissions and waste management. Read more about this in the key sustainability figures and climate and environmental accounts that cover all Norwegian units, all production units and major offices abroad. All our business areas are certified in accordance with ISO 14001 Environmental Management.

We will continue our efforts to enhance internal expertise, tools and processes for analysis and reporting.

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

For 2021 we reported to the Carbon Disclosure Project (CDP), achieving Category B. Read our CDP report here:

CDP
DISCLOSURE INSIGHT ACTION

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.

ZERO

Climate risk and opportunities

The climate is changing. If society does not succeed in reducing climate gas emissions and limit global warming in line with the Paris Agreement, there will be challenges – also affecting business. KONGSBERG's ambition is to be a robust company that is well prepared for the future.

KONGSBERG started a project in 2020 to identify and manage climate-related risks and opportunities for the company, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Based on this, in 2021 we further developed both our risk process and our strategy work to include climate considerations more systematically. We will continue this in 2022, with an emphasis on stress-testing our business strategy against various scenarios, quantifying possible financial impact and reporting relevant information to our stakeholders. An overview of climate-related risk factors and how we manage both the risks and opportunities associated risks follows below.

Physical risk

The chance of physical risk in our own business as a result of climate change is considered relatively low. We have thoroughly surveyed production sites and offices and have relevant safety measures and alternative supply lines in place for locations that could be affected by extreme weather events. We have Property Damage and Business Interruption Coverage (PDBI) insurance in place, which covers risks adapted to our exposure in the different locations around the world in which we operate.

Transition risk

We have ascertained that transition risk – the financial risk associated with the transition to a zero-emissions society – is low to moderate for KONGSBERG.

Market risk

A relatively high proportion of KONGSBERG's turnover in the maritime sector is related to oil and gas activities, which are exposed to risks related to the tightening of climate-related regulations and changes in the market. This may affect segments such as the cruise industry.

In 2021 we further developed both our risk process and our strategy work to include climate considerations more systematically.

Our greatest opportunity to contribute to reduction in climate emissions is in our products, which contribute to energy efficiency and climate-friendly options for our customers.

KONGSBERG is exposed in these markets, but over the last ten years we have expanded our delivery volumes considerably, both in terms of the markets we supply to and the products and systems we deliver. For example, Kongsberg Maritime's products and systems contribute to a significant reduction in emissions for the units on which they are installed. To help our customers mitigate this risk, we make significant investments in the product development of innovative, low-emission solutions.

This requires flexibility and the ability to adapt to market developments. KONGSBERG considers this to be an opportunity, as we deliver competitive, flexible solutions that meet customers' demands and expectations in terms of sustainability.

Technological risk

New technology can disrupt the market and lead to rapid changes. This may involve technological and market opportunities, but also risk if the company is not adaptable and cannot act quickly. We work closely with our customers and research environments to remain at the forefront of the development of technology. One of our strengths is our offering of flexible and adaptable systems and products that can quickly adapt to changes in demand.

KONGSBERG is committed to delivering competitive technology that responds to the market's increasing demand for low-emission products and services. Read more about this in the chapter "Sustainable innovation".

Regulatory risk

Changes in climate policy can lead to changes in circumstances. One available measure is making it more expensive to pollute through increased taxes on greenhouse gas emissions. Our production is not energy-intensive, and our direct emissions are low. An increase in the carbon price is thus not seen as posing a significant financial risk to the company. Regulatory changes, particularly in the shipping sector (IMO, EU ETS, Fit for 55), may lead to increased demand for our zero-emission products and represent opportunities for profitable growth.

Supply chain

Scarcity, and in the extreme consequence unavailability, of raw materials required in the transition from fossil fuels to electricity may constitute a market risk. Higher overall energy prices will result in higher prices for raw materials and transport.

An emerging trend in many countries is increasing demand for local production and short supply lines, which may involve both opportunities and risks that need to be considered in the context of the price of raw materials, the possibility of flexibility in moving production, transport options etc.

During the COVID-19 pandemic, the vulnerability of the value chain has been tested and we have managed to maintain deliveries to our customers through active management of the supply chain and logistics across the enterprise.

Liability and reputational risk

The risk of potential claims for damages linked to decisions or non-decisions that are connected to climate policy or climate change, is considered low. This also applies to reputational risk, which can affect companies who are considered to have contributed to climate change or have not done enough to limit the effects of climate change. Our contribution and role in overcoming the climate challenge is seen as important and essential for the recruitment and retention of talented and committed people.

#	TCFD recommendation	Status and management response
	GOVERNANCE Disclose the organisation's governance around climate-related risks and opportunities	
1.	Describe the Board's oversight of climate-related risks and opportunities.	The Board performs quarterly and annual risk reviews as part of the enterprise risk management (ERM) process. Climate related risks and opportunities are included in these reviews and also considered in regular strategy and investment discussions.
2.	Describe management's role in assessing and managing climate-related risks and opportunities	The Corporate Management Team assesses climate risks and opportunities on the basis of quarterly (or more often if necessary) reporting from the Business Areas. The assessments provide information for strategy processes, both at the Business Area and Group level. Sustainability and climate strategy, including process for assessing climate -risk and opportunities, has been further developed in 2021. Preliminary targets have been set for reducing greenhouse gas emissions from own operations and the supply chain for the period up to 2030. In 2022, we will further develop the goals in connection with the approval process at SBTi.
	STRATEGY Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	
3.	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Short, medium and long term risks and opportunities have been mapped and assessed by our Business Areas and at Group level. See more detailed description in separate chapter on • Physical risk • Transition risk • Market risk • Technological risk • Liability risk • Reputational risk
4.	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	See more detailed description in separate chapter. Risk and opportunity assessment will be further developed in 2022 focusing on strategic and financial planning. The assessments also provide a basis for further development of the Group's handling of physical climate-related risks, including emergency preparedness.
5.	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios.	We have initiated the use of scenario analyses to assess climate-related risk. This is an important factor in our strategy processes. Stress testing of current strategy, products and services against different scenarios will be further developed in all Business Areas.

#	TCFD recommendation	Status and management response
	RISK MANAGEMENT Disclose how the organisation identifies, assesses, and manages climate-related risks	
6.	**Describe the organization's processes for identifying and assessing climate-related risks.**	Specific risks, including climate-related factors, are identified bottom up in the business, and are assessed at management level both in the Business Areas and at Group level as part of our ERM process. An even more systematic and unified process for climate-related risk management will be further developed in 2022.
7.	**Describe the organization's processes for managing climate-related risks.**	All Business Areas carry out risk assessments and have implemented risk mitigation measures for risks identified. Risk assessments are reported quarterly to Group level, which assesses measures and follow up actions in the risk management system.
8.	**Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.**	Climate-related risk is part of the overall quarterly risk reporting at the Business Areas and Group level. Assessment of measures in the short and longer term is part of this process.
	METRICS AND TARGETS Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	
9.	**Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.**	Tonnes of CO_2. KONGSBERG is preparing to report according to EU Taxonomy for revenue (and CapEx/OpEx). Once baseline is established, we will measure develop-ments and consider indicators and ambitions for sustainable growth.
10.	**Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.**	Scope 1: 2,447 tonnes CO_2 (2021) (location-based) Scope 2: 8,795 tonnes CO_2 (2021) (location-based) Scope 3: 6,430 tonnes CO_2 (2021) (limited to flights, freight not included)
11.	**Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.**	We have committed to setting goals according to Science Based Targets initative (SBTi), and our preliminary ambitions are: 1. Near 100 per cent reduction in CO_2 emissions from internal use of oil, gas and purchased electricity by 2030 (Scope 1&2) 2. 25 per cent reduction in emissions from logistics and transport, and 30 per cent reduction in emissions from business travels by 2030. 3. 2/3 of our suppliers challenged to set science-based targets within five years.

1) See Climate and environmental accounts on page 49.

Climate and environmental accounts for 2021

In 2021, KONGSBERG developed a new climate plan in line with the objectives of the Paris Agreement. We have set preliminary targets for 2030 and will finalize and report on the targets during 2022. This chapter covers our emissions and results for 2021.

We have worked to improve the quality of the data in our climate accounts, including the use of recognised and updated conversion factors; this has also resulted in some changes in historical figures.

We finished the previous climate plan in 2020, when we achieved substantial reductions in emissions, both measured relative to turnover and in relation to person-years. The reductions from the base year 2015 were 33 per cent measured in relation to turnover, and 28 per cent measured in relation to person-years. In 2021 we have achieved a significant reduction in emissions, measured both in total and relative to turnover and person-years. The reduction can mainly be referred to a decrease in emissions from air travel and transport due to changes in travel patterns and the increased use of digital meetings as a result of the COVID-19 pandemic, as well as our transport service providers offering more environmentally friendly transport methods. Direct emissions from our own activities (scope 1 and 2) increased in total between 2020 and 2021 mainly due to an increase in the use of oil at the district heating plant in Kongsberg Technology Park. Other units have reduced their emissions significantly.

Read more about our climate accounts and key figures in a separate chapter.

	2021	2020	Change
Total CO_2 emissions (metric tonnes)	34 942	39 283	-11%
CO_2 emissions relative to sales (metric tonnes / MNOK)	1.3	1.5	-17%
CO_2 emissions relative to person-years of labour (metric tonnes/ person-years of labour)	3.2	3.7	-15%

CO_2 EMISSIONS

Total 34,942 MT (-11% from 2020)

Scope 1: Direct emissions

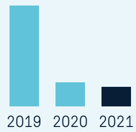
2,447 MT

Scope 2: Indirect emissions

8,795 MT

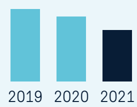
Scope 3: Flights

6,430 MT



Scope 3: Transport of products and goods

17,270 MT



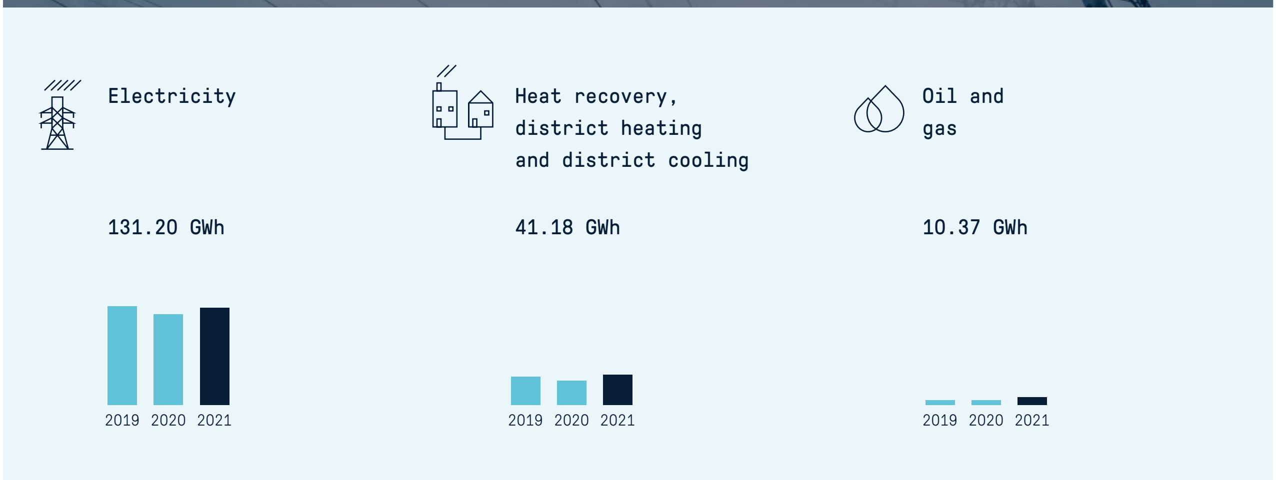
The environmental accounts includes the following sources of CO_2 emissions:

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

Metric tonnes	*Changes in the last year*	*2021*	*2020[4]*	*2019[4]*
Scope 1 (Direct emissions)[3]	**+127%**	**2 447**	**1 076**	**1 255**
Oil and gas (business area)		631	1 036	1 207
Oil and gas (Kongsberg Technology Park)		1 816	40	49
Scope 2 (Indirect emissions)[3]	**+6%**	**8 795**	**8 297**	**9 582**
Electricity (business area)		6 147	5 970	7 540
Electricity (Kongsberg Technology Park)		243	233	367
District heating/cooling from external suppliers		2 405	2 094	2 042
Total scope 1 and 2	**+20%**	**11 242**	**9 373**	**10 937**
Scope 3 (Other emissions)	**-19%**	**6 430**	**7 979**	**33 782**
Flights purchased in Norway		3 628	6 051	23 885
Flights purchased abroad		2 802	1 928	9 897
Total without shipping	**+2%**	**17 672**	**17 352**	**44 619**
Transport of goods and products paid for in Norway[2]		17 270	21 931	24 409[5]
Total including shipping	**-11%**	**34 942**	**39 283**	**69 028**

1) Sources: Fossil fuel emission factors from the Department for Environment Food & Rural Affairs, UK 2021. For Norway, a location-based factor of 8 g per CO_2 per kWh has been used, taken from the Association of issuing bodies (AIB) (this emission factor for Norway has not been used for previous reporting years).
2) CO_2 emissions from transport of goods and products are data reported by the two main suppliers: DHL and DSV
3) CO_2 emissions (metric tonnes) for KONGSBERG. Emissions from the consumption of fossil fuels for the production of district heating supplied by Kongsberg Technology Park are included in direct emissions. Indirect emissions include the consumption of electricity, district heating and cooling from external suppliers within the business areas, as well as the consumption of electricity for the production of district heating and cooling in Kongsberg Technology Park.
4) The figures for 2019 include acquired companies. The figures for 2020 are exclusive the disposed subsidiary Hydroid.
5) The figures for 2019 are corrected for changes in reporting format for freight.

ENERGY CONSUMPTION



KONGSBERG uses energy in the form of electricity, district heating, district cooling, gas and heating oil in its operations. Kongsberg Technology Park produces district heating, district cooling and compressed air for businesses based in the technology parks in Kongsberg. Approximately half is supplied to other businesses in the technology park. District heating and district cooling are produced using electricity, heating oil, gas and heat recovery. Efficient technology makes it possible to recover in the range of 20–27 GWh heat at the facility at Kongsberg Technology Park. In 2021, 27 GWh was recovered at the facility.

	2021	2020[2]	2019[2]	2018	2017
ENERGY USE					
Electricity (MWh)	131 205	122 510	133 686	102 071	92 795
Gas/oil (MWh)	10 371	6 195	6 277	4 095	5 397
Heat recovery (MWh)[1) 3)]	41 187	32 865	38 060	25 004	26 208
Energy consumption (MWh) per employee	16.4	15.1	15.3	19.2	18.2
Energy consumption (MWh/MNOK)[3)]	6.7	6.3	7.4	9.1	8.6

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) Figures for 2019 have been corrected.

WASTE

Residual waste

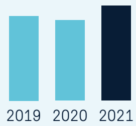
789 MT

Hazardous waste

882 MT

Recycled waste

6,408 MT



Through systematic work in all business areas, residual and hazardous waste have been reduced, while waste for recycling has increased.

	2021	*2020*[1]	*2019*[1]	*2018*	*2017*
WASTE (METRIC TONNES)					
Waste for recycling	6 408	5 422	5 712	937	866
Residual waste	789	1 029	1 080	549	665
Hazardous waste	882	969	1 038	402	353

1) The figures for 2019 include acquired companies. The figures for 2020 are exclusive the disposed subsidiary Hydroid.

SOCIAL

Health, safety and the environment, and people

KONGSBERG is an enterprise based on knowledge and expertise, where the greatest asset is our employees. We must offer a secure, attractive and developing workplace to assemble a diversity of the right competences and ensure that we manage this throughout our global operations.

OUR AMBITIONS

We have set targets and indicators to support our ambitions and to ensure compliance and follow-up.

Our ambition is to contribute to sustainable development by creating and developing jobs with a focus on health and safety, sustainability and labour rights.

- We will actively embrace diversity to promote an environment and culture where everyone feels included.
- We have zero tolerance for harassment and discrimination.
- We do not tolerate violations of human rights or employee rights in our activities.
- In order to contribute to business growth and competitiveness, we support international skills development in scientific subjects, as well as offering our employees contionous learning.

Indicators for 2021	Status	Comments	Targets and indicators for 2022 and forward
Achieve a high level of satisfaction in the values and culture employee survey.	▪ Achieved	▪ Among survey respondents, 80 per cent replied that they are satisfied with their work situation. This is 13 percentage points higher than in a comparable survey. All units analyse the survey at a departmental level and take appropriate action.	▪ This objective is maintained as an annual indicator.
Increase in the proportion of women - in the overall workforce to a minimum of 21 per cent - in senior positions at levels 1–3	▪ Achieved	▪ We achieved an increase of 0.3 per cent in terms of the proportion of women in the workforce compared to 2020, to 20.4 per cent. ▪ For women in senior positions, we reached 25 per cent, against a target of at least 23 per cent. We recognise that there are challenges in the re-cruitment base for technological, mari-time and defence-related professions.	▪ Increase the proportion of women in the overall workforce to a minimum of 21 per cent. ▪ Ensure 100 per cent equal pay for women and men in comparable jobs.
Number of reported injuries per million hours worked (TRI) a maximum of 1.5.	▪ Not achieved	▪ The number of absences due to injury increased in 2021 (TRI 2.2). The majority of the injuries were of low consequence, and all incidents have been investigated and corrective measures taken.	▪ The number of reported injuries per million hours worked (TRI) shall not exceed 1.5.

OUR APPROACH TO HSE AND OUR EMPLOYEES

Culture and values

KONGSBERG has a unique and strong corporate culture that has been developed over many years. Our culture is a valuable resource, helping us to attract people with the right behaviours and skills to meet the technical challenges of the future in a sustainable way. In 2021 we highlighted typical KONGSBERG behaviours – our vision, common values and group identity. Sound and clear shared values deliver good practices that produce business results. KONGSBERG has clear common denominators and these are expressed and experienced in the same way no matter where we work.

Our employees

We are committed to preventing both discrimination and harassment. In our global employee survey, employees give feedback to the company on how they perceive working conditions and the working environment. In this year's survey, not one employee reported that they had experienced discrimination or harassment. The survey also confirmed that our staff are familiar with our whistleblower system. We also perform follow-up work, with regular surveys of the general working environment. We have zero tolerance for unacceptable behaviour and motivate our employees to report such incidents.

The majority of our employees are permanently employed (93 per cent). Only 2.5 per cent are temporary employees, and about 5 per cent are employed on a consultancy basis. The proportion of part-time employees was 2.8 per cent in 2021. All positions are advertised as full-time, and it was the employees themselves who desired reduced working hours.

Employee development

KONGSBERG works strategically on planning in relation to the needs of capacity and skills, to support expected growth in the coming years.

The Group is aiming to increase the exchange of knowledge and staff between the business areas. Good work processes and development opportunities are important incentives in recruiting and retaining valuable employees. KONGSBERG places emphasis on strengthening competences and is continuously working to develop its employees. The structural and long-term development of our current employees is crucial, both in terms of training and courses, and more formal education.

Leadership at KONGSBERG is about creating value and achieving results through people. The key to success lies in the combination of good management and dedicated employees. Managers shall exercise their leadership based on our values, the Corporate Code of Ethics and management principles. Our leaders shall create an environment in which our employees are able to prosper and succeed in meeting our strategic priorities. On the basis of this, we have implemented the management development programme Leadership@KONGSBERG, which will contribute to clarifying and quality-assuring processes for goal setting, follow-up and evaluation. In 2021, a large proportion of our employees worked from home due to COVID-19, which placed other demands on our leaders. Leadership training has, therefore, been important during the period. The completion rate for the annual performance assessment and development discussion was 92 per cent.

Throughout the pandemic, KONGSBERG employees have shown great flexibility and team spirit in a demanding situation. We have adopted new ways of working and have become used to operating with increased flexibility. The company wants to build on these positive experiences in the future. At the same time, our facilities are the main domains for collaboration, innovation and to nurture our common

> Our culture is a valuable resource, helping us to attract people with the right behaviours and skills to meet the technical challenges of the future in a sustainable way.

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

KONGSBERG culture, and will continue to be our main workplace. KONGSBERG believes that an optimised, flexible, hybrid framework will increase employee satisfaction and support our business goals. We have a common framework, while at the same time accommodating regional and local adjustments to meet the needs of the business.

Diversity and equal opportunity
We believe that diversity creates value and makes us more competitive. It expands the mindset and has a positive influence on the company's strategy and management. The importance of this is reflected in our HR strategy, reviewed and approved by the Corporate Management and the Board. The work is monitored by the Compensation Committee. We work systematically and purposefully to recruit and develop people of different age groups, ethnicity and gender. Our focus on diversity is reflected in promotion, recruitment and leadership development, and is monitored through periodic surveys.

We at KONGSBERG want our employees to stay working longer, and in 2021 we increased the company's internal age limit for employees in Norway from 70 to 72. KONGSBERG is a global company with operations in over 40 countries, which means that there are many different nationalities working for the company.

The 2021 goal was to increase the share of women in leadership roles, highlighting operational positions and international operations. The proportion of female leaders in KONGSBERG has risen in recent years, and now 25 per cent (23 in 2020) of our level 1–3 leaders are women. There are a number of reasons behind this increase, but a key factor has been awareness in the hiring process. The proportion of women in the total workforce stood at 20.4 per cent (20.1 per cent in 2020).

Salary and compensation
KONGSBERG will reward its employees both for results achieved and desirable conduct. We will be competitive, but not salary leaders. KONGSBERG ensures that the salaries and conditions of all employees are in accordance with local legislation, agreements and guidelines. KONGSBERG's global employee compensation policy describes how we maintain a legal, fair, competitive and financially responsible wage structure for our diverse workforce. Among other things, local wage adjustments can be made in accordance with local and/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 which deals with all significant matters related to wages and other remuneration to senior executives prior to formal discussion and decision by the Board.

We have a policy of equal pay for equal work, regardless of gender. The ratio in terms of salary and bonuses at the total level is unequal mainly due to a skew in the proportion of women in senior positions. For 2021, the average salary of female employees was 84 per cent of male salaries, and average additional payments for female employees amounted to 57 per cent of the additional payments to men. The ratio applies to Norwegian employees. From 2022, we will implement an HR system that permits more detailed analysis, and we will expand reporting to show the relationship in pay between women and men at different levels and regions, and implement measures if there are differences within the same or similar job categories.

Health, safety and the environment

KONGSBERG's vision for health, safety and the environment (HSE) is zero incidents or accidents involving our employees, visitors, customers and partners in our global operations. In order to achieve this vision, we never stop working to build a strong, proactive HSE culture.

At KONGSBERG, safety always come first, and our employees and partners are instructed to stop work if it involves a safety risk. We believe in collaboration, where we all have a personal responsibility for making our joint HSE efforts preventive.

We place emphasis on the increased reporting of near-accidents and HSE observations, and these measures will contribute to reducing the number of injuries and accidents. On this basis, KONGSBERG has decided to introduce a central HSE reporting system for the whole Group.

In this way, we can learn from each other and encourage suggestions for improvements throughout the organisation. HSE data is collected from all companies in the Group and reported to the Corporate Executive Management and the Board each quarter.

Work has been ongoing throughout the COVID-19 pandemic to protect lives and health in the Group.

A global HSE campaign was rolled out in 2021 to focus on well-being via the year's "Global HSE day".

Due to extensive use of home office various digital learning platforms have been used to provide training at times when attending in person has not been possible.

Continuous HSE activities are performed in all business areas to prevent undesirable incidents.

Our challenges

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

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

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

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

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

Ongoing HSE activities are performed in all business areas to prevent undesirable incidents.

Human Rights

DEFENCE PRODUCTS

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

KONGSBERG is committed to respecting and upholding all internationally recognised human rights wherever we operate. This applies equally to respecting the rights of our employees, those employed by our suppliers and business partners and of those affected by KONGSBERGs activities.

OUR AMBITIONS

We have set targets and indicators to support our ambitions and to ensure compliance and follow-up.

- We shall minimize adverse human rights impacts within our operations
- We shall secure a responsible value chain, especially regarding human rights, diversity and equal opportunity, occupational health – and safety, labour rights and working conditions.

Indicators for 2021	Status	Comments	Targets and indicators for 2022 and forward
▪ **Further develop our human rights due diligence program to prepare and align with new and existing regulations.**	▪ Started	▪ Human rights impact and gap analysis has been conducted to assess alignment with the new Norwegian Transparency Act, other legislation and good practice. ▪ A steering committee and a project team was established. Increased capacity and focus across the group.	▪ Implement the comprehensive human rights due diligence program and roadmap to deliver in line with new and existing regulations. ▪ Update our human rights policy, governance system and our ethics and compliance program to fully reflect the importance of human rights as an issue of high materiality.
▪ **Continue to identify and manage human rights risk in company processes and due diligence.** ▪ **Investigate and address any identified or raised human rights concerns.**	▪ Partly achieved	▪ Risk assessments have been performed for some of the wholly owned subsidiaries. All critical high risks have been mitigated. ▪ A new, high quality supply chain sustainability system has been deployed to over 1,000 suppliers including a compliance dash-board to regularly review risks.	▪ We will develop a more extensive, consistent risk assessment and management program. ▪ In addition to subsidiaries the program will be expanded to capture supply chain and business partners.
▪ **Further develop and distribute training program for human rights.**	▪ Started	▪ 79 per cent of all employees completed the e-learning on Code of Ethics and Business Conduct, including human rights module.	▪ Human rights training for targeted employees will be delivered ahead of the introduction of the Norwegian Transparency Act in Norway. Target for 2022: 80-100 per cent completion.

OUR APPROACH TO HUMAN RIGHTS

KONGSBERG has a strong top-level focus on human rights due diligence and clear expectations towards all business partners.

Governance

Our Code of Ethics and Business Conduct and other global policies and guidelines are mandated under our governance system and support our commitment to human rights. The Governance system is approved by the Board of Directors and is embedded in our values and group wide processes.

During 2021 human rights has been embedded into the Compliance function. A steering committee chaired by the Chief Compliance Officer was established and a project team has been identified to lead and manage the improvement agenda going forward. The human rights steering committee will engage and anchor the plans with the corporate management committee and Board of Directors through regular meetings.

Our human rights policies set out our commitment to conduct human rights due diligence, in line with international standards. These are available at Kongsberg.com. In line with this methodology, we continuously work to identify, assess, and address our human rights impact. All employees are required to adhere to our Code of conduct and undertake annual training. We have developed a Supplier Code of Conduct which includes requirements for human rights in line with our policy, embedded into supply chain contracts.

Our challenges

Considering the high-risk industries and countries in which we operate and the respect and care we have for people, we are committed to minimise our adverse human rights impacts in all aspects of our operations and activities. Our responsibility to respect human rights is consistent with legislation and internationally recognised standards such as UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises and Labour Rights conventions and the International Bill of Human Rights. Of particular importance to KONGSBERG is the Norwegian, as well as international, export control regimes, which includes human rights considerations as part of the licence systems. This is of particular relevance to product risk in some of the countries in which we operate. Full overview of our worldwide operations is available in the section about KONGSBERG.

International best practices and standards are now increasingly being translated into legislative requirements, e.g. the Norwegian Transparency Act, “Åpenhetsloven”, requiring companies to assess and mitigate negative impact on human and labour rights and ensure the general public access to information. The EU Taxonomy for sustainable

Our Code of Ethics and Business Conduct and other global policies and guidelines are mandated under our governance system and support our commitment to human rights.

KONGSBERG delivers a broad spectre of world leading technology, including marine robotics and seaborne transportation.

activities introduces the definition of minimum social safeguard, meaning that economic activities must avoid any negative impacts and comply with the human rights and labour standards. KONGSBERG encourages this development as it is beneficial to aim for common, higher standards in this area.

The most material risks related to people involved in our value chain are assessed when identifying the salient issues.

Product risk
KONGSBERG delivers a broad spectre of world leading technology, including marine robotics and seaborne transportation, complex integrated defence- and communication systems, space and surveillance technology and digital ecosystems. Our business is diverse and dynamic, and so are the associated risks. KONGSBERG will work continuously to identify and mitigate emerging risks and is committed to preventing risks of illicit practices related to our products. KONGSBERG does not produce cluster bombs, land mines, nuclear weapons or chemical and biological weapons. We comply with all requirements and directions specified in the UN conventions.

Compliance with trade and export regulations
KONGSBERG's defence systems and military equipment are included under the Norwegian export control regime, meaning they are subject to strict regulations by the Norwegian government.

KONGSBERG considers the Norwegian export control regime an integrated part of our Human Rights due diligence. Compliance with Norwegian, as well as international, export regulations are considered top priority. KONGSBERG has established specific routines and control mechanisms in this regard and work continuously to build and maintain a culture of export compliance across the organisation. We support and will follow up the Norwegian government's proposed new legislation, which aims to ensure that Norway can implement the EU's restrictive measures in Norwegian law. This includes the EU's new sanctions regime against serious human rights abuses.

Salient issues

We have identified these salient issues as prioritised areas for our efforts to respect and promote human rights;

- A good, safe, and secure working environment in KONGSBERG and for those employed by our suppliers and business partners. We do not tolerate any form of forced labour or discrimination including but not limited to gender, ethnicity, religion, or sexual orientation.
- Human rights due diligence is a central criterion when we expand our operations into new countries with higher risk for violations of human rights, and when we assess potential mergers and acquisitions.

- As a producer of defence systems, we pay particular attention to the risk of potential human rights violations and acting in accordance with all trade and export regulations.
- Respect for human rights in the communities in which we operate.

In 2022 we will perform a more comprehensive salience mapping to further deepen our understanding of the human rights risks and impacts across the value chain. The mapping will guide our priorities and actions to improve due diligence and minimize potential adverse impact and related risk.

Activities to identify, prevent and mitigate human rights violations

To understand our potential human rights impacts more fully and to further embed human rights in our company wide processes, we did an extensive human rights impact and gap analysis in 2021. The analysis – conducted with the support of a specialised third-party consultant – considered current and emerging regulatory requirements as well as good practise.

We will improve and broaden our approach towards human rights due diligence, risk assessments and audits. Finalising and implementing the comprehensive human rights due diligence program, is our main ambition and as part of this we will identify relevant actions and performance indicators for 2022 and beyond. The roadmap will include updates to our human rights policy, governance system and our ethics and compliance program to fully reflect the importance of human rights as a stand-alone issue.

In 2022 we will perform a more comprehensive salience mapping to further deepen our understanding of the human rights risks and impacts across the value chain.

Corporate social responsibility

KONGSBERG contributes to value creation and economic development in society. As an international technology group, KONGSBERG recognises its major corporate social responsibility, and we have a particular focus on nurturing children's and young people's interests and skills in the natural sciences. It is an important factor in successfully solving the challenges facing society and contributing to sustainable economic growth. We offer good jobs that enable people to develop, and engage with the communities in which we operate. We care about our employees and their families by supporting sport, culture and social causes.

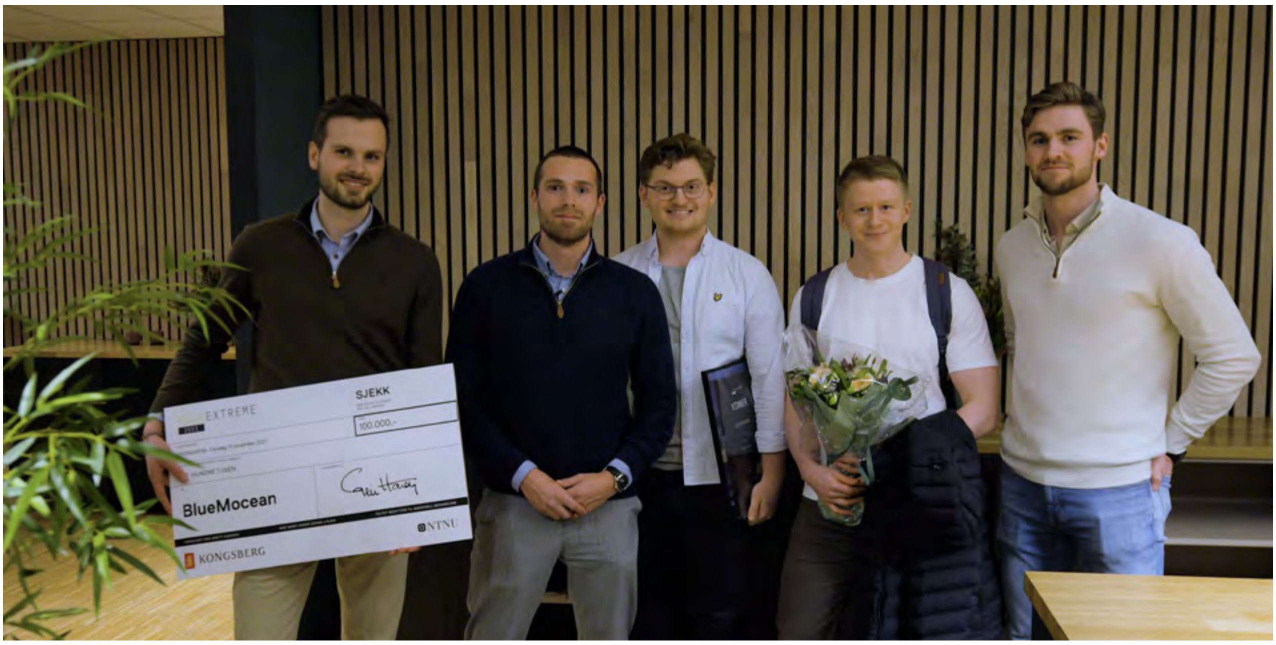
OUR APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

In 2021 the students were given the task of finding out how technology can ensure sustainable management, use of the oceans, and contribute to saving human lives in critical situations.

Motivating students

For several years, KONGSBERG has been working closely with a number of colleges and universities, including NTNU, the University of South-Eastern Norway and the Massachusetts Institute of Technology (MiT) Industrial Liaison Program. Established partnerships between industry and educational institutions ensure that the changes taking place in society and industry are rapidly transferred to the education sector, thereby ensuring that the curriculum remains relevant. Similarly, the knowledge and skills developed in educational institutions will also engender innovation and change in industry. It is important for us to succeed with the digital and green transition.

We have rolled out several initiatives to motivate students to complete their degrees. One of these is the YOUR EXTREME competition for students at NTNU. This competition, which we have been running since 2013, is a 48-hour case competition in which groups of students solve a hypothetical future scenario where sustainability and technology are at the core of the task. The purpose of the competition is to demonstrate the connection between theory and practice. In the spring semester, we ran a digital competition with the theme "What role can technology and/or other collaboration methods/measures play in solving the professional and psychosocial challenges in student life as a result of the coronavirus pandemic?" In the autumn semester, the task was to explore how technology can ensure sustainable management and utilisation of



the oceans and help save lives in critical situations.

During 2021, KONGSBERG was also the main sponsor of four multi-disciplinary student projects at NTNU in which students get to put theory into practice.

Summer work

Every year KONGSBERG welcomes a large number of students to work on different projects. In the summer of 2021 we had 134 students working with us. These summer jobs give the students an idea of what opportunities are available at the end of their education, and the goal is to motivate them to perform better in their studies and complete their degrees. At the same time, it represents an important recruitment arena for us and an opportunity to get to know the students better.

The target of the student summer programme was for women to comprise a minimum of 45 per cent of the participants; in 2021 we achieved 41 per cent. We are working to increase this to 50 per cent from 2022.

Proportion of women in technology subjects

KONGSBERG is working systematically to increase the proportion of women studying technology. We collaborate with Jenteprosjektet ADA at NTNU. The aim of the project is to foster satisfaction and motivation in girls while they are studying, to provide a careers network and inform students of job opportunities. In 2021 we collaborated with NHO's Jenter og Teknologi (Girls and Technology), in which girls in the ninth and tenth grades visited our business in Horten. In the United States, we support Women Offshore, an organisation and web-based resource centre that supports a diverse worldwide maritime workforce.

Increased interest in science

The natural sciences are essential to solving many of the challenges the world is facing. We want to motivate children and young people to recognise the value of studying physics, maths and natural sciences through a variety of measures, from kindergarten to college.

To this end, we support the Vitensenteret science centre in Kongsberg, access to which is free for schools and kindergartens. Children are introduced to the natural sciences through play and experiments, as well as teaching modules in subject areas such as energy, mechanics, mathematics, technology and animation, for the older ones.

We collaborate with a number of secondary schools, colleges and universities in Norway. Here we hold motivational lectures, invite people to visit the company, participate in career days and take on students for work placement. We support selected projects where the students wish to write their master's dissertation in collaboration with KONGSBERG.

KONGSBERG has a strong focus on vocational education and, along with other companies in the town of Kongsberg, we offer a unique training programme for apprentices through the K-Tech training centre. An apprenticeship certificate programme in polymer composites has also been established at the composite factory in Kongsberg. During 2021, we had a total of 196 apprentices.

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.

Inclusion at work

Far too many people are currently excluded from work. An inclusive

KONGSBERG employs a significant group of students each year. During the summer of 2021, 134 students worked with us.

Every year KONGSBERG welcomes a large number of students to work on different projects.

workplace is important for everyone – from people needing jobs, to companies needing workers. It is also important for society, because it supports our welfare state. KONGSBERG has focused on improving its organisation to ensure that more people were able to come to work. COVID-19 reduced access to vocational training for some people. In 2021, 46 people benefited from our practical work placement positions. We continue to focus on this and increase the number when the situation once again permits. We are also making it possible to retain within the Group those with reduced residual working capacity.

Contributions to sport, culture and social activities

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

- Sport – in particular local sports activities for youth in the local communities in which KONGSBERG operates.
- Culture – in particular, local communities in which KONGSBERG operates.
- Social, humanitarian and/or environmental activities – locally, nationally and internationally – that focus on sustainability.

In Norway, we have concentrated on supporting organisations in the local communities where we are represented. KONGSBERG has chosen to support many different sports, especially for children and young people, with our financial support always given to teams as opposed to individuals. Our two biggest cultural sponsorship partnerships in 2021 were with the Kongsberg Jazz Festival and Glogerfestspillene (a classical music festival). Both festivals are of a very high professional level and have their own programmes to develop young talent.

Our Polish colleagues contributed to one of Poland's best-recognised and most effective national charity programmes that runs every Christmas, NOBLE GIFT. This scheme works as a platform for personal aid that goes directly to people and families who are experiencing difficulties.

GOVERNANCE

Responsible business

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 and corporate social responsibility.

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

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

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

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

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

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

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

Responsible business conduct

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

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

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 2021, defence business represented 37 per cent of our turnover.

Export of defence material

Norwegian rules for export of defence material are among the most restrictive in the world. The Norwegian parliament has sanctioned that defence products can only be sold to pre-approved countries. Transparency about export of defence material is an important principle in Norway. 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.

A stable and predictable export control regime is essential to ensure a credible defence capability that contributes to security

DEFENCE PRODUCTS

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

KONGSBERG requires conflict minerals to be purchased only from sources documented as being responsible.

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.

Maritime segment

Of 2021 revenues, 60 per cent relates to KONGSBERG's maritime operations. The world is still in need of energy and transport, but with emphasis on low carbon solutions. This provides commercial opportunities for the sustainable innovative solutions we are developing together with our partners and customers. KONGSBERG's systems and products are to a large extent associated with optimisation, security, operation and control of machines, production processes and equipment. We deliver systems and services that contribute to better utilisation of resources, more efficient navigation and safer operation of complex vessels and installations. Read more about this in the chapter on sustainable innovation.

Autonomy and artificial intelligence (AI[1])

KONGSBERG develops advanced technology, which includes autonomous systems and AI, in areas including offshore transport and drone technology. Artificial intelligence in the form of machine learning is used within a secure framework by our simulators. Wherever this technology is utilised in autonomous solutions, human monitoring is always in place to provide additional security. This 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 IFBEC[2]. 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 comply with national and international laws and regulations.

Conflict minerals

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

In order 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 will 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 3TG (tin, tantalum, tungsten and gold, including their derivatives), as well as the smelting plants and refineries used.

We will develop our due-diligence systems further to cover the procurement of materials other than 3TG. As a first step, we have developed our materials management system to include cobalt, used in the manufacture of lithium batteries, and we use the RMI tools and applications.

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.

Responsible Tax – our Tax Policy

KONGSBERG's international presence means that we must comply with a wide variety of tax systems in many countries. In our opinion, a responsible approach to taxation is essential for our long-term activities in the countries in which we operate. This includes identifying and complying with current tax legislation, disclosing all the necessary information to the relevant authorities and taking prudent tax positions where tax legislation allows different interpretations or choices.

Our objective is to comply with tax legislation in a responsible manner and to build open and constructive relationships with the tax authorities in the countries in which we do business.

Tax governance

Our objective is to comply with tax laws in a responsible manner and to have open and constructive relationships with tax authorities in the countries in which we operate.

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 tax department and local management within the Group companies ensure compliance with local tax reporting requirements in the countries in which KONGSBERG operates, in cooperation with internationally recognised tax advisers. The tax department regularly monitors the external advisers.

Our approach to 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 and their intentions.
- We seek to minimise the risk of uncertainty or disputes.
- We carry out transactions and profit allocation between the KONGSBERG business areas in accordance with current OECD principles.

We establish entities in countries suitable for the Group's investments, taking into consideration our business activities and requirements and the regulatory environment available to us.

Tax incentives and tax exemptions are sometimes offered by authorities to support investment, employment and economic development. Where they exist, and are offered to us, we seek to apply them in the manner intended.

Risk management

KONGSBERG operates in industries and countries that can involve different types of risk. We conduct risk analyses and prioritise and manage risk to prevent and mitigate to the greatest possible extent.

We carry out this work through appropriate risk management processes, controls and guidelines. We monitor the management of tax risk primarily through regular tax reporting, which provides us with an effective opportunity to track tax risk.

The tax department works to deliver clear, timely and relevant business advice on tax matters. We consult external tax advisers where there is doubt about the interpretation of tax rules, after first establishing our own understanding of the position. The tax department will also, where appropriate, attempt to resolve any uncertainty through direct dialogue with the tax authorities.

Our approach to tax risks follows the same principles that apply to all other business risks. We consider reputation and corporate social responsibility as well as purely financial impacts. When making decisions on tax we take into account the materiality of any item, as well as the costs of associated tax risk mitigation actions.

We seek to minimise tax risk by complying with local tax regulations and by actively monitoring changes to such regulations.

Relationships with authorities and transparency

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

We strive to ensure that our tax reporting is consistent with local tax legislation, as well as with international reporting requirements and relevant accounting standards, such as IFRS.The KONGSBERG tax department submits a country-by-country report (CbCR) to the Norwegian authorities every year, the aim of which is to form the basis for overall risk analyses and statistics for the tax authorities. The report is automatically shared with the tax authorities in other countries where KONGSBERG operates, and contains information on income and tax broken down by country, as well as a description of the activities in each country and companies in each country. Data collection is performed as part of the Group's annual reporting. See the key sustainability figures section for tax cost per region.

KONGSBERG supports international efforts to increase public confidence in tax legislation and the tax management of multinational enterprises, including the development of Global Reporting Initiatives standards.

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

Ethics, integrity and compliance

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

Geir Håøy, President and CEO

OUR AMBITIONS

We have set targets and indicators to support our ambitions and to ensure compliance and follow-up.

Our ambition is for all aspects of our business to be carried out in an ethical and responsible way.

- We need ethical guidelines supported by a good governance system to ensure that we conduct our business with integrity.
- We will work constantly to ensure a world-class compliance programme.
- We will protect, monitor and document our business proactively using risk-based control measures.
- We set and maintain high ethical standards for our employees and business partners to ensure sound business practices.
- We support and promote common values to ensure an ethical culture.

Indicators for 2021	Status	Comments	Targets and indicators for 2022 and forward
Ethics and compliance training for all employees.	• Partially achieved	• 79 per cent of employees completed training, with anti-corruption as one of the main themes. • Introduction of an improved training platform causing some delay.	• All of our employees have to complete regular ethics and compliance training programmes.
Risk-based follow-up and audits of our market representatives.	• Achieved	• Completed 19 audits according to plan, which amounts to approximately 25 per cent of all our market representatives.	• Systematic and risk-based follow-up and audits of our market representatives.
Conflicts of interest must be recorded and managed as part of the compliance programme.	• Achieved	• We have established and implemented automated processes as part of the compliance programme.	• Measure implementation and report statistics.

OUR APPROACH TO ETHICS, INTEGRITY AND COMPLIANCE

Our approach

Business ethics

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

The Norwegian parliament (Stortinget) has approved the Transparency Act, which will come into force in 2022. The core of the law, and other similar international laws, is the duty to perform due diligence for human rights and decent working conditions in line with the OECD guidelines. At KONGSBERG, we have started a comprehensive project to ensure compliance with the new legal requirements. Also see the section on human rights.

The tone at the top

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

Anti-corruption

KONGSBERG has zero tolerance for corruption. Our attitude is expressed explicitly through our Code of Ethics and Business Conduct, and our endorsement of the UN Global Compact, the OECD's Guidelines for Multinational Enterprises and our membership of Transparency International, the International Forum on Business Ethical Conduct (IFBEC) and Maritime Anti-Corruption Network (MACN). The Board and Corporate Management Team devote considerable attention to this work. In 2020 we conducted an external audit of our anti-corruption programme against the framework of the regulations of the US Foreign Corrupt Practices Act (FCPA). This was carried out by an internationally recognised law firm in the United States, with very good results. We are planning a new external audit in 2023.

Our Business Code of Ethics and Business Conduct is the backbone of our operations, and the Code applies to everyone at KONGSBERG regardless of where or when. The Code is communicated and implemented to ensure clear understanding throughout the Group, contributing to a strong business culture, working in a preventive manner to avoid errors and irregularities. Well-integrated values and the Code of Ethics and Business Conduct constitute an important element of our risk management.

Before we enter into an agreement with a business partner (customer, supplier, market representative, joint venture partner, other collaboration partner, recipient of sponsorship or charitable contributions), we must be certain that the business partner has satisfactory ethical standards in place. We use a risk-based approach, which includes due diligence for compliance. We have incorporated requirements regarding ethics and corporate social responsibility into our standard agreements with business partners, and carry out risk-based audits.

> Our Business Code of Ethics and Business Conduct is the backbone for how we conduct our operations, and the code applies regardless of where, when and which of our employees is doing business.

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

We conduct an annual comprehensive compliance and risk assessment for the entire Group, including all subsidiaries and part-owned companies and partners. Our reviews and audits of our subsidiaries include anti-corruption, export control and sanctions, as well as 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.

Our challenges
We operate in areas including the defence and oil and gas industries that, historically, are sectors that have been exposed to corruption on the international stage. We also recognise that doing business in many parts of the world may involve a risk of corruption. For our business partners, zero tolerance in practice means requiring that potential historical situations are regularised, that an approved anti-corruption programme is implemented and complied with, and that corruption is clearly denounced through words and actions. Our activities involve the use of external market representatives. The use of third parties is generally known to imply a high risk of corruption, so we pay particular attention to that aspect of our anti-corruption programme.

Our anti-corruption programme
We have drawn up and implemented comprehensive in-house regulations for the signing of agreements with market representatives. This means, among other things, background checks of the company, key people and ownership, audits of financial and non-financial information, approval procedures, standard termination and audit rights agreements, as well as following up on and monitoring the agreements. The regulations also include assessments of a market representative's ethical standards, reputation and training. Risk is also assessed based on industry, country and company. The agreements have a maximum duration of three years, and the approval process is repeated on renewal. We investigate payments, and perform audits of our market representatives on an ongoing basis in line with risk-based audit programmes, for which we use internal and external experts. In total, we have more than 80 market representatives distributed throughout the Group, supporting us in all parts of the world in which we operate.

Notification of alleged misconduct

The Group has procedures for the notification of any breach of the Code of Ethics and Business Conduct. Employees will always have the right to issue alerts about circumstances worthy of criticism, and are under a duty to do so if there are questions related to violation of laws, rules or our Code of Ethics and Business Conduct.

KONGSBERG will not tolerate a whistleblower being subject to reprisals or negative reactions. The Group has two ombudsmen who can provide advice and receive alerts from employees. Internal and external questions about ethics and whistleblowing can be directed to the Group's Chief Compliance Officer by email to ethics@kongsberg.com or via our global web-based notification channel. Our whistleblowing channel ensures that everyone can report concerns and that such reports are treated in a confidential manner and in line with applicable laws. External business partners can also use the whistleblowing channel. In the 2021 employee survey, nearly two-thirds said they were well aware of the whistleblowing system and how to make a report. We aim to ensure that all our employees have good knowledge of the whistleblowing procedures and have initiated measures to make the whistleblowing system more accessible on our website. We will also place greater focus on the whistleblowing system in the e-learning course and stress that openness and whistleblowing are an integral part of our work to comply with the Norwegian Transparency Act.

Our whistleblowing procedures were updated in 2020 to ensure compliance with new changes to the Working Environment Act, and will be updated in 2022 in accordance with the new EU whistleblowing directive.

In 2021 we dealt with 26 cases internally. These have mainly involved the working environment and financial irregularities of a personal nature. All issues are considered in accordance with our procedures, and the majority of these issues were closed during 2021.

Exports and sanctions

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

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

KONGSBERG has a comprehensive programme for internal control and training in connection with our export activities.

In 2019 a Trade Compliance project was established in collaboration with Patria. The main objective of the project is to improve processes, routines, interaction and competence-building. In 2021 extensive internal audits were carried out to gain an overview of status. Experiences from this work will be used in 2022.

The UN and the EU are the two most important international institutions making decisions on the imposing or lifting of sanctions. Decisions there largely determine which sanctions Norway implements. In addition, the US has introduced further sanctions in a number of cases. KONGSBERG has guidelines and procedures that are updated on an ongoing basis in order to address this.

Data privacy at KONGSBERG

The EU General Data Protection Regulation (GDPR) came into

KONGSBERG has focus on IT security, and this is an important part of securing personal data processed in the company for our own employees, customers and other partners.

effect from May 2018. In recent years, KONGSBERG has undertaken work on privacy in order to comply with the requirements of the regulation. KONGSBERG had its Binding Corporate Rules (BCR) approved in February 2018 (updated in 2019). This is the legal basis for the processing of personal data within the Group. Furthermore, an application for UK Binding Corporate Rules was made in June 2021. Updates have also been made in relation to the changes after the SCHREMS ruling. This framework forms the basis for how KONGSBERG must ensure that the personal data of our employees, customers and partners is treated in accordance with these requirements.

A separate privacy organisation has been set up within the Group and in the business areas with overall responsibility for ensuring and coordinating the establishment of internal processes and procedures, to ensure compliance. KONGSBERG has focus on IT security, and this is an important part of securing personal data processed in the company for our own employees, customers and other partners.

KONGSBERG has not identified any leaks, theft or loss of customer data. Nor have we received any substantiated complaints about violations of privacy from third parties or regulatory bodies. The privacy status is reported annually as part of the overall compliance report to Group management and the Board.

Alongside other large Norwegian companies, we participate in a network with a focus on privacy. We share experiences, and work together on common problems/solutions. Read our Privacy Statement and BCR here: kongsberg.com/privacy.

In-house training

All our new employees go through a training programme that deals with the Group's Code of Ethics and Business Conduct. The programme for new employees and line managers, which consists of e-learning and classroom courses, is updated regularly. In addition, a complex training programme has been further developed in the field of ethics, business-related behaviour and special topics for exposed target groups, including a general introduction to our notification rules. The Board receives regular updates on the compliance programme, such as recent developments on anti-corruption regulations, sanctions and reported concerns. All members of the Board participate in mandatory training on ethics and compliance, including anti-corruption.

In the 2021 employee survey, 91 per cent answered that they have good knowledge of the ethical guidelines. Overall, in 2021, 79 per cent of employees completed compliance training, which includes several themes, including a comprehensive module on anti-corruption. We implemented a new and improved compliance management system in 2021 that makes it possible to monitor training completion at an individual level. The new system caused a delay in the implementation of the e-learning, and some employees will complete the training in 2022.

Violations of law in 2021

None of the companies within KONGSBERG were sanctioned due to violations of law related to business ethics in 2021.

Organisation

Divided into Group and business area, at the start of 2022 the organisation had a total of 45 employees working wholly or partially with compliance, export control, sanctions and privacy. The Chief Compliance Officer reports directly to the CEO and Audit Committee as well as administratively to the CFO.

All our new employees go through a training programme that deals with the Group's Code of Ethics and Business Conduct. Annual training on ethics and compliance is mandatory for all employees and the Board of Directors.

Cyber and Information Security

SECURITY IS IMPORTANT FOR KONGSBERG

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

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

OUR AMBITIONS

We have set targets and indicators to support our ambitions and to ensure compliance and follow-up.

We shall ensure trust and credibility by continuously protecting information, personnel, physical assets and technology to avoid damage, misuse and breakdowns, and to ensure that our products and services work as intended.

- We shall ensure a security culture, awareness in the organization and personal responsibility.
- We shall maintain, and further develop, a robust system for compliance with Data Privacy regulations as a part of Cyber and Information Security.
- Our services are carefully monitored and protected by layered security architecture including extensive logging and monitoring.
- We continuously conduct security training and awareness programs.
- We carry out risk management to balance business goals, efficiency and the right level of security.
- We have structured processes for threat intelligence and incident management for efficient emergency handling.

Indicators for 2021	Status	Comments	Targets and indicators for 2022 and forward
Establish and maintain required certifications.	• Achieved	• All Business Areas ISO/IEC 27001 certified.	• Annual audit by certification authority.
Security training and awareness campaigns for all KONGSBERG employees.	• Partly achieved	• To be continued and completed in 2022.	• Conduct targeted training based on risk assessment.
Implement a robust framework for personal data breach handling in KONGSBERG governance system.	• Achieved	• Implemented in all Business Areas.	• Perform audit of implementation.

OUR APPROACH TO CYBER AND INFORMATION SECURITY

Collaboration in the cyber security domain

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

Development of secure solutions for our customers

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

Information security

Information security consists of work processes and procedures based on ISO/IEC 27001 and shall ensure an adequate level of security with regard to confidentiality, integrity or availability.

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

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.

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

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 a combination of secure areas that are physically protected against unauthorized access, admission control systems in all locations and zone divisions of the facilities.

Information represents very important, valuable assets for KONGSBERG. We protect these values with structured and robust information security processes.

Sustainability and corporate social responsibility in the supply chain

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

OUR AMBITIONS

We have set targets and indicators to support our ambitions and to ensure compliance and follow-up.

Our ambition is to contribute to a socially responsible supply chain by supporting sustainable job creation and the reduction of climate emissions and environmental pollution.

- We will contribute to a responsible supply chain, with particular emphasis on human rights, diversity and equality, health and safety, as well as labour rights and working conditions.
- We will ensure that our suppliers act in accordance with our principles for supplier behaviour through our processes, contracts and audits.
- We will work with our strategic suppliers to meet high environmental and sustainable standards, including climate emission reductions.

Indicators for 2021	Status	Comments	Targets and indicators for 2022 and forward
KONGSBERG's "Supplier conduct principles" (SCP) must be integrated in supplier agreements.	• Achieved	• Supplier agreements include SCP along with internal guidelines.	• This indicator is monitored on a continuous basis.
Conduct risk-monitoring of suppliers, including audits in accordance with internal processes, as well as training.	• Achieved	• Risk-monitoring has been completed for all suppliers assessed as being high risk. • A new high-quality monitoring system for sustainability in the supply chain has been distributed to over 1,000 suppliers, including a compliance dashboard for regular risk-monitoring. • Communication on sustain-ability on digital platforms.	• This indicator is monitored on a continuous basis. • Continue implementation throughout the group.
Collaborate with our strategic suppliers to reduce climate emissions.	• Started	• We have set a Science-Based Target that includes our supply chain.	• Our goal is that 2/3 of our suppliers will set science-based CO_2 emission reduction targets within a 5-year period.

OUR APPROACH TO SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY IN THE SUPPLY CHAIN

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

Value creation through our supply chain

KONGSBERG has more than 8,500 suppliers globally, with about half of them being Norwegian. This means we help to safeguard jobs and build competence, not only where we have proprietary operations, but also to a large extent where we use suppliers. 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. We want to work with suppliers that share our values and requirements regarding responsible business conduct. This is specified in our "Supplier Conduct Principles", which is part of our supplier agreements.

Our challenges

We see it as our ethical responsibility to ensure that the entire value chain relating to our products satisfies our requirements for sustainability and corporate social responsibility, while the legal responsibility rests with the individual supplier. Read more about our approach to the Norwegian Transparency Act in the chapter on human rights.

Making sure that all subcontractors throughout the value chain comply with our requirements is our main challenge. We follow up our responsibility through clear requirements in our agreements with suppliers as well as risk-based follow-up and audits. Our suppliers are obliged to require the same standards of their subcontractors.

COVID-19 and the supply chain

Throughout the COVID-19 pandemic, we have maintained deliveries to our customers through active management of the supply chain and logistics across our businesses. We have worked throughout the value chain to minimise disruption. Priorities for ESG, HSE and sustainability were maintained through procurement and purchasing processes, supported by our supplier audit programme and the launch of a new sustainability portal for suppliers.

Our risk profile and risk assessments

Our 100 largest suppliers account for approximately 87 (64) per cent of our total purchases of goods and services. Of our 100 largest suppliers overall, Norwegian suppliers make up approximately 50 (44) per cent, and European (including Norwegian) suppliers a total of 73 (77) per cent.

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 (ESG). 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. Suppliers who, due to initial risk assessments, were monitored more closely in 2021 accounted for approximately 20 (15) per cent of our total supplier portfolio. All issues identified as high risk were clarified and concluded within the given deadlines.

Our programme of supplier audits and corporate social responsibility declarations has continued as far as possible during the pandemic, with the completion of "desktop" audits where travel was not possible. In 2021, a total of 111 audits of our suppliers were carried out, including a module for ESG. If necessary, we perform extended audits with a special focus on ESG. In 2021, five such audits were carried out – fewer than planned due to the COVID-19 situation.

- We have over 8,500 suppliers worldwide.
- Our 100 largest suppliers account for approximately 87 per cent of our total purchases of goods and services.
- Of our 100 largest suppliers, Norwegian suppliers account for approx. 50 per cent, and European (including Norwegian) suppliers 73 per cent.

About the sustainability report

The purpose of the report is to provide our stakeholders with information on how KONGSBERG works on sustainability, ESG and corporate social responsibility.

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 a third party, the audit firm Deloitte. See auditor's statement for 2021.

GRI-INDEX

Read our GRI-index for 2021

Our content-defining process

We carry out materiality assessments periodically, most recently in the autumn of 2019. Please refer to the "priorities for sustainability and ESG" section for more details.

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

The content of the report is largely defined based on the materiality assessment. All material topics are discussed through the report. The materiality assessment is approved by the corporate executive management and the Board. In 2020, we completed a comprehensive process to further develop our targets and indicators relating to sustainability and ESG, and are reporting on these for 2021.

Stakeholder dialogue

In 2021, we had one-to-one dialogues with many of our stakeholders, with an emphasis on different sustainability and ESG themes. We had our annual meeting with the Ministry of Trade and Industry, focusing on sustainability and corporate social responsibility.

We collaborate with other companies and NGOs, such as the NHO Forum for Sustainability, the Coalition for Responsible Business (KAN) – a wide-ranging association of business, trade union movements, civil society with an emphasis on human rights – and the UN Global Compact both internationally and locally in Norway. Taken as a whole, this gives us useful information and insight into the development of and expectations for sustainability from the outside world. On the next page, there is an overview of the most important themes and arenas where we have dialogue with our stakeholders. Measures to meet the expectations of our stakeholders are detailed in the other chapters where material topics are covered. See the Stakeholder dialogue table in the chapter on key figures.

Scope

There were no major changes to the reporting platform between 2020 and 2021. We have worked to improve the quality of the data in our climate accounts, including the use of recognised and updated conversion factors; this has also resulted in some changes in historical figures.

The report deals with companies in which KONGSBERG owns 50 per cent or more. The environmental data includes all of our Norwegian units, as well as all our manufacturing units all over the world and the largest offices outside of Norway.

The information in the report is based on data obtained from different parts of the Group. Although importance is attached to ensuring that the data is complete and correct, some of the information will be based on estimates.

The report covers 2021, and addresses topics of importance to us and our stakeholders. Any significant events after balance date will also be included.

FRAMEWORK FOR THE PREPARATION OF THE SUSTAINABILITY REPORT

WHITE PAPER NO. 8 (2019-2020)

The Norwegian State's direct ownership of companies – Sustainable development

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

GLOBAL COMPACT

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

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 Sustainability Report for 2021 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 will report in accordance with the Norwegian Act on Business Transparency and Work on Basic Human Rights and Decent Working Conditions (the Transparency Act).

GLOBAL REPORTING INITIATIVE (GRI)

We use GRI Standards (2016) for voluntary reporting of sustainable development. The guidelines include financial, environmental and social dimensions related to the organisation and is the leading global initiative in this area.

For 2021, we have strived to report according to the material analysis. This is described in detail under "Sustainability and ESG priorities".

KONGSBERG reports on Core level.

The connection between the main themes identified in our materiality assessment and the GRI Standards is described in more detail in an index that can be found here: https://www.kongsberg.com/investor-relations/reports-and-presentations/

EURONEXT GUIDELINES FOR ESG REPORTING AS FROM 2020

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

TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

The recommendations from the G20 countries on climate risk reporting have established themselves as the central framework for how climate risk is to be analysed and reported. We have integrated this framework into our risk assessment process and reporting, and will continue to develop this.

KEY FIGURES SUSTAINABILITY

CLIMATE AND ENVIRONMENT

	2021	2020[2]	2019[2]	2018	2017
CO_2 EMISSIONS					
CO_2 emissions (metric tonnes)[3]	17 672	17 352	44 619	27 920	23 342
CO_2 emissions from transport (metric tonnes) (first reported in 2015)[4]	17 270	21 931	24 409	7 546	9 175
Total CO_2 emissions (metric tonnes)[4]	**34 942**	**39 283**	**69 028**	**35 466**	**32 517**
CO_2 emissions relative to sales (metric tonnes/MNOK)[4]	1.3	1.5	3.1	2.5	2.2
CO_2 emissions relative to man-years of labour (metric tonnes/ man-years of labour)[4]	3.2	3.7	6.9	5.2	4.7
ENERGY USE					
Electricity (MWh)	131 205	122 510	133 686	102 071	92 795
Gas/oil (MWh)	10 371	6 195	6 277	4 095	5 397
Heat recovery (MWh)[1][4]	41 187	32 865	38 060	25 004	26 208
Energy consumption (MWh) per employee	16.4	15.1	15.3	19.2	18.2
Energy consumption (MWh/MNOK)[4]	6.7	6.3	7.4	9.1	8.6
WASTE (METRIC TONNES)					
Waste for recycling	6 408	5 422	5 712	937	866
Residual waste	789	1 029	1 080	549	665
Hazardous waste	882	969	1 038	402	353

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

CO_2 EMISSIONS

		Emission figures calculated on comparable factors[1]			Emission figures reported in 2020 annual report calculated on "old" factors		
Metric tonnes	*Changes in the last year*	*2021*	*2020[4]*	*2019[4]*	*2020*	*2019*	*2018*
Scope 1 (Direct emissions)[3]	+127%	**2 447**	**1 076**	**1 255**	**1 229**	**1 251**	**830**
Oil and gas (business area)		631	1 036	1 207	1 188	1 210	631
Oil and gas (Kongsberg Technology Park)		1 816	40	49	40	41	199
Scope 2 (Indirect emissions)[3]	+6%	**8 795**	**8 297**	**9 582**	**13 891**	**14 672**	**10 290**
Electricity (business area)		6 147	5 970	7 540	11 104	11 912	8 521
Electricity (Kongsberg Technology Park)		243	233	367	1 359	1 670	1 766
District heating/cooling from external suppliers		2 405	2 094	2 042	1 428	1 090	3
Total scope 1 and 2	+20%	**11 242**	**9 373**	**10 937**	**15 120**	**15 923**	**11 120**
Scope 3 (Other emissions)	-19%	**6 430**	**7 979**	**33 782**	**7 979**	**33 782**	**16 800**
Flights purchased in Norway		3 628	6 051	23 885	6 051	23 885	10 224
Flights purchased abroad		2 802	1 928	9 897	1 928	9 897	6 576
Total without shipping	+2%	**17 672**	**17 352**	**44 619**	**23 098**	**49 705**	**27 920**
Transport of goods and products paid for in Norway[2]	-2%	17 270	21 931	24 409[5]	17 590	24 409[5]	7 546
Total including shipping	-11%	**34 942**	**39 283**	**69 028**	**40 619**	**74 114**	**35 466**

The environmental accounts includes the following sources of CO_2 emissions

Direct emissions (Scope 1): Emissions from the use of fuel oil and gas for heating and processes, as well as from the production of district heating at Kongsberg Technology Park.

Indirect emissions from electricity (Scope 2): Emissions from electricity consumption and district heating or cooling from external suppliers. The CO_2 emission factors used for electricity are location-based and in accordance with GHG Protocol Scope 2 Guidance[1].

Emissions from flights and the transport of goods and products (Scope 3): Emissions from flights and emissions associated with the transport of goods and merchandise[2].

1) Sources: Fossil fuel emission factors from the Department for Environment Food & Rural Affairs, UK 2021. For Norway, a location-based factor of 8 g per CO_2 per kWh has been used, taken from the Association of issuing bodies (AIB) (this emission factor for Norway has not been used for previous reporting years).
2) CO_2 emissions from transport of goods and products are data reported by the two main suppliers: DHL and DSV
3) CO_2 emissions (metric tonnes) for KONGSBERG. Emissions from the consumption of fossil fuels for the production of district heating supplied by Kongsberg Technology Park are included in direct emissions. Indirect emissions include the consumption of electricity, district heating and cooling from external suppliers within the business areas, as well as the consumption of electricity for the production of district heating and cooling in Kongsberg Technology Park.
4) The figures for 2019 include acquired companies. The figures for 2020 are exclusive the disposed subsidiary Hydroid.
5) The figures for 2019 are corrected for changes in reporting format for freight.

FINANCIAL VALUE CREATION

MNOK	*2021*	*2020*	*2019*	*2018*	*2017*
ADDED VALUE					
Salaries	7 760	7 472	6 908	4 638	4 417
Dividends	2 736	1 440	2 250	450	450
Dividends – % of earnings	119.5%	49.1%	313.8%	64.0%	80.5%
Interest to lenders	72	99	122	103	110
Retained earnings	(446)	1 492	267	254	109
OTHER FINANCIAL KEY FIGURES					
Costs related to the purchase of goods and services	13 387	12 851	13 059	7 239	7 610
Financial support received from authorities	120	121	103	53	59
INCOME TAX EXPENSE[1)]					
Norway	332	152	92	61	(15)
Rest of Europe	178	136	71	14	13
North and South America	62	47	47	38	33
Asia, Africa and Australia	60	40	40	27	64
Total	**632**	**374**	**250**	**140**	**95**

1) Tax expences for 2019 includes tax expences for disposed of activities.

SOCIAL INVESTMENTS

MNOK	*2021*	*2020*	*2019*	*2018*	*2017*
Financial support to organisations, etc.[1)]	14.5	7.6	6.8	6.9	9.1

1) In addition, there is funding for professorships and direct costs such as wages etc. for our own employees contributing in part-time positions at various colleges and educational institutions. See pages 64–67 for further information.

EMPLOYEES

	2021	2020	2019	2018	2017
LEVEL OF EDUCATION					
Master's degree (%)	26	24	23	29	29
– of which doctorates (PhD)	1	1	1	2	2
Bachelor's degree (%)	36	31	30	36	35
Technicians (%)	10	9	7	12	12
Production workers (%)	15	14	16	11	11
Other (%)	12	21	21	11	13
NUMBER OF EMPLOYEES					
Number of employees, total	11 122	10 689	10 793	6 842	6 830
Number of full-time equivalents (FTEs)	10 940	10 565	10 704	6 771	6 728
Number of full-time employees	10 810	10 252	10 488	6 674	6 636
Number of part-time employees	312	437	305	168	194
AGE					
Average age	44	43	44	43	43
Employees under age 30 (%)	12	12	12	13	14
Employees between ages 30 and 50 (%)	56	59	58	59	57
Employees over age 50 (%)	32	29	30	28	29
Members of the BoD (KONGSBERG ASA) between 30-50 years old as a %	37.5				
Members of the BoD over 50 years old as a %	62.5				
PERCENTAGE OF WOMEN					
Women as a % of the number of employees	20.4	20.1	19.5	21.8	21.5
Women in managerial positions as a % of total managerial positions	18.7	19	21	20	20
Women in leading positions level 1-3 as a % of total managerial positions	25	23	23	26	22
Shareholder-elected women on the Board (%)	40	40	40	60	60
TURNOVER					
Turnover (employees who have resigned)	686	388	809	465	357
Turnover (%)	6.2	3.6	7.5	6.8	5.2
– Men	4.9	2.8	5.1	5.6	4.2
– Turnover men, of total men	6.1	3.5	6.6	7.1	5.4
– Women	1.3	0.9	2.4	1.2	1
– Turnover women, of total women	6.3	4.2	13.1	5.6	4.7

HEALTH AND SAFETY

	2021	2020	2019	2018	2017
Sick leave as a % of hours worked	**3**	**2.9**	**2.6**	**2.6**	**2.3**
Sick leave for the Norwegian companies	3.2	3.2	3.1	3.0	2.8
Number of reported injuries per million hours worked (TRI)[1)]	2.2	1.7	2.3	1.6	3.2
Number of lost time days per million hours worked (ISR)	**30**	**21.2**	**31.4**	**17.6**	**16.2**
Number of reported injuries leading to absence among employees	37	26	30	13	31
Total number of injuries among employees[2)]	79	103	111	71	129
Total number of near-accidents among employees	908	684	387	379	232
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.

STAKEHOLDER DIALOGUE

Below there is an overview of the most important themes and arenas where we have dialogue with our stakeholders.

Stakeholder group	Key areas for stakeholders	Dialogue forum
INVESTORS	• Climate, supply chain, cyber and data security, human rights, ethical business	• Investor and analyst meetings, quarterly results presentation, ownership meetings
EMPLOYEES AND MEMBERS OF THE BOARD	• Climate, attractive and responsible employer, cyber and data security, ethical business, prevention of corruption, supply chain and human rights	• Meetings with trade unions and other cooperation forums, general meetings, departmental meetings • Board meetings and other events • Employee surveys
BUSINESS PARTNERS	• Supply chain, ethical business, prevention of corruption, product safety, cyber and data security, climate	• Customer meetings, supplier meetings, conferences, fairs and events • Customer surveys
FINANCIAL INSTITUTIONS	• Climate, supply chain, cyber and data security, ethical business, corruption prevention and human rights	• Regular meetings with banks, insurance companies etc. • Quarterly results presentations
TRADE ASSOCIATIONS	• Climate, product design and life cycle management, involvement in industry forums	• Recurring meetings • Membership of employers' associations and trade associations • Participation in industry forums
EDUCATION AND RESEARCH INSTITUTIONS	• Research into and development of new technologies, product development, climate	• Collaboration initiatives • Research programmes
VOLUNTARY ORGANISATIONS	• Human rights, ethical business practices	• Dialogue • Participation in the Coalition for Responsible Business (KAN)

AUDITOR'S REPORT, SUSTAINABILITY

Deloitte.

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To the Management of Kongsberg Gruppen ASA

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON KONGSBERG'S SUSTAINABILITY REPORT 2021

We have been engaged by the Management of Kongsberg Gruppen (KONGSBERG) to provide limited assurance in respect of the information presented in the Sustainability Report section ("the Report"), included in the KONGSBERG – Annual and Sustainability Report 2021. Our responsibility is to provide a limited level of assurance on the subject matters concluded on below.

Management responsibilities

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

Auditor's responsibilities

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

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

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

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

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

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

Auditor's Report, Sustainability, cont.

Deloitte.

Conclusions

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

- KONGSBERG has applied procedures to identify, collect, compile and validate Sustainability information for 2021 to be included in the Report, as described in the Report.
- Sustainability information presented for 2021 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- The Report fulfils the content requirements for reporting in regards to sustainability as stated in the Norwegian Accounting Act, § 3-3c, article one.
- KONGSBERG applies a reporting practice for its sustainability reporting aligned with the Global Reporting Initiative (GRI) Standards reporting principles and the reporting fulfils level Core according to the GRI Standards. The GRI Index referred to from the Report appropriately reflects where information on each of the reported standard and specific disclosures of the GRI Standards are presented.

Oslo, March 16, 2022
Deloitte AS

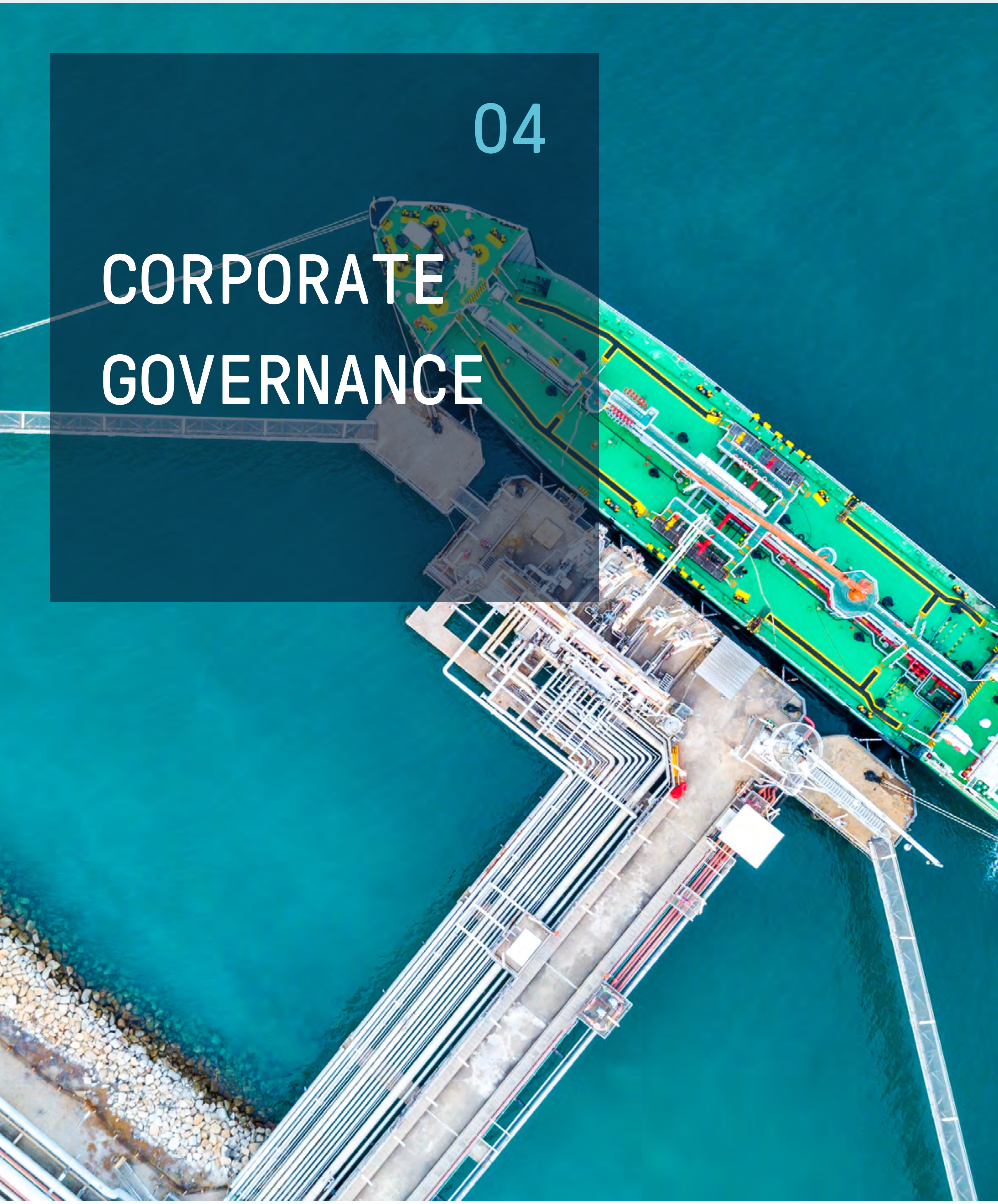
Eivind Skaug
State Authorised Public Accountant (Norway)

Frank Dahl
Sustainability expert

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

04

CORPORATE GOVERNANCE



The Board's Report on Corporate Governance

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

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

How KONGSBERG understands the concept

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

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

Treatment of the topic in 2021

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

KONGSBERG's MODEL FOR CORPORATE GOVERNANCE

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

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

Strategy and operational management.

Policy

Kongsberg Gruppen

KONGSBERG is subject to reporting requirements regarding corporate governance according to the Norwegian Accounting Act section 3-3b and "The Norwegian Code of Practice for Corporate Governance", see ongoing obligations for stock exchange listed companies point no. 7. The Norwegian Accounting Act is available on www.lovdata.no. "The Norwegian Code of Practice for Corporate Governance", most recently revised on 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 2022. The Group's compliance with and any deviations from the Code of Practice will be commented on and made available to the Group's stakeholders.

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

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

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

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

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

Articles of Association

Kongsberg Gruppen ASA

Most recently revised in light of resolution at the Annual General Meeting on 6 May 2021.

§ 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 223.541.807,50, divided among 178.833.446 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.

Board of Directors

Kongsberg Gruppen ASA

EIVIND REITEN

Chairman

ANNE-GRETE STRØM-ERICHSEN

Deputy chair

MERETE HVERVEN

Director

MORTEN HENRIKSEN

Director

PER A. SØRLIE

Director

RUNE FANØY

Director
(employee elected)

ODA ELLINGSEN

Director
(employee elected)

JO EVEN BJERKNES

Director
(employee elected)

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

The KONGSBERG ASA Board actively supports the principles for good corporate governance and attaches importance to KONGSBERG's compliance with the Norwegian Code of Practice for Corporate Governance and to explaining any deviations.

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.

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"

DEVIATIONS FROM THE CODE OF PRACTICE

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

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

i. The entire Board has not usually attended the General Meeting. Thus far, the items on the agenda of the General Meeting have not required this. One or more Board representatives are always present to respond to questions. Other Board members participate on an ad hoc basis. From the Group's perspective, this is considered to be sufficient.
ii. Article 8 of the Articles of Association specifies that the General Meetings are to be chaired by the Chair of the Board. If the Chair is absent, the General Meeting is chaired by the Board's Deputy Chair. In the absence of both, the Chair shall be elected by the General Meeting. This is a departure from the recommendation regarding an independent chair. The arrangement has been adopted by the shareholders through a unanimous resolution of the General Meeting and has worked satisfactorily thus far.

1 REPORT ON CORPORATE GOVERNANCE

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

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

The topic of corporate governance is subject to annual evaluation and discussion by the Board. This report was adopted at the Board meeting on 16 March 2022.

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 99 of this report.

Objectives, strategy and risk

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

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

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

Sustainability and corporate social responsibility

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

3 SHARE CAPITAL AND DIVIDENDS

Equity

On 31 December 2021, the Group's equity came to MNOK 13,618 (MNOK 13,301), which is equivalent to 34.6 (33.9) per cent of the total assets.

Net interest-bearing debt as of 31 December 2021 was MNOK -5,668 (MNOK -3,949). Of this, cash and cash equivalents represented MNOK 8,118 (MNOK 7,420). Working capital as of 31 December 2021 was MNOK -2,003 (MNOK -458).

Total assets at 31 December 2021 was MNOK 39,310 (MNOK 39,230). 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 2020, a dividend of NOK 8 per share was paid, whereof NOK 5.00 is on top of the ordinary dividend policy.

The Board proposes to the General Meeting to pay a dividend for the 2021 financial year of NOK 15.30 per share (totaling MNOK 2,700), whereof NOK 12 is on top of the dividend policy. The Board will also ask the General Meeting for authorisation to acquire own shares for deletion, for up to MNOK 500.

Board authorisations

Capital increase
The Board has not been authorised to issue shares.

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

At the Annual General Meeting on 6 May 2021, the Board was given authorisation to acquire treasury shares up to a maximum nominal value of MNOK 9.7, which is equivalent to 4,3 per cent of the share capital. The authorisation may be used several times and applies up until the next Annual General Meeting, but not later than 30 June 2022. The Board's acquisition of treasury shares pursuant to this authorisation can be exercised only between a minimum price of NOK 25 and a maximum of NOK 400 per share. As of 31 December 2021, the Group owned a total of 613,987 (191,387) treasury shares. Of these, 592,028 (188,015) shares are related to the buy-back programme which was decided by the Board after proxy from the annual general meeting in 2021.

The remaining shares were purchased for the share purchase programme for all employees, and in connection with the company's long-term incentive programme (LTI). Shares can also be used as full or partial payment in connection with business acquisitions, or they can be sold on the market. The shares included in the Group's employee share program are offered to all employees at a discount, and are subject to a one-year lock-in period from the date of acquisition. The LTI scheme is discussed in the annual financial statements Note 10, and in separate Remuneration report published at 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 6 May 2021, the Board was given authorisation to acquire own shares for up to a maximum nominal amount of MNOK 10. The total compensation for the shares cannot exceed NOK 400 million. The authorisation may be used several times and is valid until the next annual general meeting, but no later than 30 June 2022. The Board's acquisition of own shares may, can be exercised only between a minimum price of NOK 25 and a highest price of NOK 400 per share.

4 EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS BETWEEN RELATED PARTIES

Class of shares

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

Trading in treasury shares

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

Transactions with related parties

The Board is not aware of any transactions in 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 2021.

The Norwegian Government as customer and shareholder

The Norwegian Government, represented by the Ministry of Trade, Industry and Fisheries (NFD), has a shareholding of 50.004 per cent in KONGSBERG. The Government is also a major customer, particularly with regard to deliveries to the Norwegian Armed Forces. Relations with the Armed Forces are of a purely commercial nature and are not affected by the ownership structure.

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

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

5 SHARES AND NEGOTIABILITY

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

6 ANNUAL GENERAL MEETING

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

In 2021, the Annual General Meeting was held on 6 May and 68.85 per cent (68.79) of the aggregate share capital was represented. A total of 187 (190) shareholders were present or represented by proxies.

Notification

The Annual General Meeting is ordinarily held by 1 June each year. In 2022, the date is set for 11 May.

- Notification is usually distributed 21 days in advance of the Annual General Meeting at the latest. The relevant documents, including the Nominating Committee's approved list of nominees, are available at www.kongsberg.com.
- It is important that the documents contain all the information required for the share-

holders to take a position on all items on the agenda. The company's Articles of Association stipulate that the deadline for registration can expire no earlier than five days prior to the date of the Annual General Meeting. Efforts are made to set the deadline as close to the meeting date as possible.

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

Registration and proxies

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

Agenda and execution

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

All shareholders are entitled to have their cases dealt with at the General Meeting. Cases shall be submitted in writing to the Board a minimum of seven days prior to the deadline for sending the notification of the General Meeting. The reason for wanting to have the case added to the agenda should also be specified. The minutes from the General Meeting will be posted on the Group's website.

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

7 NOMINATING COMMITTEE

Article 9 of the Group's Articles of Association specifies that the Group shall have a Nominating Committee. The Committee's work is regulated by special instructions adopted by the General Meeting. These instructions were last revised by the Annual General Meeting on 9 May 2016.

The main task is to make recommendations to the Company's General Meeting regarding the election of shareholder-elected Board members. The nominations shall be substantiated and recommend a nominee for the Chair of the Board separately. In the work on finding candidates for the Board, the Committee is in contact with relevant shareholders, Board members and the CEO.

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

The Nominating Committee consists of three to four members who shall be shareholders or representatives of shareholders. The General Meeting shall elect all members of the Nominating Committee, including the Chair. The Nominating Committee itself proposes a list of Committee nominees to the General Meeting. The Nominating Committee's remuneration is approved by the General Meeting based on the Nominating Committee's recommendation.

Composition

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

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

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

None of the Committee's members represents KONGSBERG's management or Board. The members are considered to be independent of the daily management and Board. Morten Strømgren is employed by the Ministry of Trade, Industry and Fisheries which, as of 31 December 2021, had a shareholding of 50.004 per cent in KONGSBERG. Vigdis M. Almestad is employed by ODIN Forvaltning

AS which, through its funds, had a 1.305 per cent share in KONGSBERG at 31 December 2021. Karl C. W. Mathisen is employed by Folketrygdfondet, which as of 31 December 2021 together had a 7.038 per cent stake in KONGSBERG. As of 31 December 2021, Erik Must had a 2.423 per cent interest through his company Must Invest AS and a 0.105 per cent interest in personal ownership.

The Nominating Committee is considered to have a composition that reflects the common interests of the community of shareholders. Information about the Nominating Committee, a form for nominating candidates for the Board/Nominating Committee and the deadlines are available on the Group's website.

8 THE BOARD, ITS COMPOSITION AND INDEPENDENCE

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

Composition of the Board

The Board consists of eight members and currently has the following composition: Eivind K. Reiten (chair), Anne-Grete Strøm-Erichsen (deputy chair), Morten Henriksen, Per A. Sørlie 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 11 Board meetings in 2021, there were ten ordinary meetings and one extraordinary Board meeting. All Board meetings in 2021 were conducted digitally in accordance with temporary exceptions from requirements for physical board meetings laid down in regulations based on the Coronavirus Act.

It is important that the entire Board has the expertise required to deal with Board work and the Group's main business activities. In addition, the directors need to have the capacity to carry out their duties.

According to the Articles of Association, the Group shall have five to eight directors. The CEO is not a Board member.

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

The Board's independence

All shareholder-elected directors are considered autonomous and independent of the Group's corporate executive management. The same applies relative to important business associates. The Election Committee for the election of employee representatives to the Board complies with the Representation Ordinance and ensures that the recommendation of independence is addressed through nominations and elections. It is important that there are no conflicts of interest between owners, the Board, management and the Company's other stakeholders.

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

PARTICIPATION IN BOARD AND COMMITTEE MEETINGS IN 2021

Participation in meetings	*Board*	*Audit Committee*	*Compensation Committee[1)]*
Eivind K. Reiten	11		5
Anne-Grete Strøm-Erichsen	10		5
Morten Henriksen	11	7	
Per Arthur Sørlie	11	6	
Martha Kold Bakkevig (resigned 6 May 2021)	5	3	
Merete Hverven (joined 6 May 2021)	6		
Helge Lintvedt (resigned 6 May 2021)	5	3	
Elisabeth Fossan (resigned 6 May 2021)	5		2
Sigmund Ivar Bakke (resigned 6 May 2021)	5		
Oda Ellingsen (joined 6 May 2021)	5	4	
Rune Fanøy (joined 6 May 2021)	6		3
Jo Even Bjerknes (joined 6 May 2021)	0		
Kjersti Rød (substitute for Jo Even Bjerknes)	6		
Ivar-André F. Ihle (substitute for Oda Ellingsen)	1		

1) The committee has held a total of five meetings, one of which was extraordinary.

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 was announced in December 2020 with election day 24 March 2021.

The directors' shareholdings

Directors are encouraged to own shares in the company, but this is not a requirement. As of 31 December 2021, the shareholder-elected directors held the following portfolios of shares in the Group:

- Eivind K. Reiten owns 2,850 (2,850) shares through his 100 per cent-owned company Mocca Invest AS.
- Anne-Grete Strøm-Erichsen owns 2,000 (2,000) shares through her 50 per cent-owned company AGSE Consulting.
- Morten Henriksen owns 3,027 (3,027) shares.
- Per A. Sørlie 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 2021:

- Jo Even Bjerknes owns 177 shares.
- Rune Fanøy owns 216 shares.
- Oda Ellingsen owns 1,073 shares.

9 THE BOARD'S WORK

The Board's responsibilities

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

The Board's main responsibilities are to contribute to corporate competitiveness, and to ensure that the Group develops and creates value. Furthermore, the Board is to participate in the framing and adoption of the Group's strategy, exercising the requisite control functions and ensuring that the Group is managed and organized in a satisfactory manner. The Board sets the objectives for financial structure and adopts the Group's plans and budgets. The Board also handles items of major strategic and/or financial importance to the Group.

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

Board instructions

The Board's instructions are subject to review every second year by the Board and are revised as needed. The current instructions were presented to the Board in 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 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 11 Board meetings (13) in 2021. The Board meetings had 98 (98) per cent attendance in 2021. All Board meetings in 2021 were conducted digitally in accordance with temporary exceptions from requirements for physical board meetings laid down in regulations based on the Coronavirus Act.

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

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

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

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

Duty of confidentiality – communication between the Board and shareholders

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

Competence

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

Disqualification

The Board and CEO cannot discuss cases in which they have a significant special interest and are bound by the rules regarding disqualification as they appear in Section 6–27 of the Public Limited Companies Act and in the instructions to the Board.

Guidelines for directors and executives

The Corporate Code of Ethics and Business Conduct discusses this topic under conflicts of interest under Item 5.10. The same applies to the instructions to the Board. Here, it is emphasised that the Board shall act independently of special interests. Independence in this context is defined as follows:

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

directors, the CEO or other executives shall be avoided.
- Board members shall not have or represent significant business relations with the Group.

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

Use of board committees

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

The Board's Audit Committee

The Audit Committee shall support the Board in its responsibilities related to financial reporting, audits, internal control and overall risk management. The Audit Committee is also a preparatory body in terms of non-financial policy and control. The Committee 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 (5) meetings were held in 2021.Members: Morten Henriksen (chair), Per A. Sørlie and Oda Ellingsen. The instructions for the Audit Committee are published on the Group's website.

The Board's Compensation Committee

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

The Committee consists of the Chair of the Board, one shareholder-elected director and one employee-elected director. The CEO is entitled to participate in the Committee's meetings if they so desire, except when their own situation is under discussion. The Group Executive Vice President, Chief HR & Security is the secretary of the Committee. 5 (4) meetings were held in 2021.

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.

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 Committee reviews the Group's quarterly report ahead of the Board meeting. The auditor takes part in the Audit Committee's meetings and meets with the entire Board in connection with the presentation of the interim annual financial statements and as otherwise required.

Follow-up by the Board

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

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

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

Compliance with values, ethics and corporate social responsibilities

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

In 2021, 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 2021 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 2021 until the next Annual General Meeting, the total remuneration to the Board members will amount to NOK 2,547,000 (NOK 2,473,000).

The remuneration breaks down as follows:

- Board Chairperson NOK 561,000 (NOK 544,000)
- Deputy Chair NOK 300,000 (NOK 291,000)
- Other Board members NOK 281,000 (NOK 273,000)
- Deputy members NOK 12,700 (12,300) per meeting.

In addition, the members of the Audit Committee 77,000 (75,000) per year. The Committee's chair receives NOK 103,000 (100,000) per year.

The members of the Compensation Committee receive NOK 48,000 (47,000) per year. The Committee's chair receives NOK 72,000 (70,000) 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 structure of the incentive system for the other members of the corporate executive management is determined by the Board and presented to the Annual General Meeting for information purposes. The terms are determined by the CEO in consultation with the Chair of the Board.

The Board's attitude to executive management's salaries is that they should be competitive and provide incentive, but not be at the very top end of the scale. The incentive system consists of basic wages, bonuses, pensions, long-term incentives (LTI), severance arrangements and other benefits in kind.

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

Performance-based part of salary

In 2006, the Board introduced a new bonus system for executive management. The scheme was adjusted slightly in 2016 and further adjusted in 2019. Performance-based compensation is linked to improved EBIT and ROACE, increased operating revenues and individual targets. The payment of performance-based salary has a ceiling of 50 per cent of the basic salary. The scheme will be described in greater detail in the report on the remuneration of executive management at KONGSBERG for 2021, which will be available at kongsberg.com from the date of its adoption at the annual general meeting on 11 May 2022. In 2021, the Group had about 210 (200) 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 2021, the performance-based part of salary consisted of direct payments and payments from previous bonus banks. The bonus bank scheme was discontinued in 2019.

Long-term incentive (LTI)

In 2012, the Board decided to introduce a (LTI) scheme as part of the regular remuneration for the CEO and other members of corporate executive management. The LTI scheme was changed to a variable performance system in 2016. As of 2018, the LTI scheme was further expanded to include management groups in the business areas, as well as key positions. The LTI scheme represents a maximum of 30 per cent of the fixed salary for the CEO and 25 per cent for the rest of the Group Management, 15 per cent for the management groups in the business areas and 10 per cent for key positions. The rationale is to be competitive with comparable companies. The scheme will be described in greater detail in the report on the remuneration of executive management at KONGSBERG for 2021, which will be available at kongsberg.com from the date of its adoption at the annual general meeting on 11 May 2022.

Conditions

Remuneration to corporate executive management and the Board is described in the report on the remuneration of executive management at KONGSBERG for 2021, which will be available at kongsberg.com from the date of its adoption at the annual general meeting on 11 May 2022.

13 INFORMATION AND COMMUNICATION

Annual Report and Directors' Report – interim reporting

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

Other market information

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

The annual and quarterly reports will be available on www.newsweb.no (Oslo Stock Exchange) and on the Group's website, along with presentation of the results. The annual and quarterly results are also available via video transmission. Beyond this, the Group conducts an ongoing dialogue with and makes presentations to analysts and investors.

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

The Group has directives concerning communication with the investor market and handling of insider information. Emphasis is given to equal treatment of all shareholders.

14 TAKE-OVERS

There are no defence mechanisms against take-over bids in the Group's Articles of Association, nor have other measures been implemented to limit the opportunity to acquire shares in the company. The Norwegian government owns 50.004 per cent of the shares. The marketability of these shares is subject to parliamentary discretion. The Board's instructions contain an item that refers to the guiding principles for how the Board shall react in the event of any take-over bid. The Board is responsible for ensuring that KONGSBERG's shareholders are treated equally and that operations are not disrupted unnecessarily.

If a bid is made for the entirety or parts of the company, the Board shall draw up a statement containing a well-founded evaluation of the bid and, if need be, provide an independent third-party assessment. The evaluation shall specify how, for example, a take-over would affect long-term value creation at KONGSBERG.

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

15 AUDITOR

The auditor's relationship to the Board

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

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

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

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

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

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

05

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Directors' Report 2021

Kongsberg Gruppen (KONGSBERG) is an international technology group. We deliver advanced, sustainable and reliable high-tech solutions that help ensure secure, safe, efficient and environmentally friendly operations. KONGSBERG has customers in the global defence, maritime, energy, fisheries and aerospace sectors.

Sustainable innovation is an integral part of KONGSBERG's business strategy. Our biggest contribution to achieving both our own and internationally established sustainability goals is through the delivery of high-tech products and services to reduce our customers' climate footprint.

2021 was a solid year for the Group and KONGSBERG enters 2022 with a strong order backlog of nearly NOK 50 billion and strong market positions. In 2021, the COVID-19 pandemic also had a significant effect on both working methods and processes. Despite the uncertainty and challenges caused by the pandemic, the company has maintained good operations and project implementation while securing a significant new order intake. Both Kongsberg Maritime and Kongsberg Defence & Aerospace improved their profitability and order intake. Kongsberg Digital has increased the number of dynamic digital twins in operation and also onboarded a number of new customers for its Vessel Insight solution. Overall, KONGSBERG performed well in 2021 and has a solid foundation for further growth.

Operating revenues increased by 7 per cent compared to 2020, to MNOK 27,449. Kongsberg Maritime (KM) had operating revenues of MNOK 16,507, Kongsberg Defence & Aerospace (KDA) had operating revenues of MNOK 10,078 and Kongsberg Digital (KDI) had operating revenues of MNOK 845. The Group's order backlog increased from MNOK 35,947 at the end of 2020 to MNOK 49,535 at the end of 2021. KM's order backlog increased by NOK 1.6 billion, KDA's order backlog increased by just over NOK 12 billion and KDI's order backlog was practically unchanged over the year. In total, the Group's order intake of MNOK 40,979 was up on MNOK 28,818 in 2020. The book-to-bill ratio was 1.49. EBITDA increased by MNOK 836 to MNOK 4,086 in 2021. Both KM and KDA had an increase in EBITDA, while KDI's EBITDA went down as a result of the ongoing scaling of the business. Strong project implementation and cost discipline contributed to a solid profitability.

Profit for the year after tax in 2021 amounted to MNOK 2,290 compared to MNOK 1,481 from continuing operations the previous year, corresponding to NOK 12.06 per share (NOK 8.01). The Group had a positive cash flow of MNOK 697 in 2021 (MNOK 1,766) and had net interest-bearing debt of MNOK -5,668 (MNOK -3,949) at the end of the year. At the end of the year, Group equity was MNOK 13,618 (MNOK 13,301).

KONGSBERG

Headquarter	Kongsberg
Number of employees	11 122
Share of employees outside Norway	37%
Number of countries with presence	37
Share of revenues outside Norway	81%

KONGSBERG has a solid financial position and based on this the Board of Directors will propose to the Annual General Meeting on 11 May 2022 a dividend of NOK 15.30 per share (a total of MNOK 2,736) of which NOK 3.30 is part of the Groups ordinary dividend policy and NOK 12.00 is in addition. In addition, a buy-back program of shares for cancellation, of up to MNOK 500, will be proposed. Total remuneration to shareholders will amount to approximately MNOK 3,200, which corresponds to around NOK 18.10 per share.

BUSINESS AREAS

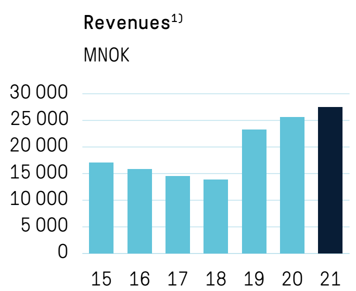
Kongsberg Defence & Aerospace

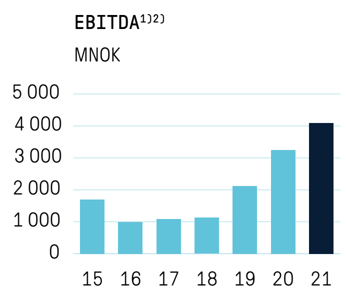
MNOK	*2021*	*2020*
Operating revenues	10 078	8 503
EBITDA	2 150	1 656
EBITDA margin	21.3%	19.5%
Order intake	22 221	11 891
Order backlog	35 632	23 477

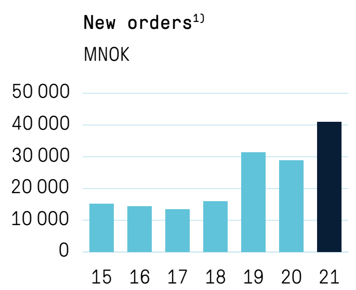
KDA had operating revenues of MNOK 10,078 in 2021, MNOK 1,575 higher than in 2020. The EBITDA margin as of 31.12.21 was 21.3 per cent, compared to 19.5 per cent in 2020. All divisions achieved growth in terms of both operating revenues and EBITDA during the year. The order backlog increased from MNOK 23,477 at the end of 2020 to MNOK 35,632 at the end of 2021, of which 73 per cent comprised deliveries outside Norway. The strong order backlog will provide a good basis for increased growth in operating revenues in the future.

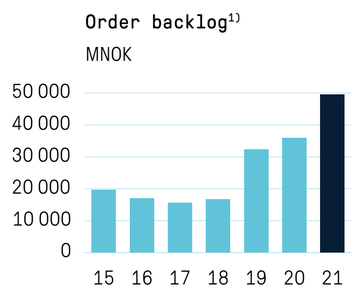
The Integrated Defence Systems (IDS) division increased its operating revenues of almost 30 per cent and was the KDA division with the highest operating revenues in 2021. IDS supplies systems including the NASAMS air defence system, submarine combat systems and digital solutions for military vehicles. The increase in turnover was mainly driven by large NASAMS contracts signed in recent years. In 2021, KDA signed a contract for the delivery of a combat system for new Norwegian and German submarines to be built in Germany. This contract can be characterized as a breakthrough for an initiative that has been engaged for many years and is proof of the long-term dedication by the defence industry. The agreement will provide operating revenues well into the 2030s and will both provide volume and be of long-term importance for KONGSBERG and a number of local and national subcontractors.

KONGSBERG (GROUP)









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

2) From 2020 onwards profit shares are not longer included in EBITDA and EBIT. Compareable figures are adjusted.

KDA had operating revenues above NOK 10 billion in 2021, an increase of 18.5 per cent on the previous year.

The Land Systems division, which supplies remote weapon stations (RWS) and communications equipment, achieved increased growth in 2021 and was KDA's second-largest division in terms of operating revenues. The division's largest customer is the US Army for which, through the US CROWS programme, KDA has been the main RWS supplier since 2007. In 2021, KDA signed a MUSD 500 extension of the existing CROWS IV framework agreement, originally signed in 2018. KDA also signed a framework agreement worth up to MUSD 94 in 2021 for delivery of RWS with 30 mm cannons as part of a new air defence system known as MADIS (Marine Air Defense Integrated System). KDA has currently delivered approximately 21,000 weapon stations to 28 nations.

Through its Aerostructures division, KONGSBERG has supplied advanced composite and titanium aircraft parts for the F-35 combat aircraft since 2008. Delivery volumes have increased every year. From producing a few parts in the first few years, the programme is now in full production. Kongsberg Aviation Maintenance Services (KAMS), formerly AIM Norway, is part of the Aerostructures division. The company was acquired and integrated in 2019. KAMS has performed well since the company became part of KONGSBERG and increased its turnover by more than 25 per cent in 2021 compared to the previous year. The company is an important part of KDA's commitment to upgrading and maintenance, and in 2021 KAMS signed upgrade agreements relating to the Norwegian F-16 aircraft for resale. A maintenance agreement was also signed for the Norwegian AW101 rescue helicopters, and KAMS was also authorised as a maintenance supplier for the Norwegian Air Force's fleet of Bell 412 helicopters. KAMS is continuously working on further developing its strategic cooperation with the Norwegian Armed Forces and is well positioned for continued growth in the years to come.

The Missile Systems division had increased growth and accounted for almost half of KDA's order intake in 2021. The Naval Strike Missile (NSM) and the Joint Strike Missile (JSM) are the main products in the division. These long-range high-precision missiles are world-leading with their 5th generation low-signature design. Missile Systems signed contracts for both the delivery of new NSMs and the maintenance of existing NSMs with Norway, Germany and Poland in 2021. The division also signed a significant supply contract for JSMs for the Norwegian F-35 fleet towards the end of the year. KONGSBERG now has contracts with both Japan, which was the first country to order JSMs, and Norway for missile deliveries. Over the coming years, further increases in activity levels are expected for both JSM and NSM as a result of demand for this type of capacity from many countries.

Through its Space & Surveillance (DSS) division and the Kongsberg Satellite Services (KSAT) joint venture, KONGSBERG is the Nordic region's largest supplier of equipment and services to the aerospace industry. Space is an important focus area for KDA and significant investments were made in the area during 2021. A number of important satellite launches had KONGSBERG equipment on board in 2021, including Galileo satellite numbers 27 and 28, which were launched in December. Another prestigious project bringing success for the division was when NASA completed its landing on Mars on 18 January 2021. The vehicle that landed on the planet was equipped with important electronics from KONGSBERG.

The defence business has not experienced major economic consequences as a result of COVID-19. Project progress has been affected by the situation to a minor extent despite some challenges with the movement of staff across borders. In addition, certain contract negotiations have proved somewhat more time-consuming due to travel restrictions.

A lack of individual components affected many companies in 2021. KDA depends on supplies from several hundred subcontractors both in Norway and abroad. The component situation is being closely monitored and additional resources were introduced early in the pandemic to ensure the flow of goods, consignments and alternative subcontractors to avoid delays in production. The business area did not experience significant delays related to component shortages in 2021, but was affected by somewhat increased prices and longer lead times for certain components. The situation and developments will be closely monitored in 2022 and measures initiated on a continuous basis.

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

It is important for the Norwegian defence industry that the Norwegian authorities' emphasis is on repurchase agreements and agreements that secure market access in connection with purchase of defence equipment from abroad. When the Norwegian Armed Forces make significant investments through foreign suppliers, this often ties up a significant proportion of the defence budget. To ensure that military supplies are well adapted to Norwegian conditions and to guarantee a sustainable and competitive Norwegian defence industry, we emphasise the importance of Norwegian participation in such programmes. Both the Government and the Parliament have stressed the importance of industrial participation for Norwegian industry, and that this is in line with international practice. KONGSBERG will continue to emphasise partnerships with major defence contractors and continue to support the local industry in the business area's markets further. KONGSBERG's position as an attractive defence supplier in the international market will continue to be based on close cooperation with the Norwegian Armed Forces. This cooperation forms the platform for the development of leading products that are essential for any modern defence system. Such participation also means increased activity for many of the business area's approximately 1,500 Norwegian subcontractors.

Kongsberg Maritime

MNOK	*2021*	*2020*
Operating revenues	16 507	16 319
EBITDA	1 977	1 532
EBITDA margin	12.0%	9.4%
Order intake	17 936	15 925
Order backlog	13 023	11 386

In 2021, operating revenues amounted to MNOK 16,507, up from MNOK 16,319 in 2020. EBITDA in 2021 amounted to

Investing in defence programmes is an extensive and time-consuming process. The customers for large defence systems are national authorities in the respective countries. These customers consider national security and domestic economic development as significant factors, in addition to price and performance, when purchasing defence equipment.

MNOK 1,977, while the EBITDA margin was 12.0 per cent compared with MNOK 1,532 (9.4 per cent) in 2020. Order intake during 2021 amounted to MNOK 17,936, equivalent to a book-to-bill ratio of 1.09. The order intake was up MNOK 2,011 from 2020. KM has diversified exposure and delivers equipment and solutions for most maritime vessel segments, such as traditional transport vessels, offshore, fishing, research, passenger ships and marine robotics. This makes the business area less vulnerable to fluctuations in individual segments.

At the outbreak of the ongoing pandemic in the winter/spring of 2020, a number of measures were quickly implemented to limit the infection, maintain as normal a level of operations as possible and ensure that cost levels were adapted to the level of activity. The results KM has delivered throughout the pandemic would not have been possible without the measures taken. KM has employees in 34 countries and operations around the world, which means that measures have varied considerably in line with the restrictions enacted in individual regions. Our global presence has proven to be important in delivering projects as well as performing service assignments during the pandemic, as travel restrictions have posed a major challenge.

Contracting of new vessels picked up in 2021 compared to the previous year. This resulted in KM having a higher order intake from the new-build market. In the order intake from the new-build market in 2021, three vessel segments can be highlighted: offshore wind, naval and towing vessels (tugs). KM has established itself as a leading supplier of systems to these markets. Order intake was over NOK 1 billion throughout the course of the year from all three market segments. KM's two largest orders signed in 2021 came from the offshore wind segment. These included significant deliveries of equipment for three wind turbine installation vessels, two of which will be built for the Danish company Cadeler and one for US-based Dominion Energy.

As part of the acquisition of Rolls-Royce Commercial Marine (CM), a comprehensive programme was launched to realise cost and sales synergies. The cost synergies realised since the acquisition have been a key factor behind KM's improved margins in recent years. Sales synergies (cross-selling) were also a major factor in 2021. A large part of the rationale behind KONGSBERG's acquisition of CM in 2019 was the complementary product and market portfolio between the two companies.

In 2021, cross-sales totalling NOK 1.1 billion were made to the new-build market, as well as cross-sales to the aftermarket. Overall, cross-sales of NOK 2 billion have been completed since the acquisition. This only includes additional sales as a result of the integration of CM and KM. Around MNOK 500 of the additional sales were related to offshore wind projects. The remainder was distributed between most of the vessel categories that KM supplies, such as tankers, research vessels, LNG, ferries and other traditional merchant marine vessels.

KM has, through its Sensors & Robotics division, a portfolio of sensors and sensor solutions that are central to mapping, monitoring and understanding the ocean environment. This contributes to the safe and reliable management of operations both on and below the surface of the sea. The demand for this type of system does not directly correlate with the traditional vessel market, but is driven by demand from segments such as research and fishing, and also offshore operations related to both traditional offshore oil and

In the order intake from the new-build market in 2021, three vessel segments stood out: offshore wind, naval and towing vessels (tugs). KM has established itself as a leading supplier of systems to these markets.

By the end of the year, KDI had signed Vessel Insight agreements for around 1,100 vessels. More than 60 shipowners now use Vessel Insight on all or part of their fleet.

gas as well as renewable energy. Despite a relatively modest increase in operating revenues in 2021 compared with 2020, order intake in this area increased by approximately 15 per cent. There is a strong demand for solutions related to ocean environment monitoring.

KM has a well-established aftermarket network supporting more than 30,000 vessels fitted with KM equipment. KM's significant activity here is the result of several decades of rolling out KM products and systems. One new sale creates aftermarket activity for the next 20–30 years and good aftermarket work during this period can again lead to new sales at a later date. The relationship between new builds and the aftermarket is, therefore, extremely important. In 2021, the aftermarket accounted for approximately half of KM's revenues and order intake.

With new regulations and a significantly greater focus on sustainability in the market in general, the demand for environmentally friendly solutions is increasing. KM has relatively low emissions from its own operations, but at the same time supplies industries that have historically been responsible for significant emissions and are facing a major transition. One of the most important objectives with KM's deliveries is to streamline and secure customer operations. In addition to ambitions to reduce the climate footprint from its own operations, it is therefore important to work with customers to develop new and more environmentally friendly products and solutions. Here, the technologies within the business area can really make a difference. In 2021, KM launched a system using hydrogen as an energy carrier for the propulsion of vessels. The system will be installed on a hydrogen-powered passenger ferry that will run between Kirkwall and Shapinsay in Orkney.

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

Kongsberg Digital

MNOK	*2021*	*2020*
Operating revenues	845	821
Recurring revenues	347	278
EBITDA	(45)	34
Order intake	789	997
Order backlog	932	977

In 2021, operating revenues amounted to MNOK 845, up from MNOK 821 in 2020. Recurring revenues were 41 per cent of operating revenues. EBITDA for the year was negative in the amount of MNOK 45. KONGSBERG has major growth ambitions for KDI. Throughout 2021, KDI further strengthened its organisation with both software developers and commercial resources, and invested significantly in the deployment of new solutions and applications. This affected KDI's operating profits for 2021, and it is expected that this will also apply in 2022.

KDI was established in 2016 as an important step in the development of the next generation of digitalised products and services within our core areas. Demand for our digital twin solution Kognitwin and the "ship-to-cloud" solution Vessel Insight increased in 2021. By the end of the year, KDI had signed Vessel Insight agreements for around 1,100 vessels. More than 60 shipowners now use Vessel Insight on all or part of their fleet. In total, these shipowners control more than 2,750 vessels, representing considerable potential for additional sales.

Since its establishment, important steps have also been made with the business area's dynamic digital twin Kognitwin Energy. Since the first contract was signed with Shell in the autumn of 2019, both the number of installations and the number of users have increased considerably. By the end of the year, KDI had eight digital twins in operation, with about 1,700 users, representing an increase of 1,300 users in 2021. KDI also has a number of ongoing "proof of concept" (POC) agreements under which customers test and evaluate Kognitwin on individual installations.

The Maritime Simulation area accounted for about 35 per cent of KDI's operating revenues in 2021 but saw an overall decrease in operating revenues compared with 2020. However, order intake for the area was 19 per cent higher than last year and developments, particularly in the second half of the year, were positive. In 2021, the business area saw increased use of the K-SIM Connect application-based solution, which allows users to access the solutions from their own PCs and tablets.

The phase that KDI now finds itself in means that it is natural to assess both future partner models and other models in order to fully realise the potential that KONGSBERG sees in KDI, including a stock exchange listing.

COMMENTS TO THE FINANCIAL STATEMENTS

Operating revenues

The Group's operating revenues in 2021 amounted to MNOK 27,449, up 7 per cent from MNOK 25,612 in 2020. KM had operating revenues of MNOK 16,507, while KDA had operating revenues of MNOK 10,078 in 2021.

EBITDA development

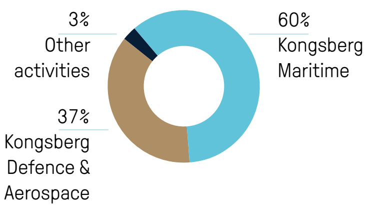
EBITDA was MNOK 4,086 in 2021, with an EBITDA margin of 14.9 per cent, compared to MNOK 3,250 in 2020. KDA increased its EBITDA from MNOK 1,656 to MNOK 2,150 between 2020 and 2021, while KM increased its EBITDA from MNOK 1,532 to MNOK 1,977.

Performance

Earnings before tax were MNOK 2,922, compared with MNOK 1,855 in 2020. Profit after tax from continuing operations was MNOK 2,290, equivalent to NOK 12.06 per share in 2021, compared to MNOK 1,481 in 2020. Profit after tax, including divested operations, was MNOK 2,290 in 2021, corresponding to NOK 12.06 per share, against MNOK 2,932 in 2020. Return on average capital employed (ROACE) was 32.7 per

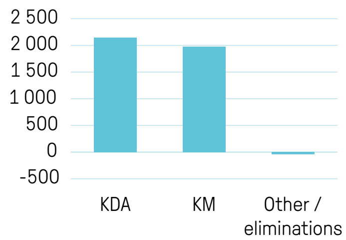
Distribution of revenue

Per cent



Distribution of EBITDA

MNOK



MNOK		*KONGSBERG consolidated*	*Kongsberg Defence & Aerospace*	*Kongsberg Maritime*	*Other/ eliminations*
Operating revenues	2021	27 449	10 078	16 507	864
	2020	25 612	8 503	16 319	790
EBITDA	2021	4 086	2 150	1 977	(41)
	2020	3 250	1 656	1 532	62
EBITDA margin	2021	14.9%	21.3%	12.0%	(4.7%)
	2020	12.7%	19.5%	9.4%	7.8%
New orders	2021	40 979	22 221	17 936	822
	2020	28 818	11 891	15 925	1 002

cent in 2021 (20.8 per cent in 2020).

The Board of Directors will propose a dividend of NOK 15.30 per share to the Annual General Meeting on 11 May 2022 (MNOK 2,700 in total) of which NOK 3.30 is part of the Groups ordinary dividend policy and NOK 12.00 is in addition. In addition, a buy-back program for cancellation, totalling MNOK 500, will be proposed. Total remuneration to shareholders will then amount approximately MNOK 3,200, which corresponds to NOK 18.30 per share. The equivalent dividend in 2021 was NOK 8.00 per share, a total of MNOK 1,440, of which NOK 5.00 per share was in addition to the Group's ordinary dividend. A buy-back programme for treasury shares for cancellation was also initiated, for up to MNOK 400. As of 31 December 2021, 592,028 of these shares had been bought back for a total of MNOK 153. The number of outstanding shares, including shares owned by KONGSBERG, was 178,833,446 as of 31 December 2021.

Cash flow

KONGSBERG had a positive cash flow from operational activities of MNOK 4,970 (MNOK 2,751) in 2021. This mainly consists of EBITDA of MNOK 4,086, adjusted for changes in current assets and other operating items.

In 2021, there was a negative cash flow related to investment activities of MNOK 698 (MNOK +2,392). The sale of the American subsidiary Hydroid Inc. contributed MNOK 3,040 in 2020. The largest outgoing cash flows related to investment activities are MNOK 555 related to the purchase/sale of property, plant and equipment, and MNOK 215 related to capitalised development.

Cash flow from financing activities was negative in the amount of MNOK 3,490 (MNOK 3,474), mainly related to dividends paid, debt repayments and interest expenses.

Net change in cash and cash equivalents, after the effect of exchange rate changes, was MNOK 697 (MNOK 1,766).

Capital structure

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

The priorities as regards capital allocation also take into account the company's dividend policy and are explained in more detail in Note 5 in the annual report. As of 31 December 2021, KONGSBERG's ratio for net debt/EBITDA was -1.6.

The Group's equity as of 31 December 2021 was MNOK 13,618, which represents 34.6 per cent of total assets. Net interest-bearing debt (interest-bearing debt minus cash) was MNOK -5,668. At year-end, long-term interest-bearing debt mainly consisted of four long-term bonds totalling MNOK 2,450.

The Group's syndicated loan facility of MNOK 2,300 was unused at the end of 2021.

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

Foreign currency

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

> In recent years, KONGSBERG has performed positively and shown that we are able to adapt to significant and rapid changes.

The company's order backlog increased to NOK 50 billion during 2021.

At the end of 2021, the balance of forward contracts related to fair value hedges was MNOK 13,968 measured at the agreed rates. These forward contracts had a net fair value of MNOK 188. In addition, the group had net sales of currency equivalent to MNOK 15 as cash flow hedges measured at agreed exchange rates, consisting of forward contracts. At year-end, these forward contracts had a net positive fair value of MNOK 37.

OUTLOOK FOR 2022

In recent years, KONGSBERG has performed positively and shown that we are able to adapt to significant and rapid changes. The unpredictability of the COVID-19 pandemic has forced us to think differently and resulted in a number of changes and transitions. There is still uncertainty associated with the pandemic. We still need to plan for indirect effects such as travel restrictions, quantity restrictions and challenges within logistics and components. This will continue to affect our working methods and will require vigilance and coordination in the future.

The company's order backlog increased by NOK 13.6 billion during 2021. Out of the total order backlog, NOK 19.9 billion will be delivered during 2022. This gives order coverage of NOK 2 billion greater than it was at the start of 2021. Order intake from the aftermarket is included in the order backlog to a minor extent. The order backlog for associated companies as well as framework agreements are in addition to the reported order backlog. There is a good basis for further growth in 2022.

Kongsberg Maritime's markets have been challenging throughout the pandemic. There are still certain challenges, especially relating to access to and delivery time of certain components. At the same time, contracting of new vessels rose in 2021. The order reserve at the start of 2022 is NOK 13 billion, of which NOK 8.5 billion is for delivery in the current year. This provides a foundation for growth in 2022. KM has carried out considerable measures to adjust cost levels in recent years. This, together with general efficiency measures, means that the business area is on track in terms of its current margin target.

Kongsberg Defence & Aerospace has largely maintained operations at an almost normal level throughout the pandemic. The year 2021 saw records set for new contracts and the business area entered the new year with an order backlog of NOK 36 billion, of which NOK 11 billion is for delivery in 2022. The growth rate from last year is, therefore, expected to continue. The project mix on which it is delivered is an important factor for the profitability of the business area. The projects that will contribute most to operating revenues in 2022 will largely be the same as in 2021 and profitability is therefore expected to remain at a good level.

Kongsberg Digital increased the number of installations of both Kognitwin and Vessel Insight systems in operation in 2021, and there is great market activity and increased demand for the business area's solutions. It is expected that the proportion of recurring revenues will increase to about 50 per cent in 2022. However, as a result of significant continued investment in increased capacity, development and the roll-out of digital solutions, negative EBITDA and cash flow are expected from the business area. KONGSBERG has great ambitions for KDI and the business plan for the area is targeting a turnover of NOK 2.8 billion in 2025.

Overall, KONGSBERG expects revenue growth and is on track to reach its targets for 2022.

FUTURE STRATEGY AND PRIORITIES IN 2022

KONGSBERG is a global technology company that supplies systems with extreme performance for extreme conditions. KONGSBERG's deliveries are often of great strategic importance for our customers, and contribute to the satisfaction of important sustainable societal needs and development trends within defence and security, energy, transport, climate and the environment. Our technology contributes to making critical operations for sustainable future solutions possible.

KONGSBERG's focus is to ensure the company's competitiveness, while also laying the foundations for sustainable and profitable growth. The company has an active and dynamic approach to the management and evaluation of its entire portfolio and has a clear strategic goal of maintaining a leading position in innovation and technology development within the Group's core areas. Our business culture is characterised by high ethical standards and integrity, and this forms the basis for our strategic decisions and business choices.

Growth will come from the development and expansion of

THE BUSINESS AREAS' PRIORITIES IN 2022

Kongsberg Defence & Aerospace

- Ensure good implementation of the major ongoing defence programmes.
- Consolidate strategically important contracts.
- Maintain a position as a leading defence provider in Northern Europe.
- Further strengthen existing positions in the US.
- Further develop cooperation with Patria, and through KAMS develop into a strong, international player within military maintenance.
- Identify and develop sustainable solutions that both contribute to the green transition and safeguard our societal role in security and defence.
- Expand our deliveries within the space industry, for both the commercial sector and defence markets.
- Ensure international market opportunities and industrial cooperation related to Norwegian defence investments.
- Continuous work on efficiency measures.

Kongsberg Maritime

- Take advantage of our bridge-to-propeller portfolio and sales and service setup to maintain our position as a leading technology supplier to the maritime industry.
- Continue work on harmonising our product portfolio.
- Continue our product innovation, including concepts in digitisation, autonomy and green shipping.
- Improve profitability through continuous work on efficiency measures.
- Contribute to shaping the maritime future and positioning KM as the preferred supplier to important maritime sectors throughout the ocean space.

Kongsberg Digital

- Digitalisation of the maritime market through ”Vessel Insight” in order to contribute to streamline the customers operations through utilization of available and simulated data.
- Ensure further development of KDI through focus areas such as ”Dynamic Digital Twin” which contributes to increase the efficiency and security in complex operations.
- Contribute to innovation and digital transformation of the cloud-based platform “Kognifai” through collaboration with partners.
- Ensure that KDI has the necessary resources at its disposal to take up strong positions within priority sectors.

existing products, services and solutions, as well as the development of new products for new markets.

In addition, acquisition opportunities are continuously assessed in accordance with KONGSBERG's strategic direction, to increase the company's potential to create value. The Group will contribute to a greener and more sustainable society, including through the development of systems, digital tools and processes to increase efficiency. KONGSBERG will develop a competitive edge by taking a leading role within sustainable innovation.

One important priority for KONGSBERG is to ensure that all business areas have the necessary resources and capacity to facilitate delivery that matches the company's strategic ambitions. Employee involvement, leadership development, a strong culture, diversity, and opportunities for continuous training and development are areas of great importance for KONGSBERG to continue to be an attractive employer that is well positioned to retain and attract highly skilled and dedicated people.

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. The main focus for KDA is to secure strategically important contracts and achieve growth in selected geographical regions and markets, both through our own activities and in collaboration with partners. KONGSBERG will also develop its position as a leading Nordic space company.

In 2021, KONGSBERG secured a number of important contracts that support our strategic priorities. Kongsberg Aviation Maintenance Services (KAMS) became the first authorised maintenance centre in Norway for the Bell 412 fleet, an important step in continuing the development of KAMS into a leading international provider of defence maintenance. The contracts for combat systems for German and Norwegian submarines and for NSM for both these two countries, confirms KDA's position as the leading defence supplier in Northern Europe. KDA is also looking at opportunities to build on its presence in the US market. KDA is constantly working to identify opportunities to develop solutions for a more sustainable defence. The circular economy is an important area of focus, and activities prolonging the life of systems are also high on the agenda. The entire value chain, encompassing both customers and suppliers, is working closely to contribute to a green transition while safeguarding our societal mission within security and defence.

Kongsberg Maritime

Through KM, KONGSBERG occupies a leading position as an equipment and systems supplier to the maritime market. Efficient operations, safety and energy efficiency are key drivers for the further development of the KM product portfolio within the maritime market, both in existing and new markets such as offshore wind, environmental monitoring and seabed mapping. We will be a driving force behind the green transition and integrate operational efficiency and sustainability into all our products and services. We will improve our position in the upgrade market, especially in the delivery of hybrid solutions such as battery power. We are working closely with our customers and partners to improve the green footprint throughout the life cycle of a system. KM also continues to work on the harmonisation of its product portfolio and is implementing continuous measures to improve the efficiency of the business further. KM is part of the solution for the creation of a future sustainable marine environment and aims to be a technology leader in terms of both transport and resource utilisation.

Kongsberg Digital

KDI continued its progress in 2021 and is well positioned to become a key player in the digitisation of capital-intensive industries. Our ambition is to create a world-leading digital working platform. The business area has continued to invest and improve its capabilities in core business areas, and this has resulted in a significant increase in the number of users for both the ship-to-cloud solution Vessel Insight and the dynamic digital twin solution Kognitwin Energy. The phase that KDI now finds itself in means that it is natural to assess both future partner models and other models in order to fully realise the potential KONGSBERG sees in KDI, including a stock exchange listing.

KONGSBERG SHARES AND SHAREHOLDERS

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

The price of KONGSBERG shares increased from NOK 176.20

KONGSBERG had a market value of NOK 51.1 billion at the end of 2021.

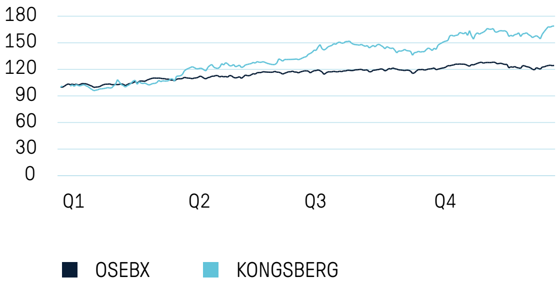
at the end of 2020 to NOK 286.00 at the end of 2021. This gives a market value at the end of 2021 amounting to MNOK 51,146. Including a dividend of NOK 8.00 per share, the return in 2021 amounted to 66.9 per cent. The benchmark index on the Oslo Stock Exchange (OSEBX) rose by 23.4 per cent during the same period. As of 31 December 2021, KONGSBERG had 16,507 shareholders (14,678). The company had 943 (916) foreign shareholders who together owned 19.90 per cent of the shares (17.76 per cent). The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, is the largest shareholder with 50.004 per cent of the shares. At the end of the year, the ten largest shareholders held a total of 70.62 per cent (71.99) of the shares. The number of shares outstanding is 178.83 million, each with a nominal value of NOK 1.25. By the end of 2021, KONGSBERG held a total of 613,987 (191,387) treasury shares. Of these, 592,028 shares were related to a repurchase programme of up to MNOK 400, half of which were repurchased in the market. The remaining shares, up to MNOK 200, will be purchased from the State – that is, from the Ministry of Trade, Industry and Fisheries – in accordance with an agreement between KONGSBERG and the Ministry. The shares were repurchased under the authorisation given to the Board by KONGSBERG's Annual General Meeting on 6 May 2021. KONGSBERG will ask the 2022 Annual General Meeting for approval to re-absorb shares repurchased under this programme.

KONGSBERG has paid dividends to its shareholders every year since the company was listed in 1993, except for in 2000 and 2001. The company's dividend policy was changed in 2020. The current dividend policy reads: "KONGSBERG's aim is to pay an ordinary dividend per share that is stable or growing from one year to the next. 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 2021, a total of 31.8 million (66.4 million) KONGSBERG shares were traded in 174,154 (185,702) transactions. The company works actively to promote interest in the share through activities within the investor markets. KONGSBERG is regularly represented at road shows, meetings and conferences both in Norway and abroad. In 2021, this activity was mainly digital. The target for 2022 is a high level of availability and continued progress towards the investor market. Investor presentations are held in connection with each quarterly report.

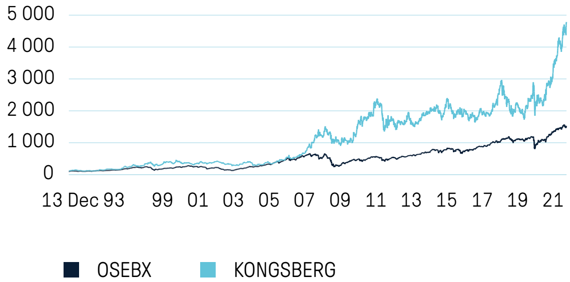
Share price development in 2021

NOK (Indexed at NOK 100 per 1 January 2021)



Share price development since listing on the Oslo Stock Exchange

NOK (Indexed at NOK 100 – 31 December 1993)



The Board believes that employee share ownership is positive. Employees can buy shares in the company through the annual share programme. In the spring of 2021, the Group's annual share programme for employees was carried out for the 25th time. Shares were sold to employees with a 25 per cent discount on the market price.

In 2021, employees were offered shares for up to NOK 71,961 after discount. Under this offer, 1,522,101 shares were sold at a price of NOK 198.66 per share (a 25 per cent discount on the average purchase price adjusted for the dividend). In total, 4,319 employees took advantage of the offer.

RISK FACTORS AND RISK MANAGEMENT

KONGSBERG is exposed to various forms of risk, which the Board monitors by considering individual matters and reporting risk to the Board. The Board is of the opinion that there is a healthy balance between the overall risk and the Group's capacity to deal with risk. The administration prepares monthly operating reports and quarterly risk reports which are considered by the Board. The administration conducts risk analyses in connection with major investments and customer contacts, strategic initiatives and the acquisition and sale of activity. The Audit Committee is a preparatory body for the Board, dealing with the financial statements and relevant assessment issues, compliance issues, and the evaluation of internal control and risk management within the Group. The Audit Committee meets, as a minimum, in connection with the issue of annual and interim financial statements.

The Group's activities are international with delivery of high-tech systems and solutions, primarily to customers within the maritime and defence markets. Market risk could therefore vary somewhat within these different segments. A strong international presence and global dependency mean the Group is vulnerable to factors that impact on international trade, currency and the global economy generally.

The ongoing COVID-19 pandemic means a certain degree of uncertainty for the whole value chain in the future, given travel restrictions, quarantine regulations and other anti-infection measures, as well as the flow of inputs and finished products. As long as the pandemic is ongoing, we must expect continued uncertainty in some markets, and recognise that a resurgence of infection rates could adversely affect activity levels. A major outbreak at KONGSBERG could also lead to periods of lower activity and delays in deliveries to customers. The group has implemented and will continue to implement new preventive measures in accordance with the relevant authorities' applicable guidelines. This is to protect our own employees and business connections and, as far as possible, ensure normal operations. After almost two years of COVID-19, KONGSBERG has had many experiences that will be valuable in managing the COVID-19 pandemic in the future, as well as any future pandemics and other emergency situations.

When preparing the annual accounts, assessments have been made with consideration given to possible COVID-19 impacts on the accounting items. Lower activity among customers and suppliers, travel restrictions and an increased risk of delays to projects as a result of temporary closures and a lack of inputs will affect sales, profits and order intake. Furthermore, there is also a greater risk of cancellation of customer contracts and delayed or absence of payments as a result of a large section of the customer base being affected. This in turn could lead to an increased risk of losses on receivables, goods, project assets and currency futures. In 2021, the Group has had only limited losses and write-downs.

At the end of 2021, there was increased political tension between Russia and Ukraine, and in February 2022 the situation escalated with the Russian invasion of Ukraine. The conflict is affecting the flow of energy and goods between the two countries and the rest of the world, and in 2022 broad sanctions were implemented. This will also affect KONGSBERG, and as such the situation is being closely monitored.

The offshore market comprises exploration, development, production and transport of oil and gas.

There are also support functions such as supply services, operational support, as well as maintenance and service on platforms and vessels. KONGSBERG is a supplier of products and services for all these segments. The demand for energy and oil price development will impact the willingness to invest in this market. Investment levels can also vary between the various geographical areas depending on, for example, oil reserves and the level of exploration and production activities. Despite strong development in individual segments such as LNG, there has generally been a negative trend in the oil and gas and offshore markets in recent years. A persistently weak environment, in which markets that have been strong over the past year are also

In order to take new market positions as well as maintain existing ones, significant funds are spent annually to develop both new and existing products.

being affected, will increase the Group's risk and may impact on its activity levels. The uncertainty surrounding future developments in oil prices affects investment levels in several segments, while at the same time providing opportunities in other segments where KONGSBERG's technology can make a difference. Throughout 2021 there has also been a further increase in the focus on sustainability. This affects investors and lenders in their assessments and could further affect KONGSBERG and our customers' and suppliers' activities and priorities in the future.

The merchant marine market includes all types of vessels from simple dry cargo ships to advanced tankers. Passenger ships in cruise and ferry traffic are also an important part of the market. Contracting of new ships is closely linked with the expected development in transport demand. Global economy development influences the demand for water transport of people, energy, raw materials and manufactured products. The type of ship and geographical areas also influence the market. Within a number of segments, the market for new-build vessels is at a low level compared with previous years, and there is considerable uncertainty linked to further development in the short- to mid-term.

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

The acquisition of RRCM in 2019 was a significant transaction for the Group, and it has been crucial to integrate the business into KM successfully and quickly. KONGSBERG has succeeded in this and has largely implemented the planned restructuring of the company to the extent that RRCM is now an integral part of KONGSBERG. The Board of Directors considers that the risk arising from the acquisition has now passed.

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

KONGSBERG mainly operates in markets that are highly susceptible to technological developments, ones that may affect KONGSBERG's leading position with regards to technology. In order to take new market positions and maintain existing ones, significant funds are used annually to develop both new and existing products. Cyclical fluctuations will also influence the markets to various degrees and at different points in time. Export control regulations and sanctions may result in uncertainty in terms of market opportunities. In 2021, attention on the restriction of exports of technology products through export control regulations has continued, and combined with the ongoing trade war between the US and China, the risk linked to restrictions on market access and sanctions is at the same level as in 2020.

The Group delivers systems and solutions of high technological complexity, and the deliveries are typically organised as projects. Effective project management is therefore a key success factor in reducing operating risk. KONGSBERG has established project management goals based on internal and external "best practices", and project managers attend training programmes. Project revenues are largely based on contracts, and the uncertainty is largely related to estimating the remaining costs and determining the percentage of completion, but also counterparty risk and warranty obligations. The Group has established principles for categorising projects in terms of technological complexity and development content. This forms the basis for an assessment of implementation risk and recognition of revenue in the projects. KONGSBERG is exposed to financial uncertainty through currency risk, interest risk, credit risk and liquidity risk. The aim is to reduce financial risk and, through this, improve predictability within the Group. KONGSBERG's financial risk is managed centrally by guidelines for financial risk management adopted by the Board and included in the Group's financial policy. The Group's financial risk management is described in Note 5 to the financial statements, "Management of capital and financial risks". The Group has a diversified customer base, mainly comprising public sector institutions and larger private companies in numerous countries. Historically, the Group has had low losses on receivables. Measures to limit the risk exposure are implemented continuously where the administration deems it necessary. The Group's liquidity risk is managed centrally through the refinancing of loans and available capital, as well as the use of liquidity prognoses.

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

KONGSBERG has recognised substantial book values in the balance sheet which are justified by future cash flows. Any reduction in cash flows may affect the value of the assets. In 2016, KONGSBERG purchased 49.9 per cent of the shares in Finnish company Patria, which had a book value of MNOK 2,846 on 31 December 2021. Patria's results were poor in the periods after the acquisition but have shown a clear improvement in the last two years. A persistent deterioration in Patria's results could mean that it will be challenging to defend the book values.

Deferred tax benefits have also been reported based on tax losses dependent on future tax earnings in order to be utilised.

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

We carry out external evaluations of our compliance and anti-corruption programme every three years, with the last occasion being in 2020.

The Board considers KONGSBERG's compliance programme to be at an extremely good level.

As a high-tech company, KONGSBERG is constantly exposed to threats associated with data security and is under constant pressure from different external players. In essence, it is at risk from data virus attacks, attempts at hacking, social engineering and phishing scams. Executive management prioritises and pays close attention to monitoring and other measures to prevent being compromised. To be as well equipped as possible

Regulations, as well as monitoring and reporting systems, are established for managing risks related to areas such as anti-corruption, export controls and sanctions, supply chains and whistleblowing.

Sustainability and ESG are integrated into the Group's strategy processes. Sustainable innovation is a central element in contributing towards solving the major global challenges the world faces. For KONGSBERG, this means business opportunities in several markets viewed in the light of our broad technological and skills platform.

against this type of threat, KONGSBERG has established the Kongsberg Cyber Security Center, and works closely with the National Security Authority and a number of leading competence environments. This, together with providing employees with information and training, helps to ensure that the Group continuously improves its ability to withstand these threats. In 2021, KDA, representing KONGSBERG, became a member of FIRST (Forum of Incidence Response and Security Teams). FIRST is an Internet security forum that helps global coordination by providing information, platforms and tools to find the right partner and promote effective collaboration.

TECHNOLOGY AND PRODUCT DEVELOPMENT

KONGSBERG develops and delivers high-tech solutions nationally and internationally. KONGSBERG's technology platform has been systematically built up through many years and is an important factor in our competitiveness. Technology transfer between the different parts of the Group is significant. Sustainable innovation is an important aspect of the Group's business strategy and future-oriented technology expertise in digitisation has been built up and invested in. We are also working with our main technology partners to further develop our technology platform. KONGSBERG continuously invests in product and system development, both internally financed and through customer-funded programmes. In total, the group spends about ten per cent of operating revenues on product development.

SUSTAINABILITY AND ESG

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

Ethics, integrity and compliance

In carrying out all activities, we are committed to living up to our values and high safety, ethical and quality standards, which are also reported on in our quality management system. The Board believes that such a commitment is fundamental to a healthy, successful and sustainable business. Significant resources are dedicated to maintaining a comprehensive global ethics and compliance programme that is designed to prevent and deter, and to detect and manage any violations of laws, our business ethics guidelines and other important company regulatory and governance documents.

Climate and environment

The climate and environmental statement provides an overview of KONGSBERG's consumption of energy, CO_2 emissions and waste processing. The Group's most significant positive contribution in terms of climate challenges is through our deliveries of products and solutions that in various ways play a part in reducing emissions for our customers. This is central to our business strategy.

In 2021, the Group committed to setting targets to reduce emissions from our own activities, including our supply chain, according to the Science Based Targets initiative. The objectives are described in the environment chapter, on pages 42–52 of this report. Here you will also find a detailed overview of the climate and environmental accounts for 2021. Our ambition for the 2022–2030 period is to reduce our own climate emissions from the use of oil and gas by 50 per cent and from internal electricity consumption by 25 per cent in energy efficiency and technical upgrades. Furthermore, electricity purchases from renewable energy sources will have guarantees of origin. We will reduce emissions from transport and distribution by 25 per cent and from our own business trips by 30 per cent. In addition, our ambition is for at least two-thirds of our suppliers to set their own Science Based Targets for their businesses within five years.

No serious incidents related to environmental pollution were reported in 2021.

HEALTH, SAFETY AND THE ENVIRONMENT

KONGSBERG's vision for health, safety and the environment (HSE) is zero incidents or accidents involving our employees, visitors, customers and partners in our global operations. In order to achieve this vision, we never stop working to build a strong, proactive HSE culture.

At KONGSBERG, safety must always come first, and our employees and partners are instructed to stop work if it involves a safety risk. We believe in cooperation where we all have personal responsibility and work together for the basic principle that HSE work should be preventive. The importance of this was further emphasised during the COVID-19 pandemic.

A global HSE campaign was rolled out in 2021 to increase focus on well-being via the year's "Global HSE day".

Ongoing HSE activities are performed in all business areas to prevent undesirable incidents, and good HSE practice is shared between business areas.

We place emphasis on the increased reporting of near-accidents, high-risk incidents and HSE observations, and these measures will contribute to reducing the number of injuries and accidents. On this basis, KONGSBERG has decided to introduce a central HSE reporting system for the whole Group. In this way, we can learn from each other and encourage suggestions for improvements throughout the organisation.

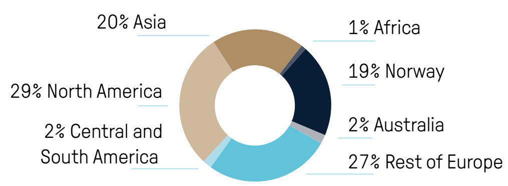
The number of occupational incidents with and without absence ("TRI") rose from 1.67 in 2020 to 2.23 in 2021. The majority of personal injuries are related to falls with a limited degree of injury. Preventive measures are introduced on an ongoing basis.

Extensive use of homeworking has meant that different digital learning platforms have been used to provide training at times when attending the workplace in person has not been possible.

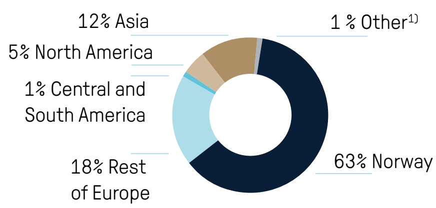
Total sick leave in the group increased from 2.9 per cent in 2020 to 3.0 per cent in 2021.

For activities in Norway, absence due to illness stands at 3.2 per cent, at the same level as

Geographical distribution of revenues



Geographical distribution of employees



1) Australia og Africa

2020. The COVID-19 pandemic has had a certain impact on sick leave, especially in situations where employees have been required to quarantine without access to their own work tasks. There is systematic follow-up of employees on sick leave, particularly in terms of getting long-term absentees back to work. Further details about key sustainable figures for HSE are found in the Group's report on sustainability, page 92.

All employees in Norway have access to company health services. This varies in accordance with local practices and legislation in our foreign business activities. At the end of 2021, 37 per cent of KONGSBERG's employees were based outside Norway. This requires additional attention and insight with respect to HSE issues in the countries in question.

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

OUR EMPLOYEES

Number of employees	*31 Dec 21*	*31 Dec 20*
Kongsberg Defence & Aerospace	3 428	3 189
Kongsberg Maritime	6 857	6 815
Other	837	685
Total in the Group	**11 122**	**10 689**
Proportion outside Norway	37%	38%

KONGSBERG has a unique and strong corporate culture that has been developed over many years. Our culture is a valuable resource, helping us to attract people with the right behaviours and skills to meet the technical challenges of the future in a sustainable way. In 2021, we highlighted typical KONGSBERG behaviours – our vision, common values and group identity. Sound and clear shared values deliver good practices that produce business results. KONGSBERG has clear common denominators and these are expressed and experienced in the same way no matter where we work.

The value of collaboration is fundamental to our business. The "Collaboration Award" is an award given to recognise groups and projects where collaboration has been crucial to successful results. In 2021, the prize was awarded for the fourth time, and the winner was the Ubåtprosjektet (Submarine project) 212 CD capture team project. The project is a collaboration between Kongsberg Defence & Aerospace, kta naval systems, ThyssenKrupp Marine Systems and Kongsberg Maritime.

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

In 2021, a high proportion of our employees worked from home due to COVID-19, and we have therefore prioritised the close follow-up of employees and clear leadership.

An important condition for long-term success is that KONGSBERG properly manages employee competencies. The Group is aiming to increase the exchange of knowledge and staff between the business areas. Good work processes and development opportunities are important incentives in recruiting and retaining good employees. KONGSBERG places emphasis on strengthening competences and is continuously working to develop its employees. Among KONGSBERG employees, 62 per cent have college- or university-level education.

The Group educates skilled workers within several disciplines in cooperation with the education company Kongsberg Technology Training Centre AS, partly owned

An important condition for long-term success is that KONGSBERG properly manages employee competencies. The Group is aiming to increase the exchange of knowledge and staff between the business areas.

by KONGSBERG. During 2021, we had 196 apprentices. The Group also facilitates and stimulates employees to acquire apprenticeship completion certificates as private candidates, known as practice candidates.

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

DIVERSITY

Key figures in diversity	*31 Dec 21*	*31 Dec 20*
Percentage of women	20.4	20.1
Percentage of women in managerial positions out of total managerial positions	19%	19%
Percentage of women in level 1–3 managerial positions out of total managerial positions	25%	23%
ercentage of women in corporate executive management	22.2%	25%
Shareholder-elected women on the Board	40%	40%

KONGSBERG remains convinced that diversity benefits our business, provides access to a wider range of talent and ensures better and wider understanding of customers, as well as access to new markets. Different perspectives drive innovation and growth. This is why we work systematically and purposefully to recruit and develop people of different ethnic backgrounds, ages and genders.

The company considers it important to promote gender equality and prevent discrimination in conflict with the Gender Equality Act. Long- and short-term goals have been established to help increase the percentage of women in the Group, both in terms of employment and in terms of management positions.

As far as is possible, KONGSBERG tries to adapt working conditions so that individuals with diminished functional abilities can work for the Group. The Board Compensation Committee has a particular responsibility for follow-up on diversity. In the opinion of the Board, the Group complies with current regulations.

See pages 54–58 of this report for more details on the Group's work on diversity and equality.

CORPORATE GOVERNANCE

KONGSBERG's objective is to secure and increase stakeholder value through profitable and growth-oriented industrial development with a long-term, sustainable and international perspective. Good corporate governance shall reduce business-related risk, while the company's resources shall be utilised in an effective and sustainable manner. Values created should benefit shareholders, employees, customers and society in general. The Board considers it important to review and update the Group's corporate governance documents annually to comply with the "Norwegian Code of Practice for Corporate Governance".

According to Section 3-3b of the Accounting Act, the company shall prepare a statement on corporate governance. The statement will, pursuant to Section 5-6 of the Public Limited Companies Act, be discussed at the Annual General Meeting. The description in chapter 4 of the annual report is based on the latest revised version of the Norwegian Code of Practice for Corporate Governance of 14 October 2021.

BOARD LIABILITY INSURANCE

Kongsberg Gruppen ASA has taken out board liability insurance for the Group's Board members, CEO and executive management. The board liability insurance covers legal financial claims against the Board or executive management arising from actions by the Board or executive management. The insurance applies to all KONGSBERG subsidiaries in which KONGSBERG has a holding of more than 50 per cent. The insurance has been taken out with respected insurance companies with good ratings.

REMUNERATION TO EXECUTIVE MANAGEMENT

The Board has a separate Compensation Committee which deals with all significant matters related to remuneration for Executive Management before the formal discussion and decision by the Board. In accordance with Norwegian equity legislation, the Board of Directors has also prepared a separate "Report on the remuneration of executive management at KONGSBERG for 2021", which will be published along with the invitation to the Annual General Meeting.

PROFIT FOR THE YEAR AND ALLOCATION OF NET PROFIT

The parent company Kongsberg Gruppen ASA made a net profit of MNOK 5,782 in 2021. The Board proposes the following allocation of profit for the year in Kongsberg Gruppen ASA:

Dividend	MNOK	2 736
To equity	MNOK	3 046
Total available	MNOK	5 782

The proposed dividend constitutes 119.5 per cent of the Group's ordinary profit for the year.

GOING CONCERN

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

Kongsberg, 16 March 2022

Eivind Reiten
Chairman

Anne-Grete Strøm-Erichsen
Deputy chairman

Merete Hverven
Director

Morten Henriksen
Director

Per A. Sørlie
Director

Rune Fanøy
Director

Oda Linn A. Ellingsen
Director

Jo Even Bjerknes
Director

Geir Håøy
President and CEO

Financial statements and Notes

Consolidated statement of income

KONGSBERG (GROUP)

MNOK	*Note*	*2021*	*2020*
Operating revenues	6, 7	27 449	25 612
Total revenues		**27 449**	**25 612**
Material cost	9	(9 577)	(8 850)
Personnel expenses	10, 11	(9 975)	(9 510)
Other operating expenses	27	(3 810)	(4 001)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	6, 31	**4 086**	**3 250**
Depreciation	6, 12	(476)	(481)
Depreciation, leasing assets	6, 13	(396)	(411)
Impairment of property, plant and equipment	6, 12	(9)	(52)
Amortisation	6, 14	(341)	(339)
Impairment of intangible assets	6, 14	(2)	(60)
Earnings before interest and taxes (EBIT)	6, 31	**2 863**	**1 905**
Share of net income from joint arrangements and associated companies	8	244	186
Financial income	16	83	103
Financial expenses	16	(136)	(196)
Interest on leasing liabilities	13, 16	(132)	(142)
Earnings before tax from continuing operations (EBT)		**2 922**	**1 855**
Income tax expense	17	(632)	(374)
Earnings after tax from continuing operations		**2 290**	**1 481**
Earnings after tax from discontinued operations	30	-	1 451
Earnings after tax (EAT)		**2 290**	**2 932**
Attributable to:			
Equity holders of the parent		2 159	2 891
Non-controlling interests		131	41
Earnings per share (EPS) / EPS diluted in NOK			
- Earnings per share from continuing operations	18	12.06	8.01
- Earnings per share from continuing operations, diluted	18	12.06	8.01
- Earnings per share	18	12.06	16.08
- Earnings per share, diluted in NOK	18	12.06	16.08

Consolidated statement of comprehensive income

KONGSBERG (GROUP)

MNOK	*Note*	*2021*	*2020*
Earnings after tax		**2 290**	**2 932**
Specification of other comprehensive income for the period			
Items to be reclassified to profit or loss in subsequent periods			
Change in fair value, financial instruments			
- Forward exchange contracts, cash flow hedges	21 C	75	(19)
- Cross-currency swaps	21 C	45	(99)
Tax effect cash flow hedges and cross-currency swaps	17	(26)	26
Translation differences currency	21 B	(194)	76
Total items to be reclassified to profit or loss in subsequent periods		**(100)**	**(16)**
Items not to be reclassified to profit or loss			
Actuarial gains/losses pensions	11	(145)	(167)
Tax effect on actuarial gain/loss on pension	17	32	37
Total items not to be reclassified to profit or loss		**(113)**	**(131)**
Other comprehensive income for the period		**(213)**	**(147)**
Comprehensive income after tax for the period		**2 077**	**2 785**
Attributable to:			
Equity holder of the parent		1 967	2 776
Non-controlling interests		110	9

Consolidated statement of financial position as of 31 December

KONGSBERG (GROUP)

MNOK	*Note*	*2021*	*2020*
Assets			
Non-current assets			
Property, plant and equipment	12	3 901	3 665
Leasing assets	13	1 715	1 965
Goodwill	14, 15	3 139	3 143
Other intangible assets	14	1 900	2 053
Deferred tax asset	17	248	306
Shares in joint arrangements and associated companies	8	3 609	3 465
Other non-current assets	19	172	209
Total non-current assets		**14 686**	**14 808**
Current assets			
Inventories	9	4 306	4 132
Trade receivables	20	4 518	5 542
Customer contracts, asset	7	6 518	5 784
Derivatives	21 A	545	964
Other short-term receivables	20	620	580
Cash and cash equivalents	22	8 118	7 420
Total current assets		**24 624**	**24 422**
Total assets		**39 310**	**39 230**
Equity, liabilities and provisions			
Equity			
Issued capital		5 932	5 933
Retained earnings		7 079	6 754
Other reserves		458	559
Equity attributable to owners of the parent		**13 470**	**13 246**
Non-controlling interests		149	55
Total equity	23	**13 618**	**13 301**
Non-current liabilities and provisions			
Long-term interest-bearing loans	21 D	2 450	1 971
Long-term leasing liabilities	13	1 500	1 753
Pension liabilities	11	1 104	1 137
Provisions	24	121	117
Deferred tax liability	17	1 281	1 194
Other non-current liabilities		72	61
Total non-current liabilities and provisions		**6 528**	**6 233**
Current liabilities and provisions			
Customer contracts, liabilities	7	11 787	11 217
Derivatives	21 A	378	546
Provisions	24	1 596	1 608
Short-term interest-bearing loans	21 D	-	1 500
Short-term leasing liabilities	13	380	339
Other current liabilities	25	5 024	4 486
Total current liabilities and provisions		**19 164**	**19 696**
Total liabilities and provisions		**25 692**	**25 929**
Total equity, liabilities and provisions		**39 310**	**39 230**

Kongsberg,
16 March 2022

Eivind Reiten
Chairman

Anne-Grete Strøm-Erichsen
Deputy chair

Merete Hverven
Director

Morten Henriksen
Director

Per A. Sørlie
Director

Rune Fanøy
Director

Oda Linn A. Ellingsen
Director

Jo Even Bjerknes
Director

Geir Håøy
Chief Executive Officer

Condensolidated statement of changes in equity

KONGSBERG (GROUP)

		Equity holders of parent						Non-controlling interests	Total equity
		Issued capital		Other reserves		Retained earnings	Total		
MNOK	*Note*	*Share capital*	*Other issued capital*	*Hedging reserve*	*Translation difference*				
Equity as of 1 January 2020		225	5 708	(166)	737	6 249	12 753	57	12 810
Earnings after tax		-	-	-	-	2 890	2 890	41	2 932
Other comprehensive income		-	-	(92)	80	(103)	(115)	(33)	(147)
Transactions with treasury shares related to employee share programme		-	-	-	-	(15)	(15)	-	(15)
Dividend paid	23	-	-	-	-	(450)	(450)	-	(450)
Additional dividend paid		-	-	-	-	(1 800)	(1 800)	-	(1 800)
Purchase/sale, non-controlling interests		-	-	-	-	(29)	(29)	-	(29)
Dividends, non-controlling interests		-	-	-	-	11	11	(11)	-
Equity as of 31 December 2020		225	5 708	(258)	817	6 754	13 246	55	13 301
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)	-	-	-	(194)	(196)	-	(196)
Share buy-back related to share buy-back programme		-	-	-	-	(72)	(72)	-	(72)
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

Consolidated statement of cash flow

KONGSBERG (GROUP)

MNOK	*Note*	*2021*	*2020*
Earnings after tax		**2 290**	**2 932**
Depreciation/impairment of property, plant and equipement	12	485	533
Depreciation, leasing assets	13	396	411
Amortisation/impairment of intangible assets	14	342	400
Share of net income from joint ventures and associated companies	8	(244)	(186)
Net finance items	16	185	235
Income taxes	17	632	374
Gains from sale of business before tax	30	-	(1 431)
Earnings after tax from discontinued operations	30	-	(20)
Earnings before interest, taxes, depreciation and amortisation (EBITDA) from discontinued operations		-	40
Adjusted for			
Change in customer contracts, assets		(2 044)	(553)
Change in customer contracts, liabilities		2 170	1 199
Change in other current liabilities		404	(1 422)
Changes in inventories		(174)	(276)
Changes in trade receivables		1 057	623
Changes in other current receivables		124	301
Changes in provisions and other accruals		(288)	(246)
Income tax paid	17	(366)	(165)
Change in net current assets and other operations-related items		**884**	**(539)**
Net cash flows from operating activities		**4 970**	**2 751**
Cash from investing activities			
Dividens from joint ventures and associated companies	8	147	130
Proceeds from sale of property, plant and equipment	12	21	29
Purchase of property, plant and equipment	12	(576)	(535)
Capitalised internal development and other intangible assets	14	(215)	(224)
Proceeds from aquiring subsidiaries and associated companies	8	(85)	(59)
Repayment of debt in aqcuired business		(39)	-
Proceeds from sale of business	30, 17	47	3 051
Settlement of cross-currency swaps	21 B	(116)	-
Net cash flow from investing activities		**(814)**	**2 392**
Cash flow from financing activities			
Proceeds from interest-bearing loans	21 D	500	-
Repayment of interest-bearing loans	21 D	(1 521)	(617)
Payment of principal portion of lease liabilities	13	(357)	(342)
Interest income		45	57
Interest paid		(76)	(102)
Interest paid on leasing liabilities	13	(132)	(142)
Transactions with treasury shares		(91)	(51)
Share buy-back related to share buy-back programme		(317)	(29)
Dividends paid to equity holders of the parent	23	(1 440)	(450)
- of which dividends from treasury shares		15	2
Additional dividend		-	(1 800)
Net cash flow from financing activities		**(3 374)**	**(3 474)**
Total cash flow		781	1 669
Effect of changes in exchange rates on cash and cash equivalents		**(84)**	**97**
Net change in cash and cash equivalents		**697**	**1 766**
Cash and cash equivalents at the beginning of the period		**7 420**	**5 654**
Cash and cash equivalents at the end of the period	22	**8 118**	**7 420**

Notes

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 2021 at its meeting on 16 March 2022. The consolidated financial statements for 2021 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, cross-currency swaps and interest rate swaps), measured at fair value
- Certain financial assets measured at fair value

Estimate 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 11 "Pensions"
- Note 13 "Leases"
- Note 15 "Impairment testing of goodwill"
- Note 17 "Income tax"
- Note 21 "Financial Instruments"
- Note 24 "Provisions"

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of consolidation

Subsidiaries
Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its influence on the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary.

On initial recognition, subsidiaries are measured at their fair value on the date of acquisition. Fair value is allocated to the identified assets, liabilities and contingent liabilities. Added value that cannot be allocated to identified assets is recognised as goodwill. When new subsidiaries are acquired, the results, assets and liabilities are recognised in the consolidated accounts from date of acquisition. The date of acquisition is the date when KONGSBERG obtains control of the acquired company. Normally, control will be achieved when all the terms of the agreement are satisfied. Examples of terms include approval of the Board, the General Meeting or approval from the competition authorities. For business combinations achieved in stages, the financial statements are based on the values at the time when the Group obtained control. Goodwill is calculated at the date control is obtained.

Contingent considerations to be disbursed at a later date when certain conditions of the acquisition are met are recognised at fair value on the date of the acquisition. Subsequent changes in the fair value of contingent considerations are recognised in profit or loss. Transaction costs related to business combination are expensed as they accrue.

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

Companies that constitute the Group are listed in Note 28 "List of Group Companies".

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

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

Elimination of transactions
All purchases, sales, balances and unrealised gains arising through transactions between Group companies, associated companies and joint arrangements are eliminated upon consolidation. Unrealised losses are eliminated correspondingly, unless they are related to impairment requiring recognition in the consolidated financial statements.

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

B) Foreign currency

The Group's consolidated financial statements are presented in Norwegian kroner (NOK), which is also the parent company's functional currency. Each entity in the Group determines its own functional currency, and all transactions in the accounts of the individual entities are measured at their functional currency. Foreign currency transactions are measured in the functional currency at the date of the transaction. Customer contracts in currencies different from the functional are hedged and recognised on the basis of the hedged exchange rate. Any unhedged receivables and other liabilities in non-functional currencies are translated at the exchange rates at the balance sheet date, and currency differences are recognised in the income statement. Differences that arise at the translation of cash flow hedges, meeting the criteria for hedge accounting, are recognised as changes in fair value on cash flow hedges in the statement of other comprehensive income (OCI). The effect is reflected in the annual result upon realisation of the cash flow hedges. See also Note 3 J "Financial instruments".

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

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

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

C) Revenue recognition of customer contracts

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

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

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

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

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

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

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

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

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

Step 3: Determining the transaction price
The third step is to determine the transaction price, which is equivalent to the expected consideration from the customer. This amount will in most cases be easy to determine as KONGSBERG's customer contracts often apply fixed prices. However, there are certain cases which need to be assessed. This largely applies to different forms of discounts and incentive schemes, financing items in the contracts and options. Best estimate 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. 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 highly likely that they will occur.

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

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

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

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

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

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

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

The carrying value of customer contracts in the statement of financial position is based on an assessment of the financial status of each individual customer contract. The classification is determined on a contract-to-contract basis unless netting has been agreed. If this is the case, the contracts can be considered together. In the consolidated financial statement, all balances are netted for each customer contract in the Group accounts and presented on one line in the statement of financial position, with the exception of trade receivables (presented on the line "Receivables"). Individual customer contracts are then presented as either "customer contracts, assets" or "customer contracts, liabilities".

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

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

Recognised accrued contract profit is a proportional share of the estimated total contract profit based on the percentage of completion. If the profit on a contract cannot be estimated reliably, the project will be recognised without a profit until reliable estimates are available. Recognised accrued contract profit is classified as "customer contracts, assets" in the balance sheet. When the customer is invoiced the "customer contracts, assets" are reclassified to trade receivables.

In special cases, work on projects will commence and expenses incurred before a contract has been signed with the customer. This requires a high probability that the contract will be signed. Capitalised costs of this kind are classified as inventories until a contract has been signed.

D) Taxes

Income tax expense in the financial statements includes tax payable and the change in deferred tax for the period. Assets and liabilities from deferred tax are calculated by taking a starting point in the temporary differences between the accounting and tax balance sheet values at period end (liability method). Deferred tax is calculated on net tax-increasing temporary differences between the values used for accounting purposes and those used for taxation purposes, adjusted for deductible temporary tax-reducing differences and tax losses carried forward if this satisfies the requirements in IAS 12.71.

Revenue from customer contracts that is recognised over time is not recognised for tax purposes until the control and risk have been transferred to the customer, and KONGSBERG is entitled to the consideration in the contract. Due to KONGSBERG's volume of large, long-term contracts, there are considerable temporary differences.

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

E) Financial income and expenses

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

Financial expenses consist of interest expenses, including interest on leasing liabilities (see Note 13), currency losses, losses on realisation of "Assets at fair value through profit and loss" and other financial expenses. Interest expenses are recognised as they accrue using effective rate.

F) Intangible assets

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

for impairment (loss) annually at the end of the year, or more frequently if there is any indication of impairment.

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

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

Capitalised development costs are recognised at cost less accumulated amortisation and impairment losses in the statement of financial position. Amortisation is based on the expected useful life. The principle is linear amortisation. The remaining expected useful life and expected residual value are reviewed annually.

The calculation of financial benefits is based on the same principles and methods as for the impairment testing. The calculation is based on long-term budgets approved by the Board. Note 15 "Impairment testing of goodwill" has more details on the calculation.

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

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

Technology and other intangible assets
Technology and other purchased intangible assets with determined useful lives are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is based on the expected useful life, according to the principle of linear amortisation. The expected useful life and the determination of the amortisation rate are reviewed during each period.

G) Property, plant and equipment

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

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

H) Leases

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

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

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

Leasing liabilities
Leasing liabilities are recognised from the date the underlying assets are made available for use to KONGSBERG. Leasing liabilities are recognised from the date the underlying assets are made available for use to KONGSBERG. Leasing liabilities are measured at the present value of the agreed lease payments. Lease payments can include:
- Fixed payments
- Variable lease payments that depend on an index or interest rate
- Payments for withdrawing from the lease, if it its reasonably certain that KONGSBERG will terminate the agreement

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

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

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

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

I) Impairment of property, plant and equipment, goodwill and intangible assets

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

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

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

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

Goodwill is tested for impairment by estimating the recoverable amount for the individual cash-generating unit or group of cash-generating units that are allocated goodwill and followed up by management. The group of cash-generating units is nevertheless not larger than an operating segment as defined by IFRS 8 Operating segments. The Group uses the value in use to determine the recoverable amount of the cash-generating units. Impairment on goodwill is not reversed in a subsequent reporting period even if the recoverable amount of the cash-generating unit increases. Any impairment will be recognised through profit and loss in the financial statements. Impairment of goodwill is described in Note 15 "Impairment testing of goodwill".

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

J) Financial instruments

Financial assets and liabilities
Financial assets and liabilities consist of derivatives, investments in shares, accounts receivable and other receivables, customer contracts in progress, cash and cash equivalents, interest-bearing debt, accounts payable and other liabilities. A financial instrument is recognised when the Group becomes party to the instrument's contractual provisions. Upon initial recognition, financial assets and liabilities are assessed at fair value plus directly attributable expenses. The exception is 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

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 4 "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.

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.

Financial liabilities measured at amortised cost
The company's financial liabilities are recognised at amortised cost, except for financial derivatives, which are recognised at fair value through other comprehensive income.

Impairment of financial assets
KONGSBERG makes provision for expected credit losses on financial assets not classified as fair value through profit and loss. Expected credit loss is calculated based on the present value of all cash flows over the remaining expected useful life, i.e. the difference between the contractual cash flows and the cash flows that the Group expects to receive, discounted by the effective interest rate applicable to the instrument. The expected cash flows shall include cash flows from the sale of collateral or other credit enhancements integrated into the contract terms.

The Group uses the simplified method to calculate loss provisions for accounts receivable and contract assets. Accounts receivables are subject to individual assessments. The Group thus measures loss provision based on expected credit loss over the lifetime of each reporting period. The expected credit loss provision is based on historical credit losses, adjusted for future customer specific factors and the general economic situation.

Derivatives
Derivatives in KONGSBERG are comprised mainly of forward exchange contracts. Currency options 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.

Hedging
The Group's financial policy states that contracts above a certain threshold shall be subject to currency hedging upon establishment, and these are primarily hedged using forward exchange contracts (fair value hedges). In special cases, the Group uses forward exchange contracts or currency options as cash flow hedges, e.g. in large tenders where contract award is highly probable.

Before hedge accounting can be applied, KONGSBERG documents all qualification criteria for the use of hedge accounting. These include the identification of hedging instruments and objects, the risk to be hedged, and how the Group will assess whether the 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)

(i) Fair value hedges
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.

(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.

Follow-up of hedging effectiveness
KONGSBERG swaps forward exchange contracts from cash flow hedges

to fair value hedges at the time of the contract entry. In addition, forward exchange contracts are rolled forward in cases where receipts/payments occur later (or earlier) than originally anticipated. At shorter time differences between the maturity of the forward contracts and the receipts/payments, KONGSBERG uses bank accounts in foreign currency. As a result, the exchange of foreign currency from the foreign currency bank account takes place in the same period as the final maturity of the forward contract or the receipts/payments. Hedge effectiveness will therefore be very high throughout the entire contractual period.

K) Classification

Assets related to normal operating cycles for goods and services or are due within 12 months are classified as current assets. Other assets are classified as non-current. Correspondingly, liabilities related to normal operating cycles for goods and services or that are due within 12 months are classified as current liabilities. Other liabilities are classified as non-current. Derivatives that are used to ensure currency flows according to Group policy, see Note 3 J, Financial instruments – hedging, are related to the Group's operating cycles and are therefore classified as short-term assets and liabilities even if the derivatives mature more than 12 months forward in time.

L) Inventories

Goods are defined by KONGSBERG as inventories of raw materials, work in progress and finished products that are not related to specific customer contracts. Inventories are measured at the lower of acquisition cost and net realisable value. For raw materials and work in progress, net realisable value is calculated as the estimated selling price in ordinary operations of finished products less remaining production costs and the costs of the sale. For finished goods, net realisable value is the estimated selling price in ordinary operations less estimated costs of completion of the sale. For work in progress and finished products, the acquisition cost is calculated as direct and indirect costs. Inventories are valued based on the average acquisition cost.

M) Receivables

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

N) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise bank deposits and short-term liquid investments, 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.

O) Equity

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

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

iii. Hedge reserves
Hedge reserves include accumulated net changes in fair value for financial instruments used as cash flow hedges, which are recognised in other comprehensive income on an ongoing basis.

iv. Translation differences
Foreign currency translation differences are recognised in other comprehensive income. Upon the disposal of all or part of a foreign entity resulting in discontinued control, the accumulated translation differences are recognised in other comprehensive income, including the accompanying reversal.

See also Note 3 B.

P) Provisions

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

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

Restructuring
Provisions for restructuring related to downsizing are recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring plan has been announced to the parties concerned. Restructuring costs consist of salary and social security tax when the employment relationship is terminated (including severance pay and gratuity). In addition to this are rent and other related costs and any one-off payments in the event of the premature termination of tenancy agreements for premises that are vacated.

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

compensation or penalties arising from failure to fulfil it.

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

Q) Employee benefits

Defined contribution pension schemes
The Group introduced a defined contribution pension scheme for all employees in Norway under the age of 52 as of 1 January 2008. Employees with defined benefit plans, aged 52 or older at the time of the transition, stayed with that plan. Most of KONGSBERG's companies abroad have defined contribution pension schemes. Contributions are recognised as expenses as they occur and are shown in the personnel expenses in the profit and loss statement.

Defined benefit pension plans
Pension benefits depend on the number of years of service and salary level when reaching retirement age. There are also early retirement plans for some executives. To ensure a uniform calculation of KONGSBERG's pension liabilities, all corporate entities, except two entities, have used the same actuary for the calculations. In the income statement, the year's net pension expenses, after a deduction for the net interest cost of the liability and the expected return on pension plan assets, have been recognised as "personnel expenses". The statement of financial position shows net pension liabilities including social security contributions. The financial and actuarial assumptions are subject to annual review. The discount rate is stipulated on the basis of the covered bond interest rate, plus a supplement that reflects the duration of the pension liability. Risk coverage is described in Note 11 "Pension". Actuarial gains or losses related to changes in the basis data, estimates and changes in assumptions are recognised in other comprehensive income.

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

R) Earnings per share

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

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

S) Changed standards in IFRS that have not yet been implemented

There are no standards or interpretations that are not yet effective that would be expected to have a material impact on the consolidated statement.

T) IFRS standards implemented with effect from 1 January 2021

The standards regarding financial instruments (IFRS 9 and IFRS 7) have been amended to new interest-rate benchmarks. The standard regarding leases (IFRS 16) has been temporary changed in order to take into account changes in lease payments caused directly by Covid-19 effects.

Implementation of these changes have not had any significant effect on KONGSBERG's financial statements.

4 FAIR VALUE

KONGSBERG's accounting principles and disclosures require a measurement of fair value on certain financial and non-financial assets and liabilities. For both measurement and disclosure purposes, fair value has been estimated as described 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 fair value at the time the agreement is signed. When acquisition of business lease contracts are measured at fair value on the date of acquisition. The market value is determined using the implicit interest rate in the lease contract or the incremental borrowing rate. For lease of property yield obtained from external parties is used.

Inventories

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

Derivatives

The calculation of fair value of forward exchange contracts is based on observable market data. KONGSBERG uses market prices from Refinitiv on each forward exchange contract. In turn, these are based on supply and demand in the foreign exchange market. Fair value is referring to the net present value of the variance between the revaluated forward rate at the balance sheet date and at the time of entering the forward exchange contract. Fair value of any interest rate swaps, 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 is 3M NIBOR and the credit margin is then estimated for KONGSBERG for respective tenors.

5 MANAGEMENT OF CAPITAL AND FINANCIAL RISKS

KONGSBERG has a centralised 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 working capital requirement 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. The Group has set a target for net interest-bearing debt/EBITDA (pre IFRS 16 effects) over time to fall within the range of 1.0x +/- 1.0x, and around the centre of the range as a long-term average. Fluctuating working capital as a result of large projects within the defence sector is the principal reason for the interval in the range, amongst other as a result of different payment structures in the projects. Net working capital is expected to continue to vary also in the future. As of 31 December 2021, KONGSBERG's net debt/EBITDA was -1.6.
2. KONGSBERG's technology platforms have been built up over years and are prerequisites for being competitive. In recent years, the Group has invested 5–7 per cent of its revenue in research and development, and in order to maintain its competitiveness, the Group must continue to allocate capital to this and other essential investments.
3. KONGSBERG aims to generate a competitive remuneration to its shareholders. When determining the size of remunerations, management and the board will take into account future capital requirements. In 2020 the dividend policy was changed from being a per cent of earnings after tax to a target of stable or growing ordinary dividend on a per share basis. In addition to the ordinary dividend, KONGSBERG will consider special dividends and share buy-back of own shares as supplements. Together and over time these components shall be competitive for the shareholders.
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 the Group consists of interest-bearing debt and equity which is primarily attributable to the shareholders of Kongsberg Gruppen ASA. The Group's equity as of 31 December 2021 was MNOK 13,618, which corresponds to 34.6 per cent of total assets. The Group's net interest-bearing debt at year-end was MNOK -5,668.

The Group 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 2021 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 (58 per cent in 2020), while the remaining 59 per cent had fixed interest (42 per cent in 2020). The interest rate duration was 1.5 (1.4 in 2020).

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.

Short-term liquidity requirements are covered by bank deposits. Any additional liquidity requirements may be covered by the syndicated and committed loan facility and an overdraft facility of MNOK 2,300 and MNOK 500 respectively as of 31 December 2021. 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 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.

The Group'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, including an assessment of probability for contract award. Currency accounts in the cash pool structure are used for the natural hedging of smaller amounts with short tenors.

In addition to the use of financial instruments the entities and the centralised treasury 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.

6 OPERATING SEGMENTS

KONGSBERG has three operating segments organised by industry; Kongsberg Maritime (KM), Kongsberg Defence & Aerospace (KDA) and Kongsberg Digital (KDI). The reporting requirements as an operating segment do not apply to KDI according to size and KDI is therefore reported in "Other". Reporting of operating segments are based on the reporting to the Executive Management.

Kongsberg Maritime (KM) develops and supplies technology that contribute to the realisation of sustainable management of the ocean space. The market lies within traditional merchant vessels and fishing vessels, offshore- and research vessels, and advanced offshore installations linked to aquaculture, wind power and oil and gas.
KM 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 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, spare parts and upgrades related to the business area's deliveries.

Kongsberg Defence & Aerospace (KDA) consists in 2021 of five divisions, which primarily supply various systems and services to the defence industry. The Integrated Defence Systems division develops and supplies air defence systems, combat systems, sonars and navigation for marine vessels and submarines, as well as integrated command and control systems. The division also develops remote tower solutions for airports. Land Systems develops and supplies remote control weapon stations for land-based vehicles and marine vessels, in addition to develop and supply products for military tactical communication. Missile Systems develops and supplies naval strike missiles and air-to-surface missiles. Aerostructures produces and supplies advanced lightweight composite and titanium components for F-35 combat aircraft, as well as Maintenance, Repair & Overhaul (MRO) services. The Space & Surveillance division supplies components and services to the space industry, as well as port monitoring systems.

Other

Other activities consist of Kongsberg Digital (KDI), real property, group functions and eliminations between the business areas.

KDI is focused on taking up new and strengthening existing positions related to digitalisation within the oil and gas, wind and merchant marine markets.

Funding of the Group is based on evaluations for the Group as a whole. Consequently, financial items, net interest-bearing debt and cash are not assigned to segments. The same applies to tax expenses and balance sheet items associated with tax, as these items are influenced by tax-related transfers between the business areas.

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

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

Operating segment data

MNOK	*Kongsberg Maritime*	*Kongsberg Defence & Aerospace*	*Other*	*Eliminations*	*Consolidated*
2021					
Operating revenues from external customers	16 450	10 052	947	-	27 449
Revenues from Group companies	57	26	578	(661)	-
Total revenues	**16 507**	**10 078**	**1 525**	**(661)**	**27 449**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1 977**	**2 150**	**(41)**	**-**	**4 086**
Depreciation	(176)	(229)	(71)	-	(476)
Depreciation leasing assets	(262)	(215)	(205)	286	(396)
Impairment of property, plant and equipment	(9)	-	-	-	(9)
Amortisation	(206)	(86)	(50)	-	(342)
Earnings before interest and taxes (EBIT)	**1 324**	**1 620**	**(367)**	**286**	**2 863**
Segment assets [1]	15 396	13 477	1 720	(248)	30 345
Segment investments [2]	154	304	331	-	789
Current segment liabilities and provisions [3]	8 414	9 521	798	(461)	18 272
2020					
Operating revenues from external customers	16 304	8 476	832	-	25 612
Revenues from Group companies	16	27	560	(603)	-
Total revenues	**16 319**	**8 503**	**1 392**	**(603)**	**25 612**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1 532**	**1 656**	**62**	**-**	**3 250**
Depreciation	(194)	(222)	(65)	-	(481)
Depreciation leasing assets	(280)	(192)	(193)	254	(411)
Impairment of property, plant and equipment	(52)	-	-	-	(52)
Amortisation	(288)	(85)	(28)	-	(400)
Earnings before interest and taxes (EBIT)	**718**	**1 157**	**(224)**	**254**	**1 905**
Segment assets [1]	16 067	12 716	2028	(247)	30 564
Segment investments [2]	101	393	308	-	802
Current segment liabilities and provisions [3]	7 863	8 783	669	(461)	16 854

1) The segment assets does not include derivatives and cash and cash equivalents, as these assets are managed by the centralised treasury department.
2) Investments comprise acquired property, plant and equipment, intangible assets and goodwill, excluding IFRS 16. Including investments related to aquisitions of business.
3) Segment liabilities do not include deferred tax liabilities, taxes payable, interest-bearing liabilities ex. short term leasing liabilities, other non-current liabilities or provisions and derivatives, as these liabilities are controlled by the centralised treasury department.

There are none of KONGSBERGs customers where there are recognised revenues of more than 10 per cent of total revenues in 2021.

There are no differences between the measurement methods used at the segment level and those applied to the consolidated financial statements. The different operating segments' EBITs include income and expenses from transactions with other operating segments within the Group. Transactions between the segments are based on market prices. Intra-group transactions between the different segments are eliminated upon consolidation.

Reconciliation of assets

MNOK	*2021*	*2020*
Segment assets	**30 345**	**30 564**
Deferred tax asset	248	306
Derivatives	545	964
Fair value financial instruments	54	(24)
Cash and cash equivalents	8 118	7 420
Total assets	**39 310**	**39 230**

Reconciliation of liabilities and provisions

MNOK	*2021*	*2020*
Current segment liabilities and provisions	**18 272**	**16 854**
Short-term interest-bearing loans	-	1 500
Derivatives	378	546
Fair value financial instruments	317	725
Calculated income tax payable	197	71
Total current liabilities and provisions	**19 164**	**19 696**

Geographical information

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

MNOK	*Norway*	*Europe*	*North America*	*South America*	*Asia*	*Australia*	*Africa*	***Total***
2021								
Operating revenues from external customers	5 222	7 413	7 851	488	5 564	660	250	**27 449**
Operating revenues as % of the total	19%	27%	29%	2%	20%	2%	1%	-
Fixed assets	9 241	830	289	19	266	10	1	**10 656**
2020								
Operating revenues from external customers	5 027	7 103	6 888	364	5 288	542	400	**25 612**
Operating revenues as % of the total	20%	28%	27%	1%	21%	2%	2%	-
Fixed assets	9 257	889	278	15	376	11	1	**10 827**

7 REVENUE RECOGNITION CUSTOMER CONTRACTS

MNOK	*Kongsberg Maritime*	*Kongsberg Defence & Aerospace*	*Other*	*Total*
2021				
Revenues				
Revenue recognition based on progress in the projects (over time)	3 475	7 879	402	11 756
Revenue recognition upon delivery of goods and services	4 851	320	161	5 331
Aftermarket activities[1]	8 114	1 846	325	10 285
Revenue from rental of property, plant and equipment	3	-	64	67
Total external revenues from customer contracts	**16 442**	**10 045**	**952**	**27 440**
Gains from sale of property, plant and equipment	8	7	(6)	9
Total external revenues	**16 450**	**10 052**	**947**	**27 449**
2020				
Revenues				
Revenue recognition based on progress in the projects (over time)	3 704	6 239	405	10 349
Revenue recognition upon delivery of goods and services	4 889	492	259	5 640
Aftermarket activities[1]	7 632	1 741	104	9 477
Revenue from rental of property, plant and equipment	45	-	64	109
Total external revenues from customer contracts	**16 270**	**8 472**	**832**	**25 575**
Gains from sale of property, plant and equipment	34	3	-	37
Total external revenues	**16 304**	**8 476**	**832**	**25 612**

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 2021 are recognised as income:

	2021 *Date of revenue recognition*				**2020** *Date of revenue recognition*			
MNOK	*Order backlog 31 Dec 21*	*2022*	*2023*	*2024 and later*	*Order backlog 31 Dec 20*	*2021*	*2022*	*2023 and later*
Kongsberg Martime	13 023	8 506	2 582	1 935	11 386	8 328	2 139	919
Kongsberg Defence & Aerospace	35 632	10 877	7 566	17 190	23 477	9 023	6 226	8 228
Other/elimination	879	488	162	229	1 084	621	281	182
Total	**49 535**	**19 872**	**10 310**	**19 354**	**35 947**	**17 972**	**8 646**	**9 329**

Kongsberg Maritime (KM)
Many of KM's divisions have deliveries that are combined in a system that must operate together. This primarily applies to deliveries by the Sensor & Robotics and Integrated Solutions divisions, where the deliveries are recognised as revenue according to level of progress made over time. This is because the deliveries are extensively customised and have no alternative area of use for KM. In most cases, the measures of progress used in connection with revenue recognition over time is "cost to cost", but hours can also be used.

KM also has a significant proportion of deliveries where the revenues are recognised upon delivery. This particularly applies to the business acquired via the acquisition of Commercial Marine, such as 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".

Nearly 50 per cent of KM's revenues in 2021 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.

Customer contracts have different payment terms, depending on the product, market and negotiations with the customer. Many customer contracts that are recognised over time include an advance paid by the customer upon contract signing, followed by payments as milestones are achieved. There are considerable differences between the contracts. For goods and service deliveries, including aftermarket deliveries, customers are primarily invoiced upon delivery and payment takes place after an agreed credit period, which depends on the individual agreement.

Kongsberg Defence & Aerospace (KDA)
KDA's customer contracts primarily concern deliveries that are combined in a system and must operate together. Most customer contracts in the business area are recognised as revenue according to progress over time. This is because the deliveries are extensively customised and it will demand considerable rework to meet an alternative area of use for KDA. Customer contracts are normally long-term and large. KDA is entitled to payment for work performed to date. "Cost to cost" is primarily used as a measure of progress, but accrued hours, progress made by subcontractors and, in some cases, milestones are also used. Deliveries of this type are air defence systems, missile systems, command and control systems and monitoring systems.

Series of identical units within the same contract are recognised as revenue over time. These are then treated as a single delivery obligation. The condition is that they would have individually qualified for revenue recognition over time. Revenue measures for such contracts could be delivery/withdrawals from inventories to customers, as this represents the progress that has been made, because the manufacturing period is relatively short. Many of the contracts concerning weapons stations are recognised as revenue according to these principles. The same applies to contracts related to the F-35 programme.

KDA makes little use of revenue recognition upon delivery, but this method may be used for example in connection with the delivery of communication equipment and equipment for the space industry.

KDA also has deliveries of service and maintenance. These services are primarily recognised as revenue as the hours/goods are delivered.

For a more detailed description of the divisions and deliveries in KDA, see Note 6 "Operating segments".

KDA would be entitled to reimbursement for accrued costs plus a margin if the customer were to cancel a contract without sufficient reasons to do so. Customer contracts have different payment terms, depending on the product, market and negotiations with the customer. For customer contracts recognised over time, many contracts will include an advance paid by the customer upon contract establishment, followed by payment as milestones are achieved. There are considerable differences between the contracts. For goods and service deliveries, including aftermarket deliveries, customers are primarily invoiced upon delivery and payment takes place after an agreed credit period, which depends on the individual agreement.

Operating revenues by division

MNOK	*2021*	*2020*
Divisions		
Global Customer Suppport	7 886	7 407
Integrated Solutions	3 807	4 095
Sensor & Robotics	2 736	2 689
Propulsion & Engines	2 553	2 529
Deck Machinery	887	803
Other/elimination	(1 360)	(1 203)
Kongsberg Martime	**16 507**	**16 319**
Divisions		
Land Systems	3 053	2 625
Integrated Defence Systems	3 105	2 416
Aerostructures	2 367	2 101
Missile Systems	1 688	1 331
Space & Surveillance	692	586
Other/elimination	(827)	(556)
Kongsberg Defence & Aerospace	**10 078**	**8 503**
Other/elimination	**864**	**790**
Total revenues	**27 449**	**25 612**

For a more detailed description of the various divisions and their deliveries, see Note 6 "Operating Segments".

MNOK	*Kongsberg Maritime*	*Kongsberg Defence & Aerospace*	*Other*	*Total*
2021				
Geographic distribution of external revenues from customer contracts				
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	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**
2020				
Geographic distribution of external revenues from customer contracts				
Norway	2 951	1 737	338	5 027
Europe	5 846	1 056	201	7 103
North America	2 108	4 600	180	6 888
South America	328	8	29	364
Asia	4 669	549	70	5 288
Africa	123	274	3	400
Australia	279	252	11	542
Total external revenues from customer contracts	**16 304**	**8 476**	**832**	**25 612**

Contract balances

Specification of contract balances 1)

MNOK	*31 Dec 21*	*31 Dec 20*
Customer contracts in progress	2 489	1 824
Prepayments received from customers	(10 300)	(9 287)
Accrued assets, customer contracts	5 313	4 575
Accrued liabilities, customer contracts	(2 771)	(2 545)
Net contract balances	**(5 269)**	**(5 433)**

MNOK	*31 Dec 21*	*31 Dec 20*
Customer contracts, assets	6 518	5 784
Customer contracts, liabilities	(11 787)	(11 217)
Net contract balances	**(5 269)**	**(5 433)**

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.

Contract balances

"Customer contracts, assets"

"Customer contracts, assets" primarily consists of completed, non-invoiced work and accrued assets related to customer contracts. Accrued assets include components which are to be used in customer contracts, but which have not yet been installed in the projects, prepayments to suppliers and cost accruals.

"Customer contracts, liabilities"

For many customer contracts, advances are agreed with customers or invoicing takes place in accordance with a payment schedule before control is transferred to the customer.

This is presented as an advance from the customer and is recognised under "Customer contracts, liabilities". "Customer contracts, liabilities" will also arise as a result of cost accruals under the contracts. KONGSBERG has no customer contracts which includes a significant financing component beyond one year.

Advances totalling almost NOK 5 billion registered in the opening balance were recognised as income during the 2021 financial year.

Revenue recognition from customer contracts includes

MNOK	*31 Dec 21*	*31 Dec 20*
Prepayments from customers included in customer contracts, obligations at the beginning of the year and which are recognised as income in the fiscal year	4 991	4 471
Revenue from performance obligations completed before the financial year	-	-

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. In addition the revenue recognition will be affected by whether the goods and services to be delivered are considered to be separate performance obligations or as a single performance obligation. 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. In addition there is also uncertainty related to whether the contract contains a significant financing component that must be separated from the contract revenue.

For performance obligations that are recognised as revenue over time, revenue recognition will take place in line with estimated progress. Progress of completion is normally calculated on the basis of costs incurred compared to total expected costs or incurred hours measured against the expected time consumption. Expected total costs are estimated, based on a combination of experience-based estimates, systematic estimation procedures and follow-up of efficiency metrics and good judgement. Normally, a high proportion of the total costs will relate to the number of hours remaining that employees must spend developing or completing the project. Uncertainty in the estimates is affected by the project's duration and technical complexity. Principles have been established for categorising projects in terms of technological complexity and degree of development. This forms the basis for an assessment of risk and recognition of revenue in the projects.

8 SHARES IN JOINT ARRANGEMENTS AND ASSOCIATED COMPANIES

KONGSBERG has some investments in Associated Companies. Based on the business size and strategic importance for KONGSBERG, Patria Oyj and Kongsberg Satellite Service AS are specified in more details below.

	2021				2020			
MNOK	*Patria Oyj*	*Kongsberg Satellite Services*	*Others*	*Total*	*Patria Oyj*	*Kongsberg Satellite Services*	*Others*	*Total*
Net holding 1 January	2 843	557	65	3 465	2 656	492	100	3 247
Acquisitions/sale during the period	-	-	107	107	-	-	8	8
Share of net income during the period [1]	150	133	(40)	244	108	120	(42)	186
Dividends received	(84)	(63)	(1)	(147)	(75)	(55)	-	(130)
Comprehensive income during the period	(60) [2]	-	-	(60)	155	-	-	155
Net holding 31 December	**2 849**	**628**	**132**	**3 609**	**2 843**	**557**	**65**	**3 465**

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 16 (MNOK 25 in 2020). 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 are 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 2021 includes goodwill and other excess value of MNOK 1 561 and MNOK 47 (MNOK 1 633 and MNOK 67 as of 31 December 2020).

The table below shows assets, liablilities and profit and loss for Patria Oyj and Kongsberg Satelitte Service AS per 100 per cent basis.

	Patria Oyj		Kongsberg Satellite Services AS	
Location	*Helsinki, Finland*		*Tromsø, Norway*	
Ownership per cent	*49.9%*		*50.0%*	
	MEUR		*MNOK*	
	2021	*2020*	*2021*	*2020*
Operating Revenues	548	534	1 232	1 034
Earnings after tax	54	34	274	239
Majority's share of the result	46	27	274	239
Non-current assets	425	389	1 439	1 088
Current assets	340	306	528	784
Long-term liabilities	157	138	44	39
Short-term liabilities	324	306	628	686

Patria is Finland's leading supplier of defence maintenance services and covers all defence aspects within MRO (Maintenance, Repair and Overhaul). Patria is an international organisation with approximately 3,000 employees and owns 50 per cent of the shares in Nammo AS. 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 control based on satellitedata from the traditional space programmes and also satellite constellations within New Space segments. KSAT has 250 employees and its headquarter is located in Tromsø. The company is owned by KONGSBERG (50 per cent) and Space Norway (50 per cent) which is owned by the Norwegian State.

Share of net income and dividend from associated companies

	Share of net income		Dividend	
MNOK	*2021*	*2020*	*2021*	*2020*
KM	(3)	-	-	-
KDA	263	206	147	130
Other	(17)	(20)	-	-
Group	**244**	**186**	**147**	**130**

9 INVENTORIES

The Group's total inventories include the following:

MNOK	*31 Dec 21*	*31 Dec 20*
Raw materials	2 370	2 188
Work in progress	508	500
Finished products	1 428	1 444
Total	**4 306**	**4 132**
Recognised changes in value for inventories	**52**	**95**
Cost of goods in the year amounts to	**9 577**	**8 850**

10 PERSONNEL EXPENSES, REMUNERATION OF EXECUTIVE MANAGEMENT AND THE BOARD

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

MNOK	*Note*	*2021*	*2020*
Salaries		7 744	7 454
Long-term incentiv scheme (LTI) [1]		16	18
Share program employees [1]		78	27
Employer's National Insurance contributions on salaries		1 065	958
Pension expenses, defined benefit plan	11	(26)	57
Pension expenses, defined contribution pension schemes	11	688	625
Other benefits		410	372
Total personnel expenses		**9 975**	**9 510**
Average no. of FTEs (full-time equivalents)		**10 690**	**10 554**

1) Expenses related to the LTI scheme and share program for employees are specified on separate lines from 2021. Due to this the 2020 figures for salaries and other benefits are changed.

Total remuneration to the members of the Executive Management for 2021 and 2020 [1]

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* [4]	*Pension accrual during the year* [5]	*Long-term incentive plan (LTI) paid out* [6]	*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*
Year									
2021	27 988	2 704	4 961	13 192	4 959	7 057	121	18 689	174 373
2020	26 076	2 376	4 159	12 379	3 720	6 425	211	17 593	164 159

1) Compensation and other benefits to members of Executive Management are based on their time served as part of Executive management. All members of Executive management are included in the general contribution scheme for salaries up to 12G.
2) Benefits other than cash refers to expensed discounts on shares in connection with the share programme for all employees, communication, car arrangements and compensation for the taxable share of pensions and insurance, as well as other taxable benefits.
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 in the financial year. To be paid when the accounts for the relevant year have been approved by the Board. A statement on performance-based pay is provided in the "Remuneration report".
5) The year's return on balance in the defined contribution pension scheme over 12G is included in the accrual. The principle has changed from previous years.
6) LTI with tax compensation for disbursement the following year where the net amount will be invested in KONGSBERG shares. A statement of the LTI scheme is provided in the "Remuneration report".

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 remune-ration*	*Remune-ration for committee meetings*	*Total Board remune-ration*	*Number of Board meetings* [1]
Year					
2021	22 695	2 585 831	446 999	3 032 830	11
2020	22 548	2 473 000	488 200	2 961 200	13

1) 7 audit committee meetings (5 in 2020) and 5 compensation committee meetings (4 in 2020) were held in 2021.

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 service pension plans include all employees of the Group in Norway. As of 31 December 2021, approximately 7,415 employees in Norway are covered by the plan. KONGSBERG aims to ensure that as many of its employees as possible outside Norway are also covered by service pension plans.

Defined contribution pension scheme (ITP)

The Group have a defined contribution pension scheme for all employees in Norway with some exceptions. The contribution rates are 5 per cent of salary up to 7.1G, and 11 per cent of salary from 7.1G up to 12G. The employees can influence the way the funds are managed by choosing between three investment options. The investment options were decided to be changed from 1.11.21. The funds can optionally be invested 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. The Group also has a collective, unfunded contribution plan for salaries between 12G and 15G. The Group's deposits in this plan is 18 per cent of the portion of the base salary that exceeds 12G, up to a ceiling of 15G. Special terms and conditions apply for executives. This is described in the Remuneration report for KONGSBERG. The unfunded scheme is closed for new members. On the operating-based schemes a savings profile with 50 per cent shares is used as return reference. KONGSBERG's companies abroad generally have defined contribution plans. As of 31 December 2021, approximately 7,018 employees in Norway and the majority of the employees abroad were covered by these plans. The contributions are expensed as incurred.

The defined benefit plan (YTP)

In connection with the transition to the defined contribution plan on 1 January 2008, employees aged 52 or more remained in the defined benefit plan. The pension plan is insured through DNB Life Insurance. The pension benefits are defined by the number of contribution years and the salary level of the individual employee. Pension costs are distributed over the employee's accrual period. Given a calculated state pension based on the Norwegian National Insurance Scheme's rules before 1 January 2011 and full earning, the scheme provides approx. 65 per cent of the final salary including calculated National Insurance benefits until the age of 77, after which the service pension section is reduced by 50 per cent for the remaining lifetime. The Group also has a collective, unfunded contribution plan for salaries between 12G and 15G. The collective, unfunded benefits plan corresponds to about 50 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". These supplementary plans are discontinued.

In addition, the Group also has a collective defined pension plan for white collar employees in Sweden born before 1979. The pension benefits are defined by the number of contribution years and the salary level of the individual employee. The employees earn pension on Swedish income base amounts (the same as the Norwegian base amount (G)) between 0 and 30.

Risk coverage

Disability pension from the Group will provide an addition to the estimated disability benefits from national insurance. National insurance will cover 66 per cent of the pension basis up to 6G, while the Group plan covers 66 per cent of the pension basis between 6G and 12G. The Group plan also provides an additional 3 per cent of the pension basis from 0G to 12G, a pay increase of 25 per cent of G and any child supplement of 4 per cent per child (maximum 3 children). The disability pension is a one-year risk cover and the premiums will be expensed as they accrue. The risk pensions are unfunded for the share of salary that exceeds 12G. In practice this implies that KONGSBERG is self-insurer for the risk pension for future periods. The unfunded scheme is closed for new members.

Early retirement

A few years ago, it was decided that the Group would no longer offer early retirement schemes for senior executives. The Group still has outstanding obligations related to such early retirement pension agreements for a few people.

Pension assumptions

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

Economic assumptions	*31 Dec 2021*	*31 Dec 2020*
Discount rate, Norway	1.80%	1.30%–1.50%
Discount rate, Sweden	1.80%	1.10%
Wage adjustment	1.75%	1.25%
Pension base level (G) adjustment	2.25%	1.75%
Pension adjustment	1.90%	1.00%

Other Norwegian assumptions	*31 Dec 2021*	*31 Dec 2020*
Mortality	K2013	K2013
Disability	IR 73	IR 73
Voluntary turnover	4.5% for all ages	4.5% for all ages

The year's pension costs were calculated as follows:

MNOK	*2021*	*2020*
Costs, defined benefit plans	(26)	57
Costs, defined contribution plans in Norway	505	467
Costs, defined contribution plans abroad	183	158

Net interests costs are classified as finance expenses. Costs for defined benefit plans in 2021 include a net gain on the pension scheme settlement of MNOK 78.

Change in net pension liabilities recognised in the statement of financial position

	2021			2020		
MNOK	*Funded*	*Unfunded*	*Total*	*Funded*	*Unfunded*	*Total*
Changes in gross pension liabilities						
Gross pension liabilities as of 1 January	2 174	634	2 808	2 023	667	2 690
Present value of current year's contribution	15	20	36	19	21	40
Interest expenses on pension liabilities	28	9	36	42	11	53
Actuarial losses/gains	160	(13)	147	196	(48)	148
Settlement of pension scheme	(168)	-	(168)	-	-	-
Payments of pensions/paid-up policies	(138)	(34)	(172)	(131)	(50)	(181)
Net change in social security expenses	3	-	2	25	(9)	16
Translation differences	-	(27)	(27)	-	41	41
Gross pension liabilities as of 31 December	**2 074**	**589**	**2 662**	**2 174**	**634**	**2 808**
Changes in gross pension fund assets						
Fair value, pension plan assets as of 1 January	1 671	-	1 671	1 716	-	1 716
Expected return on pension funds	22	-	22	37	-	37
Actuarial losses/gains	22	-	22	3	-	3
Premium payments	82	-	82	51	-	51
Payments of pensions/paid-up policies	(141)	-	(141)	(135)	-	(135)
Settlement of pension scheme	(98)	-	(98)	-	-	-
Fair value, pension plan assets as of 31 December	**1 557**	**-**	**1 557**	**1 671**	**-**	**1 671**
Net capitalised pension liabilities as of 31 December	**516**	**589**	**1 104**	**503**	**634**	**1 137**

The secured pension scheme is insured through an insurance company, and the Group's pension funds are thereby regulated by an insurance policy. The insurance policy cannot be traded, and the value is determined in accordance with the legislation on insurance businesses. The insurance has an interest guarantee, implying that the insurance company carries the risk for the return on the pension funds. The funds have primarily been invested in bonds, with some being invested in shares and property.

Historical information

MNOK	*2021*	*2020*	*2019*	*2018*	*2017*
Gross pension liabilities as of 31 December	2 662	2 808	2 690	1 947	2 025
Fair value, pension plan assets as of 31 December	1 557	1 671	1 716	1 409	1 378
Net pension liabilities as of 31 December	**(1 104)**	**(1 137)**	**(974)**	**(538)**	**(647)**
Actuarial gains/losses pension liabilities as of 31 December	147	148	67	26	(24)
Actuarial gains/losses pension assets as of 31 December	22	3	(37)	74	(90)
Accumulated estimated gains/losses recognised in the statement of comprehensive income after tax	**(1 672)**	**(1 559)**	**(1 428)**	**(1 331)**	**(1 374)**
Of which, constitutes experience deviations	(1 044)	(972)	(926)	(881)	(928)

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. For 2020, the premium was 2.5 per cent, and the same rate is set for 2021 (estimated at MNOK 112). There is no accumulation of capital in the plan and further increases in the premium level are expected over the coming years.

Estimation uncertainty

Pension benefits depend on the number of years of service and salary level when reaching retirement age. 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 financial and actuarial assumptions made at the end of the year. The assumptions are related to the discount rate, future wage growth, pension adjustments and employee turnover. In the calculation of gross pension fund assets an expected return on pension is used. The assumptions are updated annually and any changes in the assumptions used would affect the estimated pension obligation. Changes in the discount rate have the most significant impact. The discount rate is stipulated on the basis of the covered bond interest rate, which reflects the time frame for paying out on the pension liabilities for the benefit plan. In KONGSBERG's opinion, the market for covered bonds is sufficiently deep and shows reliable pricing. Net pension liabilities is calculated by an external actuar. The balance sheet shows net pension liabilities including social security.

Other

Expected pension payments within the defined benefit pension scheme are as follows:

	MNOK
2022	206
2023	144
2024	140
2025	135
2026	134
Next 5 years	586

12 PROPERTY, PLANT AND EQUIPMENT

MNOK	*Note*	*Land*	*Buildings and other real property*	*Machinery and plant*	*Equipment and vehicles*	*Plant in progress*	*Total*
2021							
Acquisition cost							
Acquisition cost as of 1 January 2021		332	3 186	1 985	2 289	314	8 106
Reclassification[1]		35	27	637	(510)	(1)	188
Additions		21	195	172	196	(9)	575
Disposals		(1)	(55)	(174)	(125)	(5)	(360)
Disposal discontinued operations		-	(2)	(1)	(4)	-	(7)
Translation differences		(1)	(16)	(3)	(1)	1	(20)
Acquisition cost as of 31 December 2021		**386**	**3 335**	**2 616**	**1 845**	**300**	**8 482**
Accumulated depreciation and impairment							
Total accumulated depreciation and impairment as of 1 January 2021		(5)	1 305	1 210	1 925	6	4 441
Reclassification		-	11	515	(515)	1	12
Depreciation for the year		-	137	202	137	-	476
Impairment for the year		-	6	-	3	-	9
Accumulated depreciation through disposal		-	(60)	(164)	(119)	(5)	(348)
Accumulated depreciation through discontinued operations		-	(9)	(1)	(4)	-	(14)
Translation differences		-	4	6	(5)	-	5
Total accumulated depreciation and impairment as of 31 December 2021		**(5)**	**1 394**	**1 768**	**1 422**	**2**	**4 581**
Carrying amount as of 31 December 2021		**391**	**1 941**	**848**	**423**	**298**	**3 901**
2020							
Acquisition cost							
Acquisition cost as of 1 January 2020		335	3 208	1 794	2 541	388	8 266
Reclassification		8	(5)	151	(136)	(16)	2
Adjustment according to final purchase allocation		-	(87)	-	11	-	(76)
Additions		9	223	162	191	(49)	536
Disposals		(1)	(18)	(88)	(252)	(8)	(367)
Disposal discontinued operations	30	(19)	(160)	(49)	(63)	-	(291)
Translation differences		-	25	15	(3)	(1)	36
Acquisition cost as of 31 December 2020		**332**	**3 186**	**1 985**	**2 289**	**314**	**8 106**
Accumulated depreciation and impairment							
Total accumulated depreciation and impairment as of 1 January 2020		-	1 189	1 142	2 005	6	4 342
Reclassification		(4)	(5)	(4)	17	-	4
Depreciation for the year		-	118	176	187	-	481
Impairment for the year		-	48	1	3	-	52
Accumulated depreciation through disposal		(1)	(17)	(68)	(251)	-	(337)
Accumulated depreciation through discontinued operations	30	-	(23)	(39)	(34)	-	(96)
Translation differences		-	(5)	2	(2)	-	(5)
Total accumulated depreciation and impairment as of 31 December 2020		**(5)**	**1 305**	**1 210**	**1 925**	**6**	**4 441**
Carrying amount as of 31 December 2020		**337**	**1 881**	**775**	**364**	**308**	**3 665**
Useful life		**N/A**	**10-33 years**	**1-10 years**	**1-10 years**		

1) Reclassification consist of an adjustment to final purchase allocation of MNOK 176.

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. Many of the leases include extension options. These are included if it is reasonably certain that KONGSBERG will exercise the option. The lease conditions do not include variable rent except if the rent is dependent on any index or interest rate. The Group applies the recognition exemption to short-term leases and to leases with assets of low value. The former exemption is used for all types of leases, while the latter is primarily used for office equipment and small equipment.

MNOK	*Buildings and other real property*	*Machinery and plant*	*Total*
2021			
Acquisition cost			
Acquisition cost as of 1 January 2021	2 625	32	2 658
Additions	156	8	164
Disposals	(51)	(11)	(61)
Translation differences	(14)	(1)	(14)
Acquisition cost as of 31 December 2021	**2 718**	**28**	**2 746**
Accumulated depreciation and impairment			
Total accumulated depreciation and impairment as of 1 January 2021	675	17	692
Depreciation for the year	386	10	396
Accumulated depreciation through disposal	(44)	(11)	(54)
Translation differences	(3)	(1)	(3)
Total accumulated depreciation and impairment as of 31 December 2021	**1 015**	**15**	**1 031**
Carrying amount as of 31 December 2021	**1 702**	**13**	**1 715**
2020			
Acquisition cost			
Acquisition cost as of 1 January 2020	2 458	31	2 489
Additions	212	7	218
Disposals	(43)	(7)	(50)
Translation differences	(2)	2	-
Acquisition cost as of 31 December 2020	**2 625**	**32**	**2 658**
Accumulated depreciation and impairment			
Total accumulated depreciation and impairment as of 1 January 2020	337	11	348
Depreciation for the year	398	13	411
Accumulated depreciation through disposal	(43)	(7)	(50)
Translation differences	(17)	-	(17)
Total accumulated depreciation and impairment as of 31 December 2020	**675**	**17**	**692**
Carrying amount as of 31 December 2020	**1 950**	**15**	**1 965**
Lease term	**1-21 years**	**1-5 years**	
Depreciation period	**Linear**	**Linear**	

Leasing liabilities

MNOK	*31 Dec 2021*	*31 Dec 2020*
Carrying amount as of 1 January	2 092	2 198
Additions	164	218
Interest on leasing liabilities	132	142
Lease payments	(489)	(484)
Disposals	(8)	-
Translation differences	(12)	17
Carrying amount as of 31 December	**1 880**	**2 092**
Current leasing liabilities	380	339
Long-term leasing liabilities	1 500	1 753

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 536 (MNOK 545) in 2021, which consist of calculated interest on leasing liabilities of MNOK 132, payment of principal portion of leasing liabilities of MNOK 357 and payment for leasing contracts not recognised in the financial position of MNOK 47.

Recognised in the income statement

MNOK	*2021*	*2020*
Depreciation on leases during the year	396	411
Interest expense on leasing liabilities	132	142
Costs related to short-term leases and leases on assets of low value	47	61
Total recognised in profit/loss	**576**	**614**

For information on due dates for lease payments, see Note 21 E "Financial instruments - Liquidity risk".

KONGSBERG has a number of leases which include extension options. These options have been negotiated to secure flexibility as regards the handling of the lease portfolio according to KONGSBERG's ongoing needs. The options are included if it is reasonably certain that KONGSBERG will exercise the option.

Estimation uncertainty

In the calculation of leasing asset and leasing liabilities judgements and assumptions are applied regarding the discount rate and lease term used. Most of KONGSBERGs leases are related to property. The discount rate used for property leases is yield obtained from an external part. For other leases the incremental borrowing rate is used unless the interest rate implicit in the lease is known. The lease term set is in principal the non-cancellable term of the lease. But in leases where there is an option to extend the lease or terminate the lease, KONGSBERG must consider whether it is reasonably certain that the option will be exercised. If it is reasonably certain that the option will be exercised this must be included in the lease term. The threshold for being reasonably certain is not explicitly specified in IFRS 16. KONGSBERG considers reasonably certain to be lower than virtually certain and significantly higher than more likely than not.

14 INTANGIBLE ASSETS

MNOK	*Note*	*Goodwill*	*Technology*	*Capitalised internal development*	*Other intangible assets[1)]*	*Total*
2021						
Acquisition cost						
Acquisition cost as of 1 January 2021		**4 046**	**1 207**	**1 664**	**778**	**7 695**
Reclassification		-	(33)	(18)	(14)	(65)
Adjustment according to final purchase allocation		6	-	-	-	6
Additions		-	-	214	1	215
Disposals		-	-	-	-	-
Disposals discontinued operations		(11)	-	(27)	-	(38)
Translation differences		-	6	-	-	6
Acquisition cost as of 31 December 2021		**4 041**	**1 180**	**1 833**	**765**	**7 819**
Accumulated amortisation and impairment						
Total accumulated amortisation and impairment as of 1 January 2021		**903**	**560**	**649**	**387**	**2 499**
Reclassification		(1)	(34)	(16)	(13)	(64)
Amortisation		-	80	130	131	341
Impairment		-	-	2	-	2
Disposals discontinued operations		-	-	(4)	-	(4)
Translation differences		-	6	-	-	6
Total accumulated amortisation and impairment as of 31 December 2021		**902**	**612**	**761**	**505**	**2 780**
Carrying amount as of 31 December 2021		**3 139**	**568**	**1 072**	**260**	**5 039**
2020						
Acquisition cost						
Acquisition cost as of 1 January 2020		**5 175**	**1 452**	**1 447**	**795**	**8 869**
Reclassification		-	-	(6)	-	(6)
Adjustment according to final purchase allocation		(298)	-	-	-	(298)
Additions through acquisition		15	12	-	16	43
Additions		-	-	223	1	224
Disposals		-	-	-	-	-
Disposals discontinued operations	30	(842)	(254)	-	(34)	(1 130)
Translation differences		(4)	(3)	-	-	(7)
Acquisition cost as of 31 December 2020		**4 046**	**1 207**	**1 664**	**778**	**7 695**
Accumulated amortisation and impairment						
Total accumulated amortisation and impairment as of 1 January 2020		**903**	**737**	**493**	**249**	**2 382**
Reclassification		-	-	-	-	-
Amortisation		-	79	96	164	339
Impairment		-	-	60	-	60
Disposals discontinued operations	30	-	(254)	-	(26)	(280)
Translation differences		-	(2)	-	-	(2)
Total accumulated amortisation and impairment as of 31 December 2020		**903**	**560**	**649**	**387**	**2 499**
Carrying amount as of 31 December 2020		**3 143**	**647**	**1 015**	**391**	**5 196**
Useful life			**1-10 years**	**1-10 years**	**1-10 years**	

1) "Other intangible assets" consists primarily of customer relations and trademarks aquired through acquisitions.

With the exception of goodwill, which cannot be amortised, the amortisation of intangible assets is linear with useful life. The amortisation starts when the intangible asset is available for use.

Product maintenance and development recognised in profit and loss

	2021			2020		
MNOK	*Product Maintenance*	*Development costs*	*Total*	*Product Maintenance*	*Development costs*	*Total*
Kongsberg Maritime	395	836	1 231	366	784	1 150
Kongsberg Defence & Aerospace	28	115	143	36	96	132
Kongsberg Digital	28	105	133	12	59	71
Total	**451**	**1 056**	**1 507**	**414**	**939**	**1 353**

Capitalisation of development projects

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

Internally financed development projects at Kongsberg Maritime mainly contain many projects with limited total scope and, to a great extent, the development of existing technology. Many of these development projects are not considered to be eligible for capitalisation. Several of the projects also entail considerable uncertainty about whether they are technologically feasible and how the final solution will turn out. Normally, the criteria for capitalisation will not be satisfied until fairly late in the development project.

The business area Kongsberg Defence & Aerospace has the largest share of capitalised internal development projects in KONGSBERG. About MNOK 700 of the book balance is related to internally developed technology in this business area. This includes technology associated to weapon stations, missile systems, control systems and communication equipment.

15 IMPAIRMENT TESTING OF GOODWILL

Goodwill

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

Goodwill is allocated to the operating segments as follows:

MNOK	*31 Dec 21*	*31 Dec 20*
Kongsberg Maritime	2 857	2 868
Kongsberg Defence & Aerospace	181	174
Kongsberg Digital	101	101
Total goodwill recognised in the financial position	**3 139**	**3 143**

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

The Group has used value in use to determine recoverable amounts for the cash flow-generating entities. Value in use is determined by using the discounted cash flow method. The expected cash flow is based on the business areas' budgets and long-term plans, which are approved by KONGSBERG's executive management and Board. Budgets and long-term plans cover a five-year period (explicit prognosis period). Approved budgets and long-term plans are adjusted for cash flows related to investments, restructuring, future product improvements and new development, if the elements are considered significant for the impairment test. After the five years of explicit plans, the units' cash flows are stipulated by extrapolation. At the beginning of the extrapolation period, the entity is assumed to be in a 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 10-year Norwegian government bond interest rate and is based on all cash flows being translated to NOK. The cost of liabilities represents an expected long-term after-tax interest rate for comparable liabilities and consists of risk-free interest and an interest spread.

Profit margin (EBITDA)

The profit margin is reviewed for each of the cash flow-generating entities that are based on expectations of future development. This gives the Group good prospects for order intake, especially within the defence segment, and is a solid basis for long-term growth. The major restructurings that have been carried out are expected to contribute to increased profitability for the Group as a whole. The explicit 5-year period is based on moderate growth in both Kongsberg Maritime and Kongsberg Defence & Aerospace.

Growth rate

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

Market shares

For entities operating in markets where it is relevant to measure market shares, it is expected that established positions in general will be maintained, but there could be increases and setbacks in certain areas. Markets where KONGSBERG operates are affected to varying degrees by the climate challenges facing the world. In some areas, this may have a negative effect on KONGSBERG's market shares, while in other areas this may have a positive effect in relation to deliveries of products and solutions that contribute to reducing emissions for KONGSBERG's customers.

Key assumptions per cash flow-generating unit

Per cent	*Kongsberg Maritime*	*Kongsberg Defence & Aerospace*	*Kongsberg Digital*
Discount rate before tax	7.12	6.41	6.80
Discount rate after tax	5.96	5.21	5.96
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.

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.

Significant changes in the cash flows may affect the value of goodwill.

16 FINANCIAL INCOME AND FINANCIAL EXPENSES

MNOK	*Note*	*2021*	*2020*
Interest income from assets at amortised cost		40	58
Foreign exchange gain		37	42
Other financial income		6	3
Financial income		**83**	**103**
Interest expense from liabilities at amortised cost		72	99
Foreign exchange loss		27	60
Other financial expenses		37	37
Financial expenses		**136**	**196**
Interest on leasing liabilities	13	**132**	**142**
Net finance item recognised in income statement		**(185)**	**(235)**

17 INCOME TAX

Income tax expense

MNOK	*2021*	*2020*
Current tax on profits for the year (incl WHT)	359	175
Adjustment in respect of prior years - current tax	92	(7)
Total current income tax	**451**	**168**
Current year change in deferred tax	211	202
Adjustment in respect of prior periods	(30)	5
Total deferred income tax	**181**	**207**
Total income tax	**632**	**374**

Change in deferred tax recognised in other comprehensive income

MNOK	*2021*	*2020*
Tax (expense)/ credit on cash flow hedges	(26)	26
Tax (expense)/ credit on pension	32	37
Tax (expense)/credit in other comprehensive income	**6**	**63**

Effective tax rate

The table below reconcile the reported income tax expenses to the tax expenses if the tax rate of 22 per cent in Norway was applied.

	2021		2020	
	MNOK	*Per cent*	*MNOK*	*Per cent*
Earnings before tax	**2 922**		**1 855**	
Expected tax calculated at Norwegian tax rate of 22 %	643	22.0%	408	22.0%
Tax effects of				
Impact of change in tax rate	(1)	0.0%	(1)	0.0%
Equity transactions	1	0.0%	87	4.7%
Adjustments in respect of prior years	62	2.1%	(2)	(0.1)%
Previously unrecognised tax losses used to reduce payable tax	(32)	(1.1)%	(188)	(10.1)%
Tax effect on net income from joint arrangements and associated companies	(54)	(1.8)%	(41)	(2.2)%
Effect of different tax rates abroad	(6)	(0.2)%	25	1.4%
Effect of withholding tax	34	1.2%	34	1.9%
Other permanent differences	(15)	(0.5)%	51	2.7%
Income tax expense and effective tax rate	**632**	**21.6%**	**374**	**20.2%**

Taxes paid

MNOK	*Note*	*Total*	*Norway*	*Abroad*
Corporate income tax		331	6	326
Witholding tax		35	-	35
Total 2021		**366**	**6**	**361**
Corporate income tax		133	-	133
Taxes paid from sale of Hydroid		574	-	574
Withholding tax		33	-	32
Total 2020		**739**	**-**	**739**

Recognized deferred tax assets and liabilities

MNOK	*Opening Balance*	*Tax recognised in income statement*	*Changes in tax rate*	*Tax recognised in total compre-hensive income*	*Foreign exchange and reclas-sifications*	*Closing Balance*
Property, plant and equipment	164	(202)	1	-	30	(8)
Customer contracts	(243)	34	-	-	-	(208)
Pension	207	(38)	-	32	-	201
Provisions / currency	282	101	-	-	(0)	383
Losses carried forward	392	(344)	-	-	-	47
Derivatives assets	(212)	92	-	-	-	(120)
Derivatives liability	120	(12)	-	(26)	-	83
Contracts under construction	(1 650)	196	-	-	-	(1 454)
Carried forward interest deductions	52	(9)	-	-	-	44
Net deferred tax assets / (Liability)	**(888)**	**(181)**	**1**	**6**	**29**	**(1 033)**

Customer contracts / temporary differences

For customer contracts that are recognised over time, fiscal revenue recognition will occur when the control and risk has been transferred to the customer. This has no effect on the tax expense in the income statement, but as a consequence, tax payable will fluctuate over time.

Deferred tax

MNOK	*31 Dec 21*	*31 Dec 20*
Deferred tax asset	248	306
Deferred tax liability	(1 281)	(1 194)
Net deferred tax	**(1 033)**	**(888)**

Unrecognized Deferred Tax Assets

MNOK	*31 Dec 21*	*31 Dec 20*
Unrecognized tax loss carry-forward	12	277
Unrecognized other tax assets	6	19
Total not recognized	**19**	**246**

Tax loss carry-forwards (gross amounts)

MNOK	*Norway*	*Europe*	*Other*	*Total*
Less than five years	-	-	41	41
10-20 years	-	3	20	22
Without time limit	86	68	21	176
Total	**86**	**71**	**82**	**239**

The tax losses carried-forward relate to tax losses in previous years that can be used as tax credits in payable taxes in the future.

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.

18 EARNINGS PER SHARE

MNOK	*2021*	*2020*
Earnings attributable to the ordinary shareholders		
Earnings after tax from continuing operations	2 290	1 481
Earnings after tax from discontinued operations	N/A	1 451
Earnings after tax	2 290	2 932
Non-controlling interests' share of the result	(131)	(41)
Earnings for the year/diluted earnings attributable to the ordinary shareholders	**2 159**	**2 891**

Number of shares	*Note*	*2021*	*2020*
Number of shares outstanding as of 1 January		179.80	179.97
Number of shares as of 31 December	23	178.20	179.80

NOK	*2021*	*2020*
Earnings per share from continuing operations	12.06	8.01
Earnings per share from continuing operations, diluted	12.06	8.01
Earnings per share from discontinued operations	N/A	8.07
Earnings per share from discontinued operations, diluted	N/A	8.07
Earnings for the year per share	12.06	16.08
Earnings per share for the year, diluted	12.06	16.08

19 OTHER NON-CURRENT ASSETS

MNOK	*31 Dec 21*	*31 Dec 20*
Shares at fair value through profit and loss	66	24
Loans to employees	3	14
Prepaid land rental	2	-
Long-term loans to customers	-	40
Long-term loans, associated companies	23	51
Other non-current assets	78	79
Total other non-current assets	**172**	**209**

20 RECEIVABLES AND CREDIT RISK

Credit risk

Exposure to credit risk
For an explanation of KONGSBERG's credit risk and the handling of this, see Note 5 "Management of capital and financial risks".
Carrying value of financial assets represents the maximum credit exposure:

MNOK	*Note*	*31 Dec 21*	*31 Dec 20*
Trade receivable		4 932	6 023
Other short-term receivables		620	580
Customer contracts in progress	7	2 489	1 824
Other non-current assets	19	106	185
Cash and cash equivalents	22	8 118	7 420
Derivatives used for hedging purposes	21 A	545	964
Total exposure to credit risk		**16 810**	**16 996**

MNOK	*Note*	*31 Dec 21*	*31 Dec 20*
Trade receivables		4 932	6 023
Provision for bad debts		(414)	(481)
Net trade receivables		**4 518**	**5 542**

Trade receivables distributed by region

MNOK	*31 Dec 21*	*31 Dec 20*
Norway	632	901
Europe	1 293	2 072
North America	1 027	1 355
South America	200	162
Asia	1 229	1 056
Other countries	551	479
Total	**4 932**	**6 023**

Trade receivables distributed by customer type

MNOK	*31 Dec 21*	*31 Dec 20*
Public	1 040	1 830
Private	3 892	4 193
Total	**4 932**	**6 023**

Credit exposure on the Group trade receivables

	31 Dec 21		31 Dec 20	
MNOK	*Gross*	*Provision for bad debts*	*Gross*	*Provision for bad debts*
Not due	2 431	(2)	3 636	(4)
Due 1–30 days	802	(8)	921	(7)
Due 31-90 days	513	(13)	480	(8)
Due 91-180 days	285	(18)	182	(20)
Due more than 180 days	902	(373)	805	(442)
Total	**4 932**	**(414)**	**6 023**	**(481)**

Changes in provision for bad debts

MNOK	*31 Dec 21*	*31 Dec 20*
Provisions as of 1 January	(481)	(420)
Adjustment to opening balance	1	(7)
Actual losses	31	29
Allocation	(11)	(139)
Dissolved	46	56
Provision as of 31 December	**(414)**	**(481)**

21 FINANCIAL INSTRUMENTS

For definitions of financial instruments, please see Note 3 J "Financial instruments".

A) Fair value, derivatives

MNOK	*Note*	*31 Dec 21*	*31 Dec 20*
Current assets			
Forward exchange contracts, cash flow hedges (a)	21 C	28	23
Forward exchange contracts, fair value hedges (b)	21 B	500	924
Cross-currency swaps		17	-
Currency options		-	17
Total derivatives, current assets		**545**	**964**
Current liabilities			
Forward exchange contracts, cash flow hedges (c)	21 C	65	101
Forward exchange contracts, fair value hedges (d)	21 B	312	295
Cross-currency swaps		-	144
Currency options		-	6
Total derivatives, current liabilities		**378**	**546**
Net forward exchange contracts, cash flow hedges (a) - (c)		(37)	(78)
Net forward exchange contracts, fair value hedges (b) - (d)		188	629
Total net forward exchange contracts		**150**	**551**

B) Currency risk and currency hedging

KONGSBERG's currency risk and currency risk management are described in Note 5 "Management of capital and financial risks". Forward exchange contracts as fair value hedges shall hedge contractual currency flows. This means that the forward exchange contracts hedge capitalised receivables and outstanding invoicing on committed contracts in currencies other than the exposed unit's functional currency. KONGSBERG is exposed to multiple currencies, but these are less significant compared to the exposure in USD, EUR and partially GBP versus NOK.

	Average exchange rate		Spot rate as of 31 Dec	
	2021	*2020*	*2021*	*2020*
USD	8.63	9.40	9.03	8.58
EUR	10.18	10.76	10.24	10.48
GBP	11.85	12.12	12.01	11.73

As of 31 December, the group had the following hedges of net sales in foreign currencies, listed by hedge category:

Currency hedging, cash flow hedges

	2021									
	Due in 2022		Due in 2023 and later		Total					
Amounts in millions	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 21*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 21*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 21*	*Total hedged amount*	*Average hedged rate[1)]*	*Fair value 31 Dec 20*	*Change in fair value from 31 Dec 20*
USD	(404)	(23)	384	(15)	(20)	(38)	2	(9.50)	(69)	31
EUR	194	7	(101)	(4)	93	3	10	9.70	(9)	11
GBP	-	-	(5)	-	(5)	-	-	11.85	-	-
Other	(17)	-	(37)	(2)	(54)	(2)	-	-	-	(1)
Total	**(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 8.95 and 8.68, respectively.

	2020									
	Due in 2021		Due in 2022 and later		Total					
Amounts in millions	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 20*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 20*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 20*	*Total hedged amount*	*Average hedged rate[1)]*	*Fair Value 31 Dec 19*	*Change in fair value from 31 Dec 19*
USD	(446)	(32)	288	(38)	(157)	(69)	(10)	15.38	2	(71)
EUR	(411)	(7)	(78)	(1)	(488)	(9)	(45)	10.80	(13)	4
GBP	(20)	-	-	-	(20)	-	(2)	11.69	(1)	1
Other	(23)	-	(33)	(1)	(56)	-	-	-	-	-
Total	**(901)**	**(39)**	**177**	**(40)**	**(722)**	**(78)**	**-**	**-**	**(11)**	**(67)**

1) Average hedged rate in USD is influenced by the presentation of net figures. Average hedged rate for gross outflow and gross income is 9.08 and 8.71, respectively.

Currency hedging, fair value hedges

	2021									
	Due in 2022		Due in 2023 and later		Total					
Amounts in millions	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 21*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 21*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 21*	*Total hedged amount*	*Average hedged rate*	*Fair value 31 Dec 20*	*Change in fair value from 31 Dec 20*
USD	5 313	8	1 279	(26)	6 592	(19)	748	8.81	405	(424)
EUR	3 207	78	2 364	108	5 571	186	529	10.53	95	91
GBP	100	4	962	(6)	1 062	(2)	88	12.02	15	(18)
Other	490	9	253	15	742	24	-	-	114	(90)
Total	**9 109**	**99**	**4 858**	**89**	**13 968**	**188**	**-**	**-**	**629**	**(441)**

	2020									
	Due in 2021		Due in 2022 and later		Total					
Amounts in millions	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 20*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 20*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 20*	*Total hedged amount*	*Average hedged rate*	*Fair value 31 Dec 19*	*Change in fair value from 31 Dec 19*
USD	7 259	312	3 028	93	10 287	405	1 151	8.94	(34)	439
EUR	3 242	62	2 594	33	5 836	95	541	10.79	-	95
GBP	384	16	946	-	1 329	15	110	12.04	(2)	17
Other	293	81	158	32	452	114	-	-	(6)	119
Total	**11 178**	**472**	**6 726**	**158**	**17 904**	**629**	**-**	**-**	**(42)**	**671**

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.

Due date profile, hedges

As of 31 December, the group had the following hedges of net sales in foreign currencies, listed by hedge category:

Amounts in millions	*Nominal currency amount*	*Due in 2022*	*Due in 2023 and later*
Hedge category			
Forward exchange contracts, cash flow hedges			
USD	2	(43)	45
EUR	10	19	(9)
Forward exchange contracts, fair value hedges			
USD	748	601	147
EUR	529	310	219
GBP	88	8	80

Hedge ineffectiveness

Ineffective fair value hedges may occur due to changes in milestones for currency inflow or outflow. This is intercepted through normal operating routines, and currency swaps are used to balance cash inflow and outflow as well as maintaining hedge effectiveness. 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:

MNOK	*2021*	*2020*
Hedge category		
Forward exchange contracts, cash flow hedges [1]	(31)	32
Forward exchange contracts, fair value hedges [2]	-	-
Total	**(31)**	**32**

1) Changes in fair value for hedge effective cash flow hedges are recognised in other comprehensive income. Any hedge ineffectiveness will be recognised through profit and loss.
2) The total change in value of hedged projects is MNOK 629 during 2021 (MNOK 671 in 2020). 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. As of 31 December 2020, KONGSBERG recognised currency options with a gross amount of MNOK 17 to current assets and currency options with a gross amount of MNOK 6 to current liabilities. Changes in fair value of the currency options are recognised in other comprehensive income.

Cross-currency swaps

Subsequent to the aquisition of shares in Patria Oyj in 2016, cross-currency swaps were entered in order to partially hedge net investment in foreign entity. In 2021 the cross-currency swaps were rolled forward and had a negative cash flow impact of MNOK 116 during the year. Accumulated changes in fair value of the cross-currency swaps in the period 2016–2021 are recognised in other comprehensive income. 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. Per 31 December 2021 the cross-currency swaps had a fair value of MNOK 17 (MNOK -144 per 31 December 2020)

Sensitivity analysis

A weakening of the NOK against USD and EUR as of 31 December of 10 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	*2021*	*2020*
Forward exchange contracts in USD	1	(7)
Forward exchange contracts in EUR	8	(37)
Cross-currency swaps in EUR	(78)	(106)
Total	**(69)**	**(150)**

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	*2021*	*2020*
Translation differences Patria	(60)	155
Translation differences subsidaries	(134)	(79)
Total	**(194)**	**76**

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 21 Carrying amount	Expected cash flow	2022	2023 and later	31 Dec 20 Carrying amount	Expected cash flow	2021	2022 and later
Currency forward exchange contracts								
Assets	28	28	23	5	23	23	21	2
Liabilities	(65)	(66)	(40)	(26)	(101)	(103)	(60)	(43)
Total	**(37)**	**(38)**	**(17)**	**(21)**	**(78)**	**(80)**	**(39)**	**(41)**

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 21 Carrying amount	Expected cash flow	2022	2023 and later	31 Dec 20 Carrying amount	Expected cash flow	2021	2022 and later
Currency forward exchange contracts								
Assets	28	28	11	17	23	23	12	11
Liabilities	(65)	(66)	(26)	(40)	(101)	(103)	(52)	(51)
Total	**(37)**	**(38)**	**(15)**	**(23)**	**(78)**	**(80)**	**(40)**	**(40)**

Cash flow hedges - hedge reserve

MNOK	*2021*	*2020* [3]
Opening balance	(258)	(166)
Changes in fair value during the period		
- Forward exchange contracts and roll-over effects [1) 2)]	86	(30)
- Cross-currency swaps	45	(80)
- Currency options	(11)	11
Adaptations in connection with hedge accounting in acquired companies	-	(19)
Tax on items recognised directly in other comprehensive income	(26)	26
Closing balance hedge reserve [2)]	**(165)**	**(258)**
Recognised gains/losses in the period		
Amount reclassified from the cash flow hedges to fair value hedges [1)]	(15)	(66)
Ineffective cash flow hedges recognised in profit and loss	(31)	32

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 -75 as of 31 December 2021 (MNOK -120 as of 31 December 2020).
2) The net effect from the cash flow hedges before tax that are recognised in other comprehensive income amounts to MNOK 86 in 2021 (MNOK -30 in 2020). Other comprehensive income shows a change of MNOK 120. The difference between these two amounts of MNOK 34 was ascribable to a change in fair value of cross-currency swaps of MNOK 45 and change in fair value of currency options with net MNOK -11.
3) A restatement is made in Cash flow hedge reserve as of 31 December 2020.

If an expected project is contracted and a fair value hedge is established, the hedge reserve is recognised as transferred from other comprehensive income to the capitalised value of the hedged project. If an expected cash flow occurs and does not result in a fair value hedge, the hedge reserve is recognised in the income statement at the same time as the hedged transactions.

In 2021, MNOK -31 (MNOK 32 in 2020) were recognised in the ordinary result, related to ineffective cash flow hedges. Hedge ineffectiveness from cash flow hedges will be recognised as part of the item "recognised gain/loss in the period" in the table above.

D) Interest rate risk on loans

	2021			2020	
MNOK	*Due date*	*Nominal interest rate*	*Carrying amount[1]*	*Nominal interest rate*	*Carrying amount[1]*
Long-term loans					
Bond issue KOG09 - fixed interest rate	2 Jun 26	3.20%	1 000	3.20%	1 000
Bond issue KOG11 - fixed interest rate	5 Dec 23	2.90%	450	2.90%	450
Bond issue KOG13 - floating interest rate	6 Jun 24	2.02%	500	1.55%	500
Bond issue KOG14 - floating interest rate [2]	26 Feb 26	1.66%	500		-
Other long-term loans [3]			-		21
Total long-term loans			**2 450**		**1 971**
Short-term loans					
Bond issue KOG08 - floating interest rate [4]	2 Jun 21		-	1.61%	1 000
Bond issue KOG12 - floating interest rate [5]	6 Dec 21		-	1.23%	500
Total short-term loans			**-**		**1 500**
Total interest-bearing loans			**2 450**		**3 471**

MNOK	*Due date*	*Nominal amount*	*Nominal amount*
Syndicated credit facility (unutilised borrowing limit)	15 Mar 23	2 300	2 300
Overdraft facility (unutilised)		500	500

1) Value is equal to nominal amount. For long-term bond loans, the carrying amount is equal to the nominal amount.
2) KONGSBERG issued and listed MNOK 500 during 2021 in a new bond with a 5-year tenor and a floating rate coupon of 3M NIBOR + 0.86% p.a.
3) "Other long-term loans" consisted of minor loans in some of the Group's subsidiaries.
4) The bond issue KOG08 was repaid at due date 2 June 2021.
5) The bond issue KOG12 was repaid at due date 6 December 21.

MNOK	*2021*	*2020*
Carrying amount as of 1 January	3 471	4 089
Issuance of new bond	500	-
Repayment of debt	(1 521)	(617)
Carrying amount as of 31 December	**2 450**	**3 471**

Kongsberg Gruppen ASA has a syndicated credit facility with Danske Bank, DNB, JP Morgan, Nordea and SEB. The credit facility is for general corporate purposes, and has an applicable Termination Date 15 March 2023. The interest rate as of 31 December 2021 is 3M NIBOR + a margin that depends on the ratio of net interest-bearing debt/EBITDA and can vary from 0.55 per cent to 2 per cent. The credit facility requires that net interest-bearing debt does not exceed 4 times EBITDA, but can be up to 4.5 times EBITDA for a maximum of four quarters, of which three quarters may be consecutive. The covenants in the loan agreements have been met. The facility was unutilised as of 31 December 2021.

Kongsberg Gruppen ASA held four bond loans at the end of 2021. 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 500. As of 31 December 2021, this remains unutilised.

As of 31 December 2021, the Group has no interest rate swaps.

Sensitivity analysis interest rate risk
Simulated annual effect on net income of an interest rate increase of 50 bp in NIBOR:

MNOK	*31 Dec 21*	*31 Dec 20*
Investments with floating interest rates	41	37
Variable interest rate loans	(5)	(10)
Cash flow sensitivity (net)	**36**	**27**

E) Liquidity risk

The table shows due dates in accordance with the contract for financial liabilities, including interest payments. Liabilities such as government fees and taxes are not financial liabilities and are therefore not included. The same applies to prepayments by customers and project accruals.

	31 Dec 21						
MNOK	*Carrying amount*	*Contractual cash flows*	*2022*	*2023*	*2024*	*2025*	*2026 and later*
Financial liabilities that are not derivatives							
Unhedged bond issues	2 450	(2 675)	(63)	(512)	(545)	(40)	(1 515)
Leasing liabilities	1 880	(2 308)	(494)	(447)	(352)	(259)	(756)
Other loans and long-term liabilities	-	-	-	-	-	-	-
Accounts payable	2 334	(2 334)	(2 334)	-	-	-	-
Financial liabilities that are derivatives							
Currency derivatives	378	(383)	(254)	(105)	(14)	(11)	-
Cross-currency swaps	-	-	-	-	-	-	-
Currency options	-	-	-	-	-	-	-
Total	**7 042**	**(7 700)**	**(3 145)**	**(1 064)**	**(911)**	**(310)**	**(2 271)**

	31 Dec 20						
MNOK	*Carrying amount*	*Contractual cash flows*	*2021*	*2022*	*2023*	*2024*	*2025 and later*
Financial liabilities that are not derivatives							
Unhedged bond issues	3 450	(3 669)	(1 565)	(53)	(502)	(535)	(1 013)
Leasing liabilities	2 092	(2 638)	(469)	(444)	(413)	(327)	(985)
Other loans and long-term liabilities	21	(21)	-	-	-	-	(21)
Accounts payable	1 801	(1 801)	(1 801)	-	-	-	-
Financial liabilities that are derivatives							
Currency derivatives	396	(401)	(252)	(91)	(49)	(7)	(3)
Cross-currency swaps	144	(144)	(144)	-	-	-	-
Currency options	6	(6)	(6)	-	-	-	-
Total	**7 910**	**(8 679)**	**(4 237)**	**(588)**	**(964)**	**(869)**	**(2 022)**

F) List of financial assets and liabilities

Financial assets and liabilities divided into different categories for accounting purposes as of 31 December 2021:

		2021				
MNOK	*Note*	*Amortised cost*	*Hedge derivatives*	*Fair value with change in value through profit or loss*	***Total***	*Fair value*
Assets – non-current assets						
Other non-current assets	19	107	-	66	**172**	172
Assets – current assets						
Derivatives	21 A	-	545	-	**545**	545
Receivables	20	5 138	-	-	**5 138**	5 138
Customer contracts in progress	7	2 489	-	-	**2 489**	2 489
Cash and cash equivalents	22	8 118	-	-	**8 118**	8 118
Financial liabilities – non-current						
Interest-bearing loans	21 D	2 450	-	-	**2 450**	2 511
Leasing liabilities	13	1 500	-	-	**1 500**	1 500
Other non-current liabilities		72	-	-	**71**	71
Financial liabilities – current						
Leasing liabilities	13	380	-	-	**380**	380
Derivatives	21 A	-	378	-	**378**	378
Accounts payable	25	2 334	-	-	**2 334**	2 334

		2020				
MNOK	*Note*	*Amortised cost*	*Hedge derivatives*	*Fair value with change in value through profit or loss*	***Total***	*Fair value*
Assets – non-current assets						
Other non-current assets	19	185	-	24	**209**	209
Assets – current assets						
Derivatives	21 A	-	964	-	**964**	964
Receivables	20	6 122	-	-	**6 122**	6 122
Customer contracts in progress	7	1 824	-	-	**1 824**	1 824
Cash and cash equivalents	22	7 420	-	-	**7 420**	7 420
Financial liabilities – non-current						
Interest-bearing loans	21 D	1 971	-	-	**1 971**	2 074
Leasing liabilities	13	1 753	-	-	**1 753**	1 753
Other non-current liabilities		61	-	-	**61**	61
Financial liabilities – current						
Interest-bearing loans	21 D	1 500	-	-	**1 500**	1 498
Leasing liabilities	13	339	-	-	**339**	339
Derivatives	21 A	-	546	-	**546**	546
Accounts payable	25	1 801	-	-	**1 801**	1 801

G) Assessment of fair value

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

		2021			2020		
MNOK	*Note*	*Level 1*	*Level 2*	*Level 3*	*Level 1*	*Level 2*	*Level 3*
Assets							
Shares at fair value through profit and loss	19	-	-	66	-	-	24
Derivatives	21 A	-	545	-	-	964	-
Total assets at fair value		**-**	**545**	**66**	**-**	**964**	**24**
Liabilities							
Derivatives	21 A	-	378	-	-	546	-
Interest-bearing liabilities (intended for note purposes)	21 F	-	2 511	-	-	3 572	-
Total liabilities at fair value		**-**	**2 889**	**-**	**-**	**4 118**	**-**

The levels are defined as follows:

Level 1: Fair value is measured by using quoted prices from active markets for identical financial instruments. No adjustment is made with respect to these prices.

Level 2: Fair value is measured based on data other than the list prices covered by the level 1, but which is based on observable market data either directly or indirectly. These methods have some uncertainty in the determination of fair value.

Level 3: Fair value is measured using models that substantially employ non-observable market data. This involves more uncertainty connected to the determination of fair value.

Referring to Note 4 "Fair value" for further details on the measuring of fair value.

H) Estimate uncertainty

KONGSBERG has a range of financial instruments that are recognised at fair value. When market prices cannot be observed directly through traded prices, fair value is estimated by using different models that either build on internal estimates or information from professional counterparties or market players. The assumptions for such assessments may include spot prices, forward prices or interest rate curves.

The assessments are always based on KONGSBERG's best estimates, but it is still likely that the observable market information and assumptions will change over time. Such changes can affect the calculated values of financial instruments considerably, and thereby result in gains and losses that will affect future periods' income statements. How such changes affect the income statement depends on the type of instrument and whether it is included in a hedge relation.

22 CASH AND CASH EQUIVALENTS

Nominal amounts in MNOK	*31 Dec 21*	*31 Dec 20*
Bank deposits	4 302	4 899
Money market funds	3 816	2 521
Total	**8 118**	**7 420**

In addition the Group has a overdraft credit facility of MNOK 500 which is unused. Bank guarantees have been furnished for funds related to withholding tax for employees of MNOK 402 (MNOK 414 in 2020). The Group's liquidity management is handled by the Group's corporate treasury unit.

23 SHARE CAPITAL

As of 31 December 2021, share capital consists of 178,833,446 shares, each with a nominal value of NOK 1.25.

Share capital trends

	Date	Number of shares	Nominal NOK	Amount, MNOK	Corr. Factor	Share capital MNOK
Expansion type						
Stock exchange introduction	13 Dec 1993	5 850 000	20	117		117
Private placement for employees	1996	6 000 000	20	3		120
Share split	1997	24 000 000	5	-	01:04	120
Issue	1999	30 000 000	5	30		150
Share split	2009	120 000 000	1.25	-	01:04	150
Preferential share issue	2018	179 990 065	1.25	75		225
Capital reduction, cancellation of own shares[1]	2021	178 833 446	1.25	(2)		223.5

1) Issued capital is reduced with NOK 1 445 773.75 during 2021 through cancellation of 1 156 619 shares.

List of major shareholders as of 31 December 2021

Shareholders	*Type*	*Number of shares*	*%-share*
Ministry of Trade, Industry and Fisheries		89 424 043	50.004%
National Insurance Fund		12 744 755	7.13%
Must Invest AS		4 333 166	2.42%
MP Pensjon		3 735 657	2.09%
Danske Bank AS		3 340 000	1.87%
The Northern Trust Comp, London Br	Nom	2 828 757	1.58%
Verdipapirfond Odin Norge		2 409 485	1.35%
The Bank of New York Mellon	Nom	2 222 919	1.24%
Fløtemarken As		2 000 000	1.12%
State Street Bank And Trust Comp	Nom	1 864 883	1.04%
Danske Invest Norske Aksjer Inst. II		1 772 800	0.99%
The Northern Trust Comp, London Br	Nom	1 485 796	0.83%
JPMorgan Chase Bank, N.A., London	Nom	1 388 602	0.78%
Morgan Stanley & Co Ont. Plc.	Nom	1 381 546	0.77%
State Street Bank And Trust Comp	Nom	1 207 800	0.68%
Morgan Stanley & Co int. Plc.	Nom	1 146 643	0.64%
UBS AG	Nom	1 136 025	0.64%
Verdipapirfondet Alfred Berg Gambak		1 103 924	0.62%
Verdipapirfondet KLP Aksje Norge		904 657	0.51%
Danske Invest Norske Aksjer Inst.		838 307	0.47%
Total		**137 269 765**	**76.76%**
Other		41 563 681	23.24%
Total number of shares		**178 833 446**	**100.00%**

Shareholders listed according to share holding size

Shareholding interval	*Number of owners*	*Number of shares*	*Holding %*
1–1 000	13 238	3 105 247	1.74%
1 001–10 000	2 875	7 887 879	4.41%
10 001–100 000	299	8 981 037	5.02%
100 001–1 000 000	82	23 332 482	13.05%
1 000 001–10 000 000	16	33 358 003	18.65%
Over 10 000 000	2	102 168 798	57.13%
Total	**16 512**	**178 833 446**	**100.00%**

Of the 16.512 shareholders as of 31 December 2021, 951 were foreign, with a total holding of 19.94 per cent.

Treasury shares

As of 31 December 2021, KONGSBERG had a holding of 613.987 treasury shares. 592.028 of these shares are related to the share buy-back where the purpose is to buy back shares of up to NOK 400 million for later cancellation. The shares have been purchased in accordance with the authority given at the annual general meeting.

	Quantity
Holding of treasury shares as of 31 December 2020	191 387
Purchase of treasury shares in connection with employees share programme and long-term incentiv scheme	1 586 777
Purchase of treasury shares in connection with share buy-back programme for cancellation	1 560 632
Capital reduction, cancellation of own shares	(1 156 619)
Treasury shares sold to employees in connection with the share programme	(1 522 101)
Treasury shares sold to employees in connection with the long-term incentive scheme	(46 089)
Holding of treasury shares as of 31 December 2021	**613 987**

Dividends

	2021	*2020*
Dividends paid in NOK per share	8.0	12.50
Dividends paid in MNOK	1 440	2 250
Of which, dividends treasury shares in MNOK	14.11	2.60

The Board has proposed a dividend for the 2021 accounting year of MNOK 2.736 equivalent to NOK 15.30 per share, of which NOK 12.00 per share is on top of the ordinary dividend policy. The approval date for the dividend is on the 11th of May 2022 and the ex date is on the following day. The dividend will be paid in two transactions: NOK 3.3/ share will be paid ca. Wednesday, May 25, 2022 and NOK 12.0/share will be paid ca. Friday May 27, 2022.

24 PROVISIONS

Non-current provisions

MNOK	*Sale and leaseback*	*Other*	*Total*
Carrying amount as of 1 January 2021	**116**	**1**	**117**
Provisions used	(6)	-	(6)
Allocation	13	-	13
Dissolved	(2)	(1)	(3)
Carrying amount as of 31 December 2021	**121**	**-**	**121**

Non-current provisions

KONGSBERG has in the period from 2005 to 2014 sold properties in the Kongsberg Technology Park. The properties have been leased back on long-term lease and expire from 2024 to 2030. In connection with the sale and leaseback it was agreed that KONGSBERG guarantees for entry costs and for the maintenance of the buildings in the leaseback period. The current value of future warranty liability is allocated in the accounts. In addition, provision has been made for lack of rental. The remaining provision requirement will need to be assessed each quarter. The effects of discounting cost are transferred as financial expenses.

Current provisions

MNOK	*Warranty*	*Other*	*Total*
Carrying amount as of 1 January 2021	**866**	**742**	**1 608**
Reclassified from other balance lines [1]	(2)	293	290
Provisions used	(186)	(281)	(467)
Allocation	256	191	447
Dissolved	(73)	(200)	(273)
Currency	(9)	(1)	(10)
Carrying amount as of 31 December 2021	**852**	**744**	**1 596**

1) Reclassification consist of an adjustment to final purchase allocation of MNOK 176.

Warranty provisions

Warranty provisions are provisions for warranty costs on completed deliveries. Unused warranty provisions are dissolved upon the expiration of the warranty period. Warranty provisions are estimated based on a combination of experience figures, specific calculations and judgement. The warranty period usually extends from one to five years, but for some defence contracts the warranty period may be up to 30 years.

Other provisions

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

Provisions apply to conditions where there is disagreement between contractual parties, uncertainty related to product liability or products that are in an early life-cycle phase. In additon onerous contracts are classified as other provision. The estimated amount shall cover the lower of the cost of fullfilling the costomer contract and any comensation or penalties arising to fulfil it.

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 21*	*31 Dec 20*
Accounts payable	2 334	1 801
Public charges owing [2]	297	375
Calculated income tax payable	197	71
Accrued holiday pay	768	697
Other accruals [1,2]	1 428	1 542
Total	**5 024**	**4 486**

1) Other accruals relate to costs incurred for which invoices have not yet been received, withholding tax owed for employees, salaries owed to employees and other non-interest-bearing liabilities.
2) In the amounts for 2020 there is done a reclassification of MNOK 172 from “Public charges owing” to “Other accruals”.

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.

MNOK	*31 Dec 21*	*31 Dec 20*
Guarantees issued by banks and insurance companies	2 563	2 107
Guarantees issued by Kongsberg Gruppen ASA (parent company)	16 114	9 337
Prepayments from and completion guarantees to customers	**18 677**	**11 444**

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

27 AUDITOR'S FEES

	2021				2020			
TNOK	*Parent company*	*Subsidiaries in Norway*	*Subsidiaries outside Norway*	*Total*	*Parent company*	*Subsidiaries in Norway*	*Subsidiaries outside Norway*	*Total*
Group auditor EY								
Statutory audit	1 738	10 468	9 817	22 023	1 100	7 554	7 218	15 872
Other assurance services	50	290	791	1 131	493	735	287	1 515
Tax consultancy	2 023	141	1 680	3 844	1 927	446	772	3 144
Other non-audit services	176	450	876	1 502	82	363	-	445
Total fees, EY	**3 987**	**11 349**	**13 164**	**28 500**	**3 602**	**9 098**	**8 277**	**20 976**
Other auditors								
Estimated audit fees	-	-	1 285	1 285	-	20	2 132	2 152

28 LIST OF GROUP COMPANIES

The following companies have been consolidated:

Name of company	*Country of origin*	*Ownership stake 31 Dec 21*	*Ownership stake 31 Dec 20*
Kongsberg Gruppen ASA	Norway	Parent	Parent
Kongsberg Defence & Aerospace AS	Norway	100	100
Kongsberg Oil & Gas Technologies AS	Norway	100	100
Kongsberg Digital AS	Norway	100	100
Kongsberg Digital Holding ASA	Norway	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	-
KNB12 Ulsteinvik AS	Norway	100	100
KNB13 Brattvåg AS	Norway	100	100
KNB14 Longva AS	Norway	100	100
Kongsberg Basetec AS	Norway	Phased out	100
Kongsberg Seatex AS	Norway	100	100
Vehicle Tracking and Information Systems AS	Norway	100	100
Kongsberg Maritime AS	Norway	100	100
Kongsberg Norcontrol AS	Norway	100	100
Eelume AS[1]	Norway	42	51
Simrad AS	Norway	100	100
Kongsberg Maritime CM AS	Norway	100	100
Ulstein Holding AS	Norway	100	100
Kongsberg Aviation Maintenance Services AS	Norway	50.1	50.1
Rygge 2 AS	Norway	50.1	50.1
Rygge Eiendom AS	Norway	50.1	50.1
Kongsberg Aviation Maintenance Service Bardufoss AS	Norway	50.1	50.1
Kongsberg Maritime S.R.L	Italy	Merged	100
Kongsberg Maritime Italy S.R.L	Italy	100	100
Kongsberg Maritime Holland BV	The Netherlands	Merged	100
Kongsberg Maritime Netherlands B.V (tidligere Kongsberg Maritime Benelux BV)	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. (tidligere simrad Spain SL.)	Spain	100	100
Kongsberg Maritime Spain SA	Spain	Merged	100
Kongsberg Defence Oy	Finland	100	100
Kongsberg Maritime Finland OY	Finland	100	100
Kongsberg Maritime Embient GmbH	Germany	Phased out	100
Kongsberg Maritime Contros GmbH	Germany	100	100
Kongsberg Maritime France SARL	France	100	100
Kongsberg Defence Switzerland AG	Switzerland	100	100
Kongsberg Reinsurance Ltd.	Ireland	Phased out	100
Kongsberg Norcontrol Ltd.	Great Britain	100	100
Kongsberg Maritime Holding Ltd.	Great Britain	Phased out	100
Kongsberg Maritime Ltd.	Great Britain	100	100
Kongsberg Hungaria Kft.	Hungary	100	100

Name of company	*Country of origin*	*Ownership stake 31 Dec 21*	*Ownership stake 31 Dec 20*
Navis Consult d.o.o.	Croatia	100	75
Kongsberg Maritime Hellas SA	Greece	100	100
Kongsberg Commercial Marine SA	Greece	Merged	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	100	100
Kongsberg Maritime Turkey Denizcilik Sanayi Ve Ticaret Limited Şirketi	Turkey	100	100
Kongsberg Geospatial Ltd.	Canada	100	100
Kongsberg Digital Simulation Ltd.	Canada	100	100
Kongsberg Maritime Canada Ltd.	Canada	Merged	100
Kongsberg Maritime Canada Ltd. (tidligere Kongsberg Mesotech Ltd.)	Canada	100	100
Kongsberg Maritime CM Canada Ltd.	Canada	Merged	100
Ulstein Maritime Ltd.	Canada	100	100
Kongsberg Digital Simulation Inc.	USA	100	100
Simrad North America Inc.	USA	Phased out	100
Kongsberg Maritime Inc.	USA	100	100
Kongsberg Underwater Technology LLC	USA	100	100
Kongsberg Protech Systems USA Inc.	USA	100	100
Kongsberg Digital Inc.	USA	100	100
Kongsberg Defense Systems Inc.	USA	100	100
Kongsberg Geospatial Corperation	USA	100	100
Kongsberg Integrated Tactical Systems Inc.	USA	100	100
Kongsberg Maritime do Brazil Ltda	Brazil	100	100
Kongsberg Maritime CM Brasil Ltda	Brazil	Merged	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	100	100
Kongsberg Maritime Hoi Tung Holding Ltd.	Hong Kong	90	90
Kongsberg Maritime Hong Kong Ltd.	Hong Kong	100	100
Kongsberg Maritime China Shanghai Ltd.	China	100	100
Kongsberg Maritime China Jiangsu Ltd.	China	100	100
Kongsberg Maritime China Ltd.	China	100	100
Kongsberg Maritime China Waiaoqiao Ltd.	China	100	100
Kongsberg Maritime CM China Ltd.	China	Merged	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
Vung Tau Holding Pte. Ltd.	Singapore	Sold	100
Kongsberg Maritime Japan Co Ltd.	Japan	100	100
Kongsberg Maritime India Private Ltd.	India	91	91
Kongsberg Digital Private Ltd.	India	100	100
Kongsberg Digital Software & Services Private Ltd.	India	100	100
Kongsberg Norcontrol Surveillance Private Ltd.	India	100	100
Kongsberg Maritime CM India Pvt Ltd.	India	100	100
Kongsberg Maritime Arabia for Maintenance	Saudi Arabia	100	100
Kongsberg Defence Malaysia Sdn. Bhd.	Malaysia	100	100
Kongsberg Maritime Malaysia Sdn. Bhd.	Malaysia	100	100
Kongsberg Maritime Services LCC	Qatar	100	-
Kongsberg Maritime Middle East DMCCO	UAE	100	100
Kongsberg Maritime Vietnam Ltd.	Vietnam	Sold	100
Kongsberg Defence Australia Pty Ltd.	Australia	100	100
Kongsberg Maritime Pty Ltd.	Australia	100	100
Kongsberg Maritime South Africa Pty. Ltd.	South-Africa	100	100
Kongsberg Maritime Namibia Pty Ltd.	Namibia	100	100

1) Eelume is accounted for as an associate from the fourth quarter 2021.

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 2021, KONGSBERG had an outstanding balance from state-owned customers of MNOK 73, while other liability items in respect of state suppliers amounted to MNOK 12 as of 31 December 2021.

In 2021, KONGSBERG issued invoices to state customers for a total of MNOK 1,313. Goods and services purchased from state suppliers in 2021, amounted to MNOK 225.

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 2021, KONGSBERG had trade receivables for associated companies of MNOK 6, while trade payables amounted to MNOK 2 on 31 December 2021.

In addition KONGSBERG has a long-term receivable from associated companies of MNOK 23. In 2021, KONGSBERG issued invoices to associated companies for a total of MNOK 30. Goods and services purchased from associated companies in 2021 amounted to MNOK 8.

30 DISCONTINUED OPERATIONS

Hydroid Inc.

On 4 February 2020 Kongsberg Maritime signed an agreement to sell the subsea technology company Hydroid Inc. in the USA to Huntington Ingalls Industries (HII) for USD 350 million, on a debt- and cash-free basis and adjusted for agreed working capital. The transaction was completed with effect from 26 March 2020 and means that Hydroid's profit and loss figures have been removed from the accounts in the financial statement and reported on the line "Earnings after tax from discontinued operations" in 2020.

Hydroid Inc. was a wholly owned subsidiary of Simrad North America Inc. (subsidiary of Kongsberg Maritime AS), and has its head office in Pocasset, Massachusetts, USA. The company manufactures and supplies autonomous underwater vehicles to both the military and commercial markets and is the largest supplier of vessels to the US Navy.

In connection with the transaction, Kongsberg Maritime and Huntington Ingalls Industries have entered into a strategic cooperation agreement on subsea technology and maritime solutions that came into force on 26 March 2020. The aim of the agreement is to increase both parties' abilities to sell products and solutions in the subsea segment in the USA and globally.

The tables below specify the profit related to Hydroid which is reported as discontinued operations. MNOK 574 is accrued and paid tax regarding the transaction in USA. In addition, tax is levied on the allocation of the funds.

Specification of the earnings after tax for discontinued operations

MNOK	*2020*
Operating revenues	268
Operating expenses	(228)
EBITDA	**40**
EBIT	**36**
Earnings before tax	**27**
Tax	(7)
Earnings after tax	**20**
Gain from sale of business before tax	2 031
Tax on gain	600
Gain from sale of business after tax	**1 431**
Earnings after tax from discontinued operations	**1 451**

Cash flow from Hydroid

MNOK	*2020*
EBITDA	40
Change in net current assets and other operating related items	(249)
Net cash flow from operating activities	**(209)**
Net cash flow from investing activities	**(5)**
Net cash flow from financing activities	**(9)**

Cash flow related to sale of Hydorid

MNOK	*2020*
Remuneration after transaction cost	3 614
Tax paid	574
Sale of business [1]	3 040

1) Deviates from "Proceeds from sale of business" in the consolidated statement of cashflow as a result of adjusted remuneration on a transactions last year.

31 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 2021 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:

MNOK	*31 Dec 2021*	*31 Dec 2020*
Current assets	24 624	24 422
Current liabilities and provisions	(19 164)	(19 696)
Adjusted for		
Cash and cash equivalents	(8 118)	(7 420)
Short-term interest-bearing loans	-	1 500
Short-term leasing liabilities	380	339
Net tax payable	180	66
Financial instruments classified as cash flow hedges	96	332
Working capital	**(2 003)**	**(458)**

Book-to-bill ratio is order intake divided by operating revenues.

Organic growth is change in operating revenues exclusive acquired companies.

32 EVENTS AFTER BALANCE DATE

Russia – Ukraine conflict

At the end of 2021, there was increased political tension between Russia and Ukraine, and in February 2022 the situation escalated with the Russian invasion of Ukraine. The conflict is affecting the flow of energy and goods between the two countries and the rest of the world, and in 2022 broad sanctions have been implemented. This also affects KONGSBERG, and the situation is being closely monitored.

In 2021, the direct revenues from Russia were MNOK 274 (MNOK 189 in 2020). The revenues from Ukraine were below MNOK 1 in 2021 (MNOK 3 in 2020). The revenues are from civilian clients, and the company is compliant with the regulations for export control and Norwegian and international sanctions.

Kongsberg Maritime AS has a wholly owned subsidiary in St. Petersburg, Kongsberg Maritime RUS LLC. This company has 10 fulltime employees and had revenues of MNOK 32 in 2021 and total assets of MNOK 19 as of 31 December 2021. In addition, another subsidiary of Kongsberg Maritime AS, KM CM Korea Ltd, has a branch in Vladivostok, with one fulltime employee.

Statement of income

KONGSBERG GRUPPEN ASA

MNOK	*Note*	*2021*	*2020*
Operating revenues from subsidiaries	9	242	189
Other operating revenues		1	-
Total revenues		**243**	**189**
Personnel expenses	4, 5	(145)	(144)
Depreciation		(2)	(2)
Other operating expenses	4	(168)	(90)
Total operating expenses		**(315)**	**(236)**
Earnings before interest and tax		**(72)**	**(47)**
Dividends from subsidiaries		141	24
Interest from group companies		31	42
Net currency gains		5	(2)
Interest to Group companies		(3)	(9)
Interest income, bank and investment		15	14
Interest costs, external loans		(58)	(76)
Other financial expenses		(7)	(18)
Loss from disposals of subsidiaries		(41)	-
Group contribution		5 898	3 205
Net finance items		**5 981**	**3 180**
Earnings before tax (EBT)		**5 909**	**3 133**
Income tax expense (+income/expense)	6	(127)	23
Earnings after tax		**5 782**	**3 156**
Allocations and equity transfers			
Proposed dividend		**(2 736)**	**(1 440)**
Transfer to other equity		**(3 046)**	**(1 716)**

Statement of financial position as of 31 December

KONGSBERG GRUPPEN ASA

MNOK	*Note*	*2021*	*2020*
Assets			
Non-current assets			
Deferred tax assets	6	55	147
Fixed assets		12	14
Shares in subsidiaries	3	8 918	8 970
Shares in associated companies		121	11
Interest-bearing loans to Group companies	9	1 822	1 094
Other long-term receivables		37	72
Total non-current assets		**10 965**	**10 308**
Current assets			
Receivables from Group companies	9, 11	7 077	3 634
Other short-term receivables		235	125
Cash and cash equivalents	11	6 754	4 886
Total current assets		**14 066**	**8 645**
Total assets		**25 031**	**18 953**
Equity and liabilities			
Equity			
Shares capital		224	225
Premiums		4 876	4 876
Total paid-in capital		**5 100**	**5 101**
Other equity		4 290	1 570
Total retained earnings		**4 290**	**1 570**
Total equity	2	**9 390**	**6 671**
Non-current liabilities			
Pension liabilities	5	268	247
Long-term interest-bearing loans	7	2 450	1 950
Other non-current liabilities		-	-
Total non-current liabilities		**2 718**	**2 197**
Current liabilities			
Dividend		2 736	1 440
Short-term interest-bearing loans	7	-	1 500
Liabilities to group companies	9, 11	10 071	7 021
Other current liabilities		116	124
Total current liabilities		**12 923**	**10 085**
Total equity and liabilities		**25 031**	**18 953**

Kongsberg, 16 March 2022

Eivind Reiten
Chairman

Anne-Grete Strøm-Erichsen
Deputy chair

Merete Hverven
Director

Morten Henriksen
Director

Per A. Sørlie
Director

Rune Fanøy
Director

Oda Linn A. Ellingsen
Director

Jo Even Bjerknes
Director

Geir Håøy
Chief Executive Officer

Statement of cash flow

KONGSBERG GRUPPEN ASA

MNOK	*Note*	*2021*	*2020*
Earnings before tax		5 909	3 133
Depreciation		2	2
Income taxes paid	6	(6)	-
Net finance items		(5 981)	(3 181)
Changes in accruals, etc.		152	(98)
Net cash flows from operating activities		**76**	**(144)**
Cash flow from investing activities			
Interest income		45	57
Settlement of cross-currency swaps		(116)	-
Net cash flow used in investing activities		**(71)**	**57**
Cash flow from financing activities			
Payment of loans		39	(43)
Dividends received		14	24
Proceeds from interest-bearing loans		500	-
Repayment of interest-bearing loans		(1 500)	(550)
Interest paid		(61)	(69)
Dividend paid		(1 425)	(448)
Additional dividend		-	(1 800)
Net disbursements for purchase/disposal of treasury shares		(16)	(18)
Share buy-back related to share buy-back programme		(317)	(29)
Contribution received		3 205	80
Changes in intercompany balances		1 424	7 537
Net cash flow from financing activities		**1 863**	**4 684**
Net increase (reduction) in cash and cash equivalents		**1 868**	**4 597**
Cash and cash equivalents at the beginning of the period		**4 886**	**289**
Cash and cash equivalents at the end of the period		**6 754**	**4 886**

The comparable figures for 2020 are revised.

Notes

KONGSBERG GRUPPEN ASA

1 ACCOUNTING POLICIES

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

Subsidiaries and associated companies

Subsidiaries and associates are measured at cost in the statutory accounts. The investment is evaluated at acquisition cost less any impairment. Such assets are written down to fair value when a decrease in value cannot be considered to be temporary and is required pursuant to generally accepted accounting principles. Impairments are reversed when the basis for the impairment no longer applies.

Classification and valuation of statement of financial position items

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

Revenues

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

Hedges

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

Receivables

Trade receivables and other receivables are capitalised at nominal values less provisions for expected loss. Provisions for bad debt are made on the basis of individual assessments of each receivable.

Foreign currency

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

Short-term investments

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

Pensions

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

The defined benefit plan
Pension costs and pension obligations are calculated according to linear accruals, based on the expected final salary. The calculation is based on a number of assumptions including discount rates, future salary adjustments, pensions and benefits from the National Insurance Scheme, and future interest income on pension fund assets, as well as actuarial assumptions on mortality and voluntary retirement. Pension fund assets are measured at their fair value, less net pension liabilities at the date of the balance sheet. See also Note 5 "Pensions".

Income tax

Income tax expense in the financial statements includes tax payable and the change in deferred tax for the period. Deferred tax/tax assets are calculated at 22 per cent on all temporary differences between the book value and tax value of assets and liabilities, and loss carried forward at the end of the reporting period. Taxable and deductible temporary differences that reverse or may reverse in the same period are offset. Deferred tax assets are recognised when it is probable that the company will have adequate profit for tax purposes in subsequent periods to utilise the tax asset.

Statement of cash flow

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

2 EQUITY RECONCILIATION

MNOK	*Shares capital*	*Premiums*	*Other equity*	*Total equity*
Equity as of 31 December 2019	**225**	**4 876**	**1 699**	**6 800**
Earnings after tax	-	-	3 156	3 156
Transactions with treasury shares	-	-	(44)	(44)
Additional dividend	-	-	(1 800)	(1 800)
Dividend for 2020	-	-	(1 440)	(1 440)
Actuarial gain/loss on pension expense	-	-	(1)	(1)
Equity as of 31 December 2020	**225**	**4 876**	**1 570**	**6 671**
Earnings after tax	-	-	5 782	5 782
Capital decrease	(1)		(195)	(196)
Transactions with treasury shares	-	-	(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**

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 2021 is 613,987.

3 SHARES IN SUBSIDIARIES

MNOK	*Date of acquisition*	*Business office*	*Owner/voting share %*	*Carrying amount as of 31 Dec*
Kongsberg Defence & Aerospace AS	1997	Kongsberg	100	1 206
Kongsberg Basetec AS[1)]	1992	Kongsberg	100	-
Kongsberg Maritime AS	1992	Kongsberg	98.9	6 743
Kongsberg Eiendom Holding AS	2015	Kongsberg	100	497
Kongsberg Digital AS[2)]	2016	Asker	24.5	-
Kongsberg Martime China Ltd	2016	Shanghai	100	25
Kongsberg Hungaria Kft[2)]	2003	Budapest	10	-
Kongsberg Reinsurance Ltd.[3)]	2001	Dublin	100	-
Kongsberg Oil & Gas Tecnologies AS	2021	Asker	100	6
Kongsberg Digital Holding ASA	2021	Asker	100	441
Total				**8 918**

1) Bastec AS is phased out in 2021.
2) The shares in Kongsberg Digital AS is transferred to Kongsberg Digital Holding ASA through contribution in kind.
3) The remaining shares in Kongsberg Hungaria Kft. are owned by Kongsberg Defence & Aerospace AS.
4) Kongsberg Reinsurance AS is phased out in 2021.

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

MNOK	*2021*	*2020*
Salaries	72	69
Social security expenses	17	17
Pension	14	16
Performance-based part of salary	17	16
Other benefits	25	26
Total personnel expenses	**(145)**	**(144)**
Number of full-time equivalents (FTEs)	66	66

Auditor's fees

TNOK	*2021*	*2020*
Group auditor EY		
Statutory audit	1 738	1 100
Other assurance services	50	493
Tax consultancy	2 023	1 927
Other non-audit services	176	82
Total fees, EY	**3 987**	**3 602**

5 PENSIONS

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

The defined contribution pension scheme (ITP)

The Group introduced a defined contribution pension scheme as of 1 January 2008 for all employees under 52 years of age. The contribution rates are 5 per cent up to 7.1G and 11 per cent of salary between 7.1G and 12G. The employees can influence the way the funds are managed by choosing between three investment options. The investment options were decided to be changed from 1.11.21. The funds can optionally be invested in one of three investement 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. The Group also has a collective, unfunded contribution plan for salaries between 12G and 15G. The Group's deposits in this plan are 18 per cent of the portion of the base salary that exceeds 12G, up to a ceiling of 15G. Special terms and conditions apply for executives. This is described in the "Remuneration report". The unfunded scheme is closed for new members. On the operating-based schemes a savings profile with 50 per cent shares is used as a return reference. The contributions are expensed as incurred.

The defined benefit plan (YTP)

In connection with the transition to the defined contribution plan on 1 January 2008, employees aged 52 or more remained in the defined benefit plan. The pension plan is insured through DNB Life Insurance. The pension benefits are defined by the number of contribution years and the salary level of the individual employee. Pension costs are distributed over the employee's accrual period. Given a calculated state pension based on the Norwegian National Insurance Scheme's rules before 1 January 2011 and full earnings, the scheme provides approx. 65 per cent of the final salary including National Insurance benefits until the age of 77, after which the service pension section is reduced by 50 per cent for the remaining lifetime. The Group also has a collective, unfunded defined benefit plan for salaries between 12G and 15G. The collective, unfunded benefits plan corresponds to about 50 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". These supplementary plans were discontinued.

Risk coverage

Disability pension from the Group will provide an addition to the estimated disability benefits from national insurance. National insurance will cover 66 per cent of the pension basis up to 6G, while the Group plan covers 66 per cent of the pension basis between 6G and 12G. The Group plan also provides an additional 3 per cent of the pension basis from 0G to 12G, a pay increase of 25 per cent of G and any child supplement of 4 per cent per child (maximum 3 children). The 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:

MNOK	*2021*	*2020*
Costs, defined benefit plans	8	10
Costs, defined contribution scheme	6	6

The net pension liability appears as follows:

MNOK	*2021*	*2020*
Total gross pension liabilities	(265)	(247)
Gross value of gross pension assets	30	31
Net pension liabilities	**(235)**	**(216)**
Social security expenses	**(33)**	**(31)**
Net pension liabilities in balance sheet	**(268)**	**(247)**

6 INCOME TAX

Income tax expense

MNOK	*2021*	*2020*
Taxes payable	(6)	-
Change in deferred tax	(121)	23
Tax income/expense	**(127)**	**23**

MNOK	*2021*	*2020*
Earnings before tax	**5 909**	**3 133**
Tax calculated		
– 22% of earnings before tax	(1 300)	(689)
Correction of taxes from previous years	(6)	5
Group contribution without tax effect	1 161	705
Net permanent differences	18	2
Tax income/expense	**(127)**	**23**

Deferred tax and deferred tax asset

MNOK	*2021*	*2020*
Pensions	59	54
Tax losses carried forward	-	98
Other	(4)	(5)
Recognised deferred tax asset	**55**	**147**
Tax rate in Norway	22%	22%

Change in deferred tax recognised directly in equity as follows:

MNOK	*2021*	*2020*
Pensions	(3)	-
Other	(25)	-
Total	**(28)**	**-**

7 LONG-TERM INTEREST-BEARING LOANS AND CREDIT FACILITIES

As of 31 December 2021, Kongsberg Gruppen ASA had the following loans and credit facilities:

Amounts in MNOK	*Due date*	*Nominal interest rate*	*Carrying amount 31 Dec 21*	*Carrying amount 31 Dec 20*
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	450
Bond loan KOG13 - floating interest	6 Jun 24	2.02%	500	500
Bond loan KOG14 - floating interest	26 Feb 26	1.66%	500	-
Total long-term loans			**2 450**	**1 950**
Bond loan KOG08 - floating interest	2 Jun 21	1.61%	-	1 000
Bond loan KOG12 - floating interest	6 Dec 21	1.23%	-	500
Total current liabilities			**-**	**1 500**
Total interest-bearing loans			**2 450**	**3 450**
Credit facility (undrawn borrowing limit)	15 Mar 23		2 300	2 300
Overdraft (unused)			500	500

Kongsberg Gruppen ASA has a syndicated credit facility with Danske Bank, DNB, JP Morgan, Nordea and SEB. The credit facility is for general corporate purposes, and has an applicable Termination Date 15 March 2023. The interest rate is 3M NIBOR + a margin that depends on the ratio 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 2021.

Kongsberg Gruppen ASA had four bond loans at the end of 2021. 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 2021, this remains unutilised.

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

8 GUARANTEES

Kongsberg Gruppen ASA has, in the period from 2005 to 2014, sold properties in the Kongsberg Teknologipark Park. The properties have been leased back on long-term lease and expire from 2024 to 2030. The leaseback contracts have been entered into by Kongsberg Næringsparkutvikling AS, which is a wholly-owned subsidiary of Kongsberg Eiendom Holding AS, which in its turn is owned 100 per cent by Kongsberg Gruppen ASA. The leaseback contracts are classified as operating leasing agreements.

In addition to lease payments, Kongsberg Gruppen ASA is responsible for certain expenses related to taxes and maintenance of the properties. With the exception of the properties sold in 2007 and 2014, the properties are mainly leased to external tenants. The leases have durations ranging from three months to 15 years. 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.

MNOK	*2021*	*2020*
Guarantees issued by banks and insurance companies	2 563	2 107
Guarantees issued by Kongsberg Gruppen ASA	16 114	9 337
Prepayments and completion guarantees to customers	**18 677**	**11 444**

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

9 RELATED PARTIES

Operating revenues

MNOK	2021	2020
Kongsberg Maritime AS [1]	140	115
Kongsberg Defence & Aerospace AS	93	66
Kongsberg Digital AS	7	6
Kongsberg Maritime CM AS [1]	-	1
Other Group companies	2	1
Total operating revenues - related parties	**242**	**189**

1) Corporate charge KM CM included in KM amount for 2020 and 2021.

Operating revenues from related parties mainly comprises corporate charge and guarantees.

Interest-bearing loans to Group companies

MNOK	2021	2020
Kongsberg Næringseiendom AS	100	100
Kongsberg Næringsbygg 2 AS	54	54
Kongsberg Næringsbygg 3 AS	77	77
Kongsberg Næringsbygg 5 AS	96	96
Kongsberg Næringsbygg 11 AS	182	167
KNB12 Ulsteinvik AS	35	-
KNB13 Brattvåg AS	19	19
Kongsberg Næringsbygg 15 AS	78	-
Kongsberg Norcontrol Pte Ltd	5	-
Kongsberg Maritime Hoi Tung Holding Ltd	121	118
Kongsberg Maritime do Brasil SA	28	27
Kongsberg Maritime Malaysia Sdn. Bhd	-	17
Kongsberg Norcontrol Singapore	-	7
Kongsberg Norcontrol AS	-	10
Kongsberg Maritime Pty Ltd	6	7
Kongsberg Maritime India PVT. LTD	8	10
Navis Consult d.o.o Croatia	24	-
Kongsberg Maritime Finland OY	701	-
Kongsberg Martime Inc	161	69
Kongsberg Maritime CM Pty Ltd	16	23
Kongsberg Maritime CM Canada Ltd	-	17
Kongsberg Martime Germany GmbH	25	-
Kongsberg Martime Sweden AB	83	-
Kongsberg Maritime CM AS	-	275
Kongsberg Maritime CM NZ Pty Ltd	2	2
Other companies	1	-
Total	**1 822**	**1 094**

Current liabilities to Group companies

MNOK	2021	2020
Kongsberg Defence & Aerospace AS	12	3
Kongsberg Maritime AS	4	96
Kongsberg Aviation Maintenance Services AS	74	144
Kongsberg Maritime Sweden AB	-	266
Simrad North America Inc. US	-	336
Kongsberg Mesotech Ltd.	-	108
Other companies	2	2
Subsidiaries deposits cash pool	9 979	6 066
Total	**10 071**	**7 021**

Current receivables from Group companies

MNOK	2021	2020
Kongsberg Maritime AS	5 284	11
Kongsberg Defence & Aerospace AS	630	3 211
Kongsberg Maritime Sweden AB	-	32
Kongsberg Digital AS	1	1
Kongsberg Maritime Finland OY	1	27
Kongsberg Næringsbygg 11 AS	2	-
Kongsberg Maritime Hoi Tung Holding Ltd	4	1
Kongsberg Maritime Inc	3	-
Kongsberg Maritime CM AS	-	82
Other companies	7	6
Subsidiaries draft cash pool	1 145	262
Total	**7 077**	**3 634**

10 CURRENCY HEDGING

As of 31 December, the company had the following net sale of foreign currency hedges, divided by hedge category:

	2021							
Amounts in millions	*Value in NOK on agreed rates 31 Dec 21*	*Fair value in NOK 31 Dec 21*	*Total hedged amount in USD 31 Dec 21*	*Average hedged rate in USD 31 Dec 21*	*Total hedged amount in EUR 31 Dec 21*	*Average hedged rate in EUR 31 Dec 21*	*Total hedged amount in GBP 31 Dec 21*	*Average hedged rate in GBP 31 Dec 21*
Hedge category								
Forward exchange contracts, cash flow hedges	15	(37)	2	(9.5)	10	9.7	-	11.9
Forward exchange contracts, fair value hedges	13 968	188	748	8.8	529	10.5	88	12.0
Total	**13 982**	**151**	**750**		**539**		**88**	

	2020							
Amounts in millions	*Value in NOK on agreed rates 31 Dec 20*	*Fair value in NOK 31 Dec 20*	*Total hedged amount in USD 31 Dec 20*	*Average hedged rate in USD 31 Dec 20*	*Total hedged amount in EUR 31 Dec 20*	*Average hedged rate in EUR 31 Dec 20*	*Total hedged amount in GBP 31 Dec 20*	*Average hedged rate in GBP 31 Dec 20*
Hedge category								
Forward exchange contracts, cash flow hedges	(722)	(78)	(10)	15.38	(45)	10.8	-	-
Forward exchange contracts, fair value hedges	17 904	629	1 151	8.94	541	10.79	110	12.04
Sum totalt	**17 182**	**551**	**1 141**		**496**		**110**	

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.

Currency options
As of 31 December 2021, Kongsberg Gruppen ASA had no currency options. As of 31 December 2020, Kongsberg Gruppen ASA recognised currency options with a gross amount of MNOK 17 to current assets and currency options with a gross amount of MNOK 6 to current liabilities. Fair value changes have not been included in Kongsberg Gruppen ASA's statement in accordance with Norwegian GAAP.

Cross-currency swaps
Subsequent to the aquisition of shares in Patria Oyj in 2016, cross-currency swaps were entered in order to partially hedge net investment in foreign entity. In 2021 the cross-currency swaps were rolled forward and had a negative cash flow impact of MNOK 116 during the year. 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. Per 31 December 2021 the cross-currency swaps had a fair value of MNOK 17 (MNOK -144 per 31 December 2020). 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.

Currency transactions, related parties

Subsidiary

	2021				
Amounts in millions	*Value in NOK based on agreed rates 31 Dec 21*	*Fair value in NOK 31 Dec 21*	*Total hedged amount in USD 31 Dec 21*	*Total hedged amount in EUR 31 Dec 21*	*Total hedged amount in GBP 31 Dec 21*
Forward exchange contracts, cash flow hedges					
Kongsberg Defence & Aerospace	15	(37)	2	10	-
Total cash flow hedges	**15**	**(37)**	**2**	**10**	**-**
Forward exchange contracts, fair value hedges					
Kongsberg Maritime	3 886	(47)	298	126	2
Kongsberg Digital	402	1	20	11	-
Kongsberg Defence & Aerospace	8 443	191	394	319	85
(No internal counterparty)	1 236	42	36	72	1
Total fair value hedges	**13 968**	**188**	**748**	**529**	**88**
Total	**13 982**	**151**	**750**	**539**	**88**

	2020				
Amounts in millions	*Value in NOK based on agreed rates 31 Dec 20*	*Fair value in NOK 31 Dec 20*	*Total hedged amount in USD 31 Dec 20*	*Total hedged amount in EUR 31 Dec 20*	*Total hedged amount in GBP 31 Dec 20*
Forward exchange contracts, cash flow hedges					
Kongsberg Defence & Aerospace	(722)	(78)	(10)	(45)	-
Total cash flow hedges	**(722)**	**(78)**	**(10)**	**(45)**	**-**
Forward exchange contracts, fair value hedges					
Kongsberg Maritime	3 814	149	303	110	3
Kongsberg Digital	333	9	15	11	-
Kongsberg Defence & Aerospace	13 573	438	809	420	107
(No internal counterparty)	184	33	24	-	-
Total fair value hedges	**17 904**	**629**	**1 151**	**541**	**110**
Total	**17 182**	**551**	**1 141**	**496**	**110**

Associated company

	2021				2020			
MNOK	*Value in NOK based on agreed rates 31 Dec 21*	*Fair value in NOK 31 Dec 21*	*Total hedged amount in USD 31 Dec 21*	*Total hedged amount in EUR 31 Dec 21*	*Value in NOK based on agreed rates 31 Dec 20*	*Fair value in NOK 31 Dec 20*	*Total hedged amount in USD 31 Dec 20*	*Total hedged amount in EUR 31 Dec 20*
Forward exchange contracts, fair value hedges								
Kongsberg Satellite Services	1 663	37	36	114	1 052	(10)	87	29

11 CASH AND CASH EQUIVALENTS

Nominal amounts in MNOK	*Note*	*2021*	*2020*
Net deposit cash pool		2 435	2 365
Other deposits		503	-
Money market funds		3 816	2 521
Total		**6 754**	**4 886**
Subsidiaries deposit cash pool	9	9 979	6 066
Subsidiaries draft cash pool	9	(1 145)	(262)
Parent's draft cash pool		(6 399)	(3 439)
Net deposit cash pool		**2 435**	**2 365**

Bank guarantees amounting to MNOK 13 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 draft on the cash pools for the parent company in 2021 is MNOK 6,399 compared to 2020 MNOK 3,439.

Statement from the Board

KONGSBERG GRUPPEN ASA

We hereby confirm, to the best of our conviction, that the financial statements for 1 January to 31 December 2021 have been drawn up in compliance with recognised accounting standards, and that the information disclosed therein gives a true picture of the enterprise's and the Group's assets, liabilities, financial position and performance as a whole, and that the information disclosed in the Directors' report gives a true picture of the progress, profits and position of the enterprise and the Group, as well as a description of the most central risk and uncertainty factors facing them.

Kongsberg, 16 March 2022

Eivind Reiten
Chairman

Anne-Grete Strøm-Erichsen
Deputy chair

Merete Hverven
Director

Morten Henriksen
Director

Per A. Sørlie
Director

Rune Fanøy
Director

Oda Linn A. Ellingsen
Director

Jo Even Bjerknes
Director

Geir Håøy
Chief Executive Officer

AUDITOR'S REPORT 2021

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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 2021 and the statements of income and 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 of 31 December 2021, statements of income, 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 2021 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 2021 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 35 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 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate

Auditor's report 2021, cont.

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

Basis for the key audit matter

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.

Our audit response

We evaluated the application of accounting principles, methods for estimating the projects' progress, routines for monitoring projects and tested controls over estimating projects' progress, estimation of expected transaction price and costs to fulfil the contract. We discussed estimated total project costs, including provisions for guarantees, with project management. We evaluated these estimates against comparable projects and analysed the development in margins for selected projects and the project portfolios. For a selection of contracts, we tested estimated revenues against agreements, incurred costs against invoices and hours against project reports, and assessed the total estimated project costs. In addition, we have analysed actual margins on a selection of completed contracts against estimated total margins during the project period in order to evaluate management's accuracy in judgments and estimates.

We refer to note 2 for details on estimation uncertainty, note 3 for accounting principles 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 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.

Auditor's report 2021, cont.

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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 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.

Auditor's report 2021, cont.

Building a better working world

- 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 our audit of the financial statements of Kongsberg Gruppen ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name kongsberggruppenasa-2021-12-31-no, has 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 given with legal basis in 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 an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities

Our responsibility 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 based on the evidence we have obtained. We conducted our engagement 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

Auditor's report 2021, cont.

obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised 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, 21 March 2022
ERNST & YOUNG AS

Finn Espen Sellæg
State Authorised Public Accountant (Norway)

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

Financial calendar

ANNUAL GENERAL MEETINGS

The ordinary Annual General Meeting will be held on Wednesday 11 May 2022.

PRESENTATION OF QUARTERLY RESULTS

Q1:	10 May 2022
Q2:	13 July 2022
Q3:	28 October 2022

Ticker code: KOG (Oslo Stock Exchange)

PUBLICATION TO STOCK EXCHANGE

Release date for Annual Report and Sustainability Report 2021
25 March 2022.

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