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This is KONGSBERG



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

We deliver EXTREME PERFORMANCE FOR EXTREME CONDITIONS.



Kongsberg Defence & Aerospace

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



Kongsberg Maritime

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



Kongsberg Digital

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

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Directors' Report 2022

2022 was a good year and KONGSBERG had a strong order backlog of more than MNOK 63,000 and improved market positions at the year-end. Globally, the year was characterised by changes in the security situation, an unstable energy market, inflation and the consequences of climate changes. The security situation in Europe has strengthened the focus on nations' defence capabilities and the security needs that must be met. At the same time, we must think ahead and transition to more environmentally friendly energy sources, which make an important contribution to reducing greenhouse gas emissions. These challenges require cross-border efforts from both politicians and industry. At KONGSBERG, we will actively strive to contribute to good solutions.

Operating revenues increased by 16 per cent compared to 2021, to MNOK 31,803. Kongsberg Maritime had operating revenues of MNOK 18,978, Kongsberg Defence & Aerospace had operating revenues of MNOK 11,860 and Kongsberg Digital had operating revenues of MNOK 989. The Group's order backlog increased from MNOK 49,535 at the end of 2021 to MNOK 63,256 at the end of 2022. Kongsberg Maritime's order backlog increased by MNOK 5,618, Kongsberg Defence & Aerospace's order backlog increased by MNOK 7,908 and Kongsberg Digital's order backlog increased by MNOK 218 during the year. In total, the Group's order intake came to MNOK 45,150, up from MNOK 40,979 in 2021. The book-to-bill ratio was 1.42.

EBITDA increased by MNOK 516 to MNOK 4,602 in 2022. The EBITDA of both Kongsberg Maritime and Kongsberg Defence & Aerospace increased, while Kongsberg Digital's EBITDA fell as a result of the ongoing upscaling of the business. Strong project implementation and cost discipline contributed to the good profitability.

The profit for the year after tax was MNOK 2,809 in 2022, compared with MNOK 2,290 the previous year, equivalent to NOK 15.64 per share (NOK 12.06). The Group had a change in cash and cash equivalents of MNOK -4,186 in 2022 (MNOK 697) and net interest-bearing debt of MNOK -1,479 (MNOK -5,668) at the year-end. The Group had

equity of MNOK 13,744 (MNOK 13,618) at the end of 2022.

KONGSBERG has a solid financial position, and on this basis the Board of Directors will propose a dividend of NOK 12.00 per share to the Annual General Meeting on 11 May 2023 (a total of MNOK 2,128), of which NOK 3.60 is in accordance with the Group's ordinary dividend policy and NOK 8.40 is in addition.

The total emissions from own activities (scopes 1 and 2) were reduced by 3.0 per cent compared to 2021. This corresponded to a reduction of 16.3 per cent when measured relative to operating revenues.

KONGSBERG	
Headquarter	Kongsberg
Number of employees	12 187
Share of employees outside Norway	40%
Number of countries with presence	39
Share of revenues outside Norway	79%

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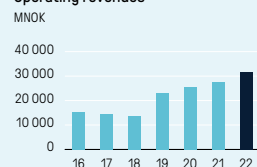
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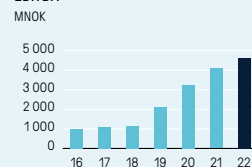
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KONGSBERG (Group)

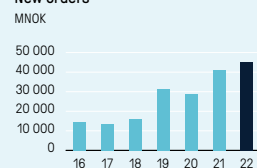
Operating revenues¹⁾



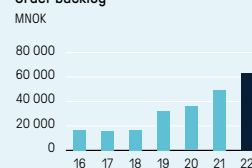
EBITDA¹⁾



New orders¹⁾



Order backlog¹⁾



¹⁾ Figures in the income statement, orderintake and order backlog for 2019 and 2018 were adjusted for discontinued operations in 2020. Comparable figures earlier years are not adjusted.

The business areas

KONGSBERG is a listed company with its head office in Kongsberg in Norway. In 2022, the Group had three business areas: Kongsberg Defence & Aerospace, Kongsberg Maritime and Kongsberg Digital. The Group is administered via its parent company, Kongsberg Gruppen ASA.

Kongsberg Defence & Aerospace

MNOK	2022	2021
Operating revenues	11 860	10 078
EBITDA	2 516	2 150
EBITDA margin	21.2%	21.3%
Order intake	19 560	22 221
Order backlog	43 540	35 632

Kongsberg Defence & Aerospace had operating revenues of MNOK 11,860 in 2022, MNOK 1,782 more than in 2021. The EBITDA margin was 21.2 per cent, compared to 21.3 per cent in 2021. The order backlog increased from MNOK 35,632 at the end of 2021 to MNOK 43,540 at the end of 2022, of which 80 per cent comprised deliveries outside Norway. The strong order backlog provides a good starting point for continued growth in operating revenues going forward.

The Integrated Defence Systems division had a strong progress on several large projects and grew

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its operating revenues by more than 50 per cent in 2022. This division's deliveries include the NASAMS air defence system, combat systems for submarines and digital solutions for military vehicles. The order backlog, which amounts to more than MNOK 11,000 at the end of the year, mainly consists of combat systems for new Norwegian and German submarines as well as air defence projects.

Through its Aerostructures & MRO division, KONGSBERG has supplied advanced composite and titanium aircraft parts for the F-35 fighter aircraft since 2008. Delivery volumes have risen each year. From producing a few ship set of parts in the early years, the programme is now in full production. In addition, the division has a significant maintenance business through Kongsberg Aviation Maintenance Services, which includes, among other things, an agreement for preparation of Norwegian F-16 aircraft for disposal. The division continued to grow in 2022 and has an order backlog of just over MNOK 4,500.

The Land Systems division supplies remote weapon stations (RWS) and communications equipment. Shortages of components related to the delivery of RWS had a negative effect on the division throughout the year. In 2022, a new five-year framework agreement worth MUS\$ 1,500 was signed with the US Army. The agreement covers further deliveries, maintenance and development work relating to the Common Remotely Operated Weapon Station (CROWS) programme. KONGSBERG has been a supplier to the CROWS programme since 2007 and

has delivered more than 14,000 CROWS systems and over 21,000 RWS in total to customers in 28 countries. At the end of 2022, the division had an order backlog of close to MNOK 6,000.

The Missile Systems division had 30 per cent growth in operating revenues and an order intake of more than MNOK 11,000 in 2022. The Naval Strike Missile (NSM) and Joint Strike Missile (JSM) are the division's main products. These long-range high-precision missiles are world leaders with their 5th generation low-signature design. Missile Systems signed several contracts for the delivery of NSMs throughout the year, including a significant contract with Australia worth more than MNOK 5,000. NSMs and JSMs have now been sold to or chosen by a total of twelve nations. The division will deliver an order backlog worth more than MNOK 21,000 over the next years.

Through its Space & Surveillance division and the Kongsberg Satellite Services (KSAT) 50 per cent owned, KONGSBERG is the Nordic region's largest supplier of equipment and services to the aerospace industry. Space is an important focus area for Kongsberg Defence & Aerospace and in 2022 we acquired a majority ownership stake in NanoAvionics, a Lithuanian small-satellite company, in which we own 78.5 per cent of the shares. This is a leading player in the development and production of small satellites and has contributed to over 120 satellite projects. In 2022, the division had operating revenues of just under MNOK 1,000 and an order backlog of just over MNOK 1,600. KSAT's operating

revenues of close to MNOK 1,500 and order backlog of more than MNOK 4,000 are not included in the division's figures as these are incorporated into the financial statements under share from an associates.

Kongsberg Defence & Aerospace owns 49.9 per cent of Finnish Group Patria, an international provider of defence, security and aerospace systems and services. Patria has in 2022 a turnover of MEUR 627 and has a profit after tax of MEUR 46.

The Russian war in Ukraine has led to a new security situation in Europe that stresses the importance of nations' defence capabilities and highlights security needs that must be met. Kongsberg Defence & Aerospace received an increasing number of requests for quotations and experienced a focus on the product portfolio related to this during the year. The ongoing Russian warfare has also made supply chains more unpredictable, for example related to the transport and supply of goods.

A shortage of individual components affected many companies in 2022. Kongsberg Defence & Aerospace is dependent on deliveries from several hundred subcontractors both in Norway and abroad. The component situation particularly affected deliveries from Land Systems during the year. The situation improved slightly towards the year-end, but developments are being closely monitored and still affect progress and deliveries somewhat.

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The sales process in defence programmes is extensive and time-consuming. The buyers of large defence systems are national authorities in different countries. These customers look on national security and domestic business development as significant factors, in addition to price and performance, when purchasing defence-related products. National budgets and political guidelines will therefore have a strong impact on whether and when any contracts can be entered into with KONGSBERG. The market is not subject to international free-trade agreements and is more characterised by national protectionism than most other industries. Predictability in the export regulations governing defence-related products and in the application of these regulations is therefore an important framework condition for KONGSBERG.

For the Norwegian defence industry, it is important that Norway's authorities place emphasis on repurchase agreements, joint development agreements and agreements that ensure market access in connection with purchases of defence-related products from other countries. When the Norwegian Armed Forces make large investments through foreign suppliers, these often constitute a significant part of the defence budget. In order to ensure defence deliveries that are well suited to Norwegian conditions and guarantee a viable and competitive Norwegian defence industry, it is very important to have Norwegian participation in such programmes. Both the Norwegian government and parliament have stressed the importance of Norwegian compa-

nies' industrial participation, and that this is in line with international practice.

KONGSBERG will continue to place emphasis on partnerships with major defence contractors and make efforts to further increase the focus on supporting local industry in the business area's markets. Our position as an attractive defence contractor in the international market will continue to be based on close cooperation with the Norwegian Armed Forces. This cooperation forms the platform for the development of leading products that are necessary for modern armed forces. Such participation also means increased activity for many of the business area's approximately 1,500 Norwegian subcontractors.

Kongsberg Maritime

MNOK	2022	2021
Operating revenues	18 978	16 507
EBITDA	2 390	1 977
EBITDA margin	12.6%	12.0%
Order intake	24 353	17 936
Order backlog	18 641	13 023

Kongsberg Maritime had operating revenues of MNOK 18,978 in 2022, up from MNOK 16,507 in 2021. EBITDA came to MNOK 2,390 and the EBITDA margin was 12.6 per cent in 2022, compared to MNOK 1,977 (12.0 per cent) in 2021. The order intake in 2022 was MNOK 24,353, correspond-

ing to a book-to-bill ratio of 1.28. The order intake increased by MNOK 6,417 compared to 2021. Kongsberg Maritime has diversified exposure and supplies equipment and solutions to most maritime vessel segments, such as traditional transport vessels, offshore, fishing, research and passenger ships, as well as marine robotics. This makes the business area less vulnerable to fluctuations in individual segments.

At the outbreak of the COVID-19 pandemic in 2020, a number of measures were quickly implemented to limit infection, maintain as normal operations as possible and ensure that the cost level was adapted to the activity level. Throughout the pandemic, there have at times been significant restrictions, different in the various geographical areas, to comply with. These eased up in 2022 and most had been lifted by the year-end. Kongsberg Maritime's results during the pandemic would have been impossible without the measures that were implemented during this period.

Following Russia's invasion of Ukraine and throughout the ongoing war, considerable sanctions have been imposed on Russia. In connection with this, Kongsberg Maritime reviewed its customer relationships that are affected by the current sanctions. This led to provisions for bad debts of MNOK 21 in 2022.

The number of new vessels ordered worldwide fell from 2021 to 2022. The reduction was mainly in the container-ship market, where the number of new orders was very high in 2021. The LNG, offshore

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wind and naval sectors represent markets in which Kongsberg Maritime has built up strong positions. These markets were strong in 2022, which also meant that, despite a reduction in the number of new vessels ordered in the market, Kongsberg Maritime increased the order intake by 36 per cent.

Through its Sensors & Robotics division, Kongsberg Maritime has a portfolio of sensors and sensor solutions that are central to mapping, monitoring and understanding oceans. These contribute to the safe and reliable control of operations both at and below the sea surface. The division's order intake is to a lesser extent driven by orders for new vessels. The division had an order intake of more than MNOK 4,100 in 2022, up MNOK 1,100 from the previous year. There was a strong influx of orders related to the autonomous underwater vehicle Hugin, and a significant contract was signed for the delivery of the new Hugin Endurance variant. There is good demand for solutions for monitoring the oceans. As of 1 January 2023, Sensors & Robotics will operate as a separate business area in KONGSBERG.

In the aftermarket, Kongsberg Maritime has a well-established network servicing over 33,000 vessels fitted with Kongsberg Maritime equipment. Kongsberg Maritime's considerable operations are the result of several decades of installing products and systems. A new sale today generates aftermarket activity over the next 20-30 years and good aftermarket work during this period may in turn lead to new sales at a later date. The interaction between the newbuild market and aftermarket

activities is therefore extremely important. An important driver of the increased aftermarket activity in 2022 was the maritime markets' greater demand for more environmentally friendly solutions. Among other things, this led to a significant number of contracts for the upgrading and hybridisation of existing vessels. In 2022, the aftermarket accounted for about half of Kongsberg Maritime's revenues and order intake.

New regulations and a much greater focus on sustainability in the market in general mean that the demand for environmentally friendly and climate-friendly solutions is growing. Kongsberg Maritime has relatively low emissions from its own operations, but it delivers to industries that have historically been responsible for some considerable emissions and are facing a major shift. One of the most important objectives of Kongsberg Maritime's deliveries is to streamline and secure customers' operations. In addition to having ambitions to reduce the climate footprint of our own operations, it is therefore important for us to work together with customers to develop new, more sustainable products and solutions. This is an area where Kongsberg Maritime and its technologies can really make a difference.

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

Kongsberg Digital

MNOK	2022	2021
Operating revenues	989	845
Recurring revenues	468	347
EBITDA	(259)	(45)
Order intake	1 275	789
Order backlog	1 150	932

Kongsberg Digital had operating revenues of MNOK 989 in 2022, up from MNOK 845 in 2021. Recurring revenues were 47 per cent of the operating revenues. EBITDA for the year was negative at MNOK 259. Kongsberg Digital has high growth ambitions. Throughout 2022, this business area further strengthened its organisation with both software developers and commercial resources, and significant investments were made in the roll-out of new solutions and applications. This affected Kongsberg Digital's EBITDA in 2022 and is expected to continue affecting it in 2023, but with positive developments during the year.

Demand for the 'ship-to-cloud' solution, Vessel Insight, increased in 2022. During the year, contracts were signed with several major players, including one of the world's largest container shipping companies, Mediterranean Shipping Company, which will install Vessel Insight on nearly 500 vessels. At the year-end, Kongsberg Digital had signed Vessel Insight agreements for about 2,000 vessels. More than 80 shipowners now use Vessel Insight for all or some of their vessel

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fleet. In total, these shipowners control more than 3,000 vessels, representing a significant potential for additional sales.

Since its formation, the business area has taken a leading market position for dynamic digital twins in the energy sector due to its Kognitwin product. Since the first contract was signed with Shell in the autumn of 2019, the number of both installations and users has increased significantly. At year-end, Kongsberg Digital had 18 digital twins in operation, divided among four customers with more than 8,000 users. Kongsberg Digital also has several ongoing proofs of concept (POC), where customers test and evaluate Kognitwin on certain installations. The business area experienced good revenue growth in 2022 and this is expected to continue in 2023.

The Digital Wells division accounted for 22 per cent of this business area's revenues in 2022 and has in recent years contributed solid growth and positive profit performance. This division has won several important contracts, both traditional licence sales and, increasingly, for 'software as a service' (SaaS). At the same time, the further development of its product portfolio has increased its revenue base. Together with positive oil-production market developments, continued good growth is expected in the year ahead.

The Maritime Simulation unit accounted for 30 per cent of Kongsberg Digital's operating revenues in 2022, and experienced a slight decrease in operat-

ing revenues compared to 2021. However, the unit's order intake was 31 per cent higher than in the previous year. Maritime Simulation operated in a challenging market during the pandemic, including in 2022, especially in Asia since educational institutions were completely or partially closed there. The improved order intake and a more positive market provide a basis for growth in 2023.

Kongsberg Digital operates using its own systems and is followed up by a board consisting of board members from KONGSBERG's corporate executive management as well as external and employee-elected members. Kongsberg Digital's current phase makes it natural to consider various strategic models for fully realising the value-creation potential we can see for Kongsberg Digital, including a stock-exchange listing.

Comments to the financial statements

Operating revenues

The Group's operating revenues were MNOK 31,803 in 2022, an increase of 16 per cent from MNOK 27,449 in 2021. Kongsberg Maritime had operating revenues of MNOK 18,978, Kongsberg Defence & Aerospace had operating revenues of MNOK 11,860

and Kongsberg Digital had operating revenues of MNOK 989 in 2022.

EBITDA development

EBITDA came to MNOK 4,602 in 2022, resulting in an EBITDA margin of 14.5 per cent, compared to MNOK 4,086 in 2021. Kongsberg Defence & Aerospace increased its EBITDA from MNOK 2,150 to MNOK 2,516 from 2021 to 2022, while Kongsberg Maritime's EBITDA rose from MNOK 1,977 to MNOK 2,390. Kongsberg Digital's EBITDA fell from MNOK -45 to MNOK -259 in 2022.

Performance

The earnings before tax came to MNOK 3,497, compared to MNOK 2,922 in 2021. The profit after tax was MNOK 2,809, equivalent to NOK 15.64 per share in 2022, compared to MNOK 2,290 in 2021 (NOK 12.06 per share). The return on average capital employed (ROACE) was 33.9 per cent in 2022 (32.7 per cent in 2021).

The Board of Directors will propose a dividend of NOK 12.00 per share to the Annual General Meeting on 11 May 2023 (a total of MNOK 2,128), of which NOK 3.60 is in accordance with the Group's ordinary dividend policy and NOK 8.40 is in addition. Correspondingly, a dividend of NOK 15.30 per share was paid in 2022, totalling MNOK 2,700, of which NOK 12.00 per share was in excess of the Group's

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ordinary dividend policy. In addition, an MNOK 500 programme to buy back own shares for cancellation was initiated. At 31 December 2022, 653,331 of these shares had been repurchased for a total of MNOK 233. At the year-end, the number of outstanding shares, including shares owned by KONGSBERG, was 177,313,072.

Cash flow

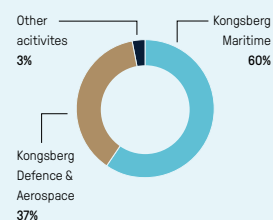
KONGSBERG had a positive cash flow from operating activities of MNOK 1,106 (MNOK 4,970) in 2022. This mainly consisted of EBITDA of MNOK 4,602, adjusted for changes in current assets and other operating items of MNOK -3,495. These were related to an increase in inventories, delayed deliveries of weapon stations and generally lower volumes paid in on the major defence projects as a result of natural cash-flow fluctuations in projects with large milestone payments.

In 2022, there was a negative cash flow related to investing activities of MNOK -1,343 (MNOK -769). The largest outgoing cash flows related to investing activities were MNOK 678 for the purchase/sale of property, plant and equipment, MNOK 601 for investments in subsidiaries, mainly NanoAvionics, and MNOK 400 linked to capitalised development and other intangible assets.

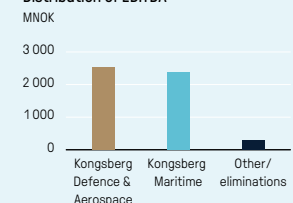
There was a negative cash flow from financing activities of MNOK -4,002 (MNOK -3,419), mainly related to dividends paid, the repurchase of own

MNOK		KONGSBERG consolidated	Kongsberg Defence & Aerospace	Kongsberg Maritime	Other/ eliminations
Operating revenues	2022	31 803	11 860	18 978	965
	2021	27 449	10 078	16 507	864
EBITDA	2022	4 602	2 516	2 390	(304)
	2021	4 086	2 150	1 977	(41)
EBITDA margin	2022	14.5%	21.2%	12.6%	-
	2021	14.9%	21.3%	12.0%	-
New orders	2022	45 150	19 560	24 353	1 237
	2021	40 979	22 221	17 936	822

Distribution of revenue



Distribution of EBITDA



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shares under the buyback programme and interest expenses.

The net change in cash and cash equivalents, after the effect of changes in exchange rates, was MNOK -4,186 (MNOK 697).

Capital structure

The most important capital-allocation priority in KONGSBERG's financial policy is to have a solid balance sheet by the net debt divided by EBITDA being 1.5 as a long-term average, while at the same time the net debt may not exceed 2.5 times the EBITDA. This ensures a balance between creditors and shareholders and also provides security for our suppliers and customers. This is important, as KONGSBERG is involved in deliveries that extend over many years.

The capital-allocation priorities also take the company's dividend policy into account and are further explained in [Note 4](#) to the consolidated financial statements in the annual report.

At 31 December 2022, the Group's equity was MNOK 13,744, equal to 31.8 per cent of the total assets. The net interest-bearing debt (interest-bearing debt less cash and cash equivalents) was MNOK -1,479. At the year-end, the long-term interest-bearing debt mainly consisted of three long-term bond loans totalling MNOK 2,000.

The Group's syndicated loan facility of MNOK 2,500 was unused at the end of 2022.

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

Foreign currency

The Group's financial policy states that contracts over a certain size must be currency hedged when they are entered into, and these are mainly hedged using forward exchange contracts (fair value hedges). In special cases, the Group uses forward exchange contracts or options as cash-flow hedges, for example in the event of large tenders where the probability of winning the contract is considered to be high. The Group uses hedge accounting for established forward exchange contracts, which means that changes in the value of hedging instruments and objects are capitalised.

At the end of 2022, net sales of foreign exchange as fair value hedges amounted to MNOK 19,185 measured at agreed exchange rates. These forward exchange contracts had a net fair value of MNOK 184. In addition, the Group had net sales of currency equivalent to MNOK 2,974 as cash-flow hedges measured at agreed exchange rates, consisting of forward exchange contracts. At the year-end, the cash-flow hedges had a total net negative fair value of MNOK 92.

Outlook for 2023

In recent years, KONGSBERG has developed positively and demonstrated a good ability to adapt to considerable and rapid changes. Despite component shortages, demanding logistics and surging inflation, the company has delivered both growth and significantly improved results.

At the end of 2022, the Group had an order backlog of MNOK 63,256, of which MNOK 25,100 is for delivery in 2023. This equals about MNOK 5,000 more than the corresponding order coverage one year earlier and provides a good basis for further growth. The order intake from the aftermarket is included in the order backlog to a minor extent. Framework agreements come in addition to thereported order backlog. Order backlogs in associates are not included in KONGSBERG's order backlog.

As from the first quarter of 2023, Sensors & Robotics and Kongsberg Maritime will operate as two separate business areas. Kongsberg Maritime is exposed to newbuilds and aftermarket relating to traditional merchant fleets and advanced marine operations. Compared to 2022, fewer new vessels are expected to be ordered in 2023, while a good order intake is expected in the markets that have traditionally represented higher value for Kongsberg Maritime. Many shipyards have almost full order books for the next few years, which means that this business area's order backlog extends over a long period. The increasing need for

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upgrades to reduce emissions from vessel operations means that continued high activity in the aftermarket is expected in 2023. Overall, Kongsberg Maritime is also expected to grow in 2023. Sensors & Robotics is exposed to offshore, fisheries, re-research, monitoring and marine operations. There is a high demand for technology in all these segments, providing a basis for growth in 2023.

Kongsberg Defence & Aerospace has grown continuously in recent years, increasing its order backlog from MNOK 35,632 to MNOK 43,540 in 2022. Of the order intake of MNOK 19,560 in 2022, MNOK 11,000 concerned orders for missiles, an area where high growth is expected in the future and where investments are currently being made in expanded production capacity. The turbulent world view and situation for some components regarding availability and logistics are factors that can affect both demand and lead times. This makes it more challenging than before to predict both the growth rate and profitability levels. Profitability varies between different product groups and different geographies. The composition of the projects to which deliveries are made is therefore an important driver of profitability in this business area. The business area's long-term margin target is 17 per cent in 2025, but this will vary between quarters. Kongsberg Defence & Aerospace's market activity is at a record-high level and the basis for growth in the short and medium term is very good.

Kongsberg Digital increased the number of installed Kognitwin and Vessel Insight systems in 2022, and there is high market activity and increased demand for this business area's solutions. As a result of continued significant investments in increased capacity and the development and roll-out of digital solutions in 2023, this business area's EBITDA and cash flow are expected to be negative for the year as a whole. KONGSBERG's ambition is for Kongsberg Digital's EBITDA to be positive in 2024.

Future strategy and priorities in 2023

KONGSBERG is a leading global technology group that delivers products, systems and services to critical and complex operations across a number of sectors. We hold leading positions in our core markets and will continue to grow in these. At the same time, KONGSBERG is looking to new, adjacent markets where the Group can effectively leverage technologies and use its domain knowledge and expertise to create solid positions. Growth will mainly be driven organically, but we will also consider acquisition opportunities when strategically relevant.

Across the Group, we manage our portfolio of companies with the aim of ensuring the optimal

development of our operations to generate value not only for our shareholders but also for our employees, customers, partners and other stakeholders.

Sustainability and safety are of great strategic importance to KONGSBERG. We recognise that the industries in which we operate are in a period involving several adjustments. The transitions to cleaner energy solutions, more digital and virtual solutions and safer and more secure operations are important drivers. The pace of change varies, but KONGSBERG is well positioned and focused on developing and delivering the best, smartest, safest and most sustainable products and solutions to meet our customers' ever-changing needs and contribute to a more sustainable world.

In 2022, we established Kongsberg Renewables Technologies to strengthen the Group's offering to, and presence in, the offshore renewable energy market. We also announced that the Sensors & Robotics division in Kongsberg Maritime will operate as a separate business area from 1 January 2023. In 2023, our ambition is to build Kongsberg Renewables Technologies and further develop each of our now four established business areas.

We recognise that their knowledge, dedication and willingness to contribute make our employees one of our most important competitive advantages. A cornerstone of our strategy is our ambition to be one of the greatest places to work. This means we

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must continue to maintain and develop a working environment and culture that promotes employee wellbeing, collaboration, training and development. All these are important focus areas for the entire Group in 2023.

Kongsberg Defence & Aerospace

KONGSBERG has world-leading products and systems for the international defence market. Our advanced military products, solutions and services are designed to meet the needs of our customers in our niche markets. Our main focus is on securing strategically important contracts and growing in

selected geographical regions and markets, both through own activities and in collaboration with partners. KONGSBERG also aims to develop its position as a leading Nordic aerospace company.

In 2022, KONGSBERG secured a number of important contracts that support its strategic priorities. Maintenance, Repair & Overhaul (MRO) is an

The business areas' priorities in 2023

Kongsberg Defence & Aerospace

- Secure good execution of the major ongoing defence programmes
- Ensure strategically important contracts
- Maintain a position as a leading defence contractor in Northern Europe
- Further strengthen existing positions in the US, Europe and Australia
- Create further opportunities within the naval-defence area through Vanguard and Kongsberg Naval Systems
- Continue to develop the collaboration with Patria and, through KAMS, further develop as a strong, international player in the field of military maintenance

Kongsberg Maritime

- Help our customers to meet sustainability and energy-optimal operations requirements by establishing ourselves as an energy-transition partner with cutting-edge expertise in sustainable energy solutions
- Help to shape the maritime industry by developing our product and segment portfolio and continue to have a strong global presence to maintain our position as a leading supplier of technology to the maritime industry
- Help to optimise our customers' marine operations by working closely with our customers and partners and further develop our product and solution portfolio to include integrated electrical and digital solutions
- Improve profitability through continuous work on efficiency measures

Kongsberg Digital

- Further position Kongsberg Digital as an industrial software company with a focus on combining our strong domain knowledge of capital-intensive industries with scalable and industry-agnostic software
- In close cooperation with our customers and partners, help to shape the digital development of industries like the maritime, oil and gas, renewable-energy and other capital-intensive industries
- Continue to develop and strengthen the value of our products to customers by building ecosystems, applications and new usage areas
- Scale and further develop focus areas such as Kognitwin, Vessel Insight and Sitecom that contribute to smarter, safer and more efficient operations by making data available and simulating data
- Further develop our brand and communication and continue to focus on attracting, developing and retaining world-class expertise

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important focus area for Kongsberg Defence & Aerospace. In 2022, we achieved so-called Initial Depot Capability (IDC) for the F-35 programme at Rygge as the second location outside the USA. KONGSBERG's position as a leading defence contractor in Northern Europe was further confirmed when the Royal Netherlands Navy selected NSM for its frigate fleet in December. We also started to build a new missile factory which will open in the summer of 2024 and help to considerably expand our production capacity.

Kongsberg Defence & Aerospace continuously strives to identify opportunities to develop more sustainable defence solutions. The circular economy is an important focus area and activities that extend the lifetime of systems are also high on the agenda. We work closely with the entire value chain, both customers and suppliers, in order to contribute to the green shift, while at the same time fulfilling our public-service role relating to security and defence.

Kongsberg Maritime

Through Kongsberg Maritime, we have a leading position as an equipment and system supplier to the maritime market. Efficient operations, safety and energy efficiency are important drivers for the further development of Kongsberg Maritime's product portfolio. We aim to drive the green shift and integrate operational efficiency and sustainability into all our products and services. We intend

to strengthen our position in the upgrade market, especially in the delivery of hybrid solutions and other energy-saving measures. We work closely with our customers and partners to improve the green footprint throughout a system's lifetime. Kongsberg Maritime is part of the solution for creating future sustainable oceans and aims to be technology- and competence-leading with regard to both transport and resource utilisation.

In 2022, we continued to work on efficiency measures and further increased our profitability compared to the previous year. This business area also continued to position itself for new sustainable areas and, for example, had an order intake of more than MNOK 1,700 for systems and concepts for offshore wind vessels. In addition, the aftermarket activities had a strong focus on upgrading to more environmentally friendly solutions, including hybridisation of vessels.

Kongsberg Digital

Kongsberg Digital continued to develop positively in 2022 and strengthened its leading positions in existing industries. This business area is well positioned to become a key player in digitalisation across capital-intensive industries. Our ambition is to create a globally leading digital work surface. The business area has continued to invest and strengthen its capabilities within its core business areas, and this has yielded results in the form of a sharp rise in the number of vessels connected to the ship-

to-cloud solution Vessel Insight and the number of installations and users of the dynamic digital-twin solution Kognitwin. The current phase makes it natural to consider future partner models and other models in order to fully realise the value-creation potential KONGSBERG envisages for Kongsberg Digital, including a stock-exchange listing.

The KONGSBERG share and shareholder relationships

KONGSBERG must provide the stock market with relevant, comprehensive information as the basis for a balanced, correct valuation of the share. We place emphasis on having an open dialogue with the stock market and media.

The price of the KONGSBERG share increased from NOK 286.00 at the end of 2021 to NOK 415.60 at the end of 2022. This gives a market capitalisation of MNOK 73,671 at the end of 2022. Including dividend totalling NOK 15.30 per share, the return in 2022 was 50.7 per cent. The Oslo Stock Exchange Benchmark Index (OSEBX) fell by 1 per cent during the same period. At 31 December 2022, KONGSBERG had 22,298 shareholders (16,507). The company had 1,008 (943) foreign shareholders that together owned 22.76 per cent of the shares (19.90 per cent). The Norwegian state, represented by the Ministry of Trade, Industry and Fisheries, is the largest

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shareholder with 50.004 per cent of the shares. The 10 largest shareholders held a total of 66.38 per cent (70.62) of the shares at the year-end. The number of shares issued is 177.31 million, each with a nominal value of NOK 1.25. At the end of 2022, KONGSBERG owned a total of 693,610 (613,987) treasury shares. Of these, 653,331 shares were linked to the programme to buy back shares for up to MNOK 500. Half of these shares are to be repurchased in the market. The remaining shares, up to MNOK 250, will be purchased from the Norwegian state, represented by the Ministry of Trade, Industry and Fisheries, in accordance with an agreement between KONGSBERG and the Ministry. The shares are repurchased under the authorisation granted to the Board by KONGSBERG's Annual General Meeting on 11 May 2022. KONGSBERG will ask the

2023 Annual General Meeting for approval to cancel shares repurchased under this programme.

Apart from in 2000 and 2001, KONGSBERG has paid dividends to its shareholders every year since it was listed in 1993. The company's dividend policy states: 'KONGSBERG's aim is to pay an ordinary dividend per share that is stable or growing from one year to the next. Additional dividends and/or repurchases of own shares can be used to supplement ordinary dividends. All payments to shareholders will be subject to the company's assessment of future capital requirements.'

In 2022, 56.7 million (31.8 million) KONGSBERG shares were traded in 406,711 (174,154) transactions. The company makes active efforts to promote

interest in the share through activities aimed at the investor market. KONGSBERG is regularly represented at roadshows, meetings and conferences both in Norway and abroad. The goal for 2023 remains a high degree of availability and activity in the investor market. Investor presentations are held when each quarterly report is issued.

The Board regards employee share ownership as positive. Every year, employee share programmes are arranged so that Group employees can purchase shares in the company. In the spring of 2022, the Group's annual employee share programme was implemented for the 26th time. Shares were sold to employees at a 25 per cent discount on the market price. In 2022, all employees were offered shares for up to NOK 100,000 before the 25 per cent discount (taxable discount). A total of 858,110 shares were sold to 4,363 employees who took advantage of the offer.

Share price development in 2022

NOK (Indexed at NOK 100 per 1 January 2022)



Share price development from 1 January 2000

NOK (Indexed at NOK 100 per 1 January 2000)



Risk factors and risk management

KONGSBERG is exposed to various forms of risk that the Board monitors through dealing with individual cases and risk reports made to the Board. The Board believes there is a healthy balance between the Group's overall risk and risk-bearing capacity. The administration prepares monthly operations reports

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and quarterly risk reports that are discussed by the Board. The administration performs risk analyses in connection with major investments and customer contracts, strategic initiatives and when enterprises are bought or sold. The Audit and Sustainability Committee is a preparatory body for the Board with regard to the exercise of the Board's responsibility for dealing with financial reports, relevant assessment items and compliance matters, assessing the Group's internal controls and risk management, and sustainability and climate.

The Group's operations are international, with deliveries of high-tech systems and solutions mainly to customers in the maritime and defence markets. The market risk may therefore vary somewhat within these different segments. Its strong international presence and global dependency make the Group vulnerable to factors affecting international trade, foreign exchange and the world economy in general.

COVID-19 has negatively impacted the world since the first outbreak at the start of 2020. The pandemic has led to great uncertainty for the entire value chain – due to travel restrictions, quarantine regulations and other infection-control considerations – and with regard to the flow of input factors and finished products. Large parts of the world returned to normal conditions without significant restrictions in 2022, and no significant setbacks can be seen on the horizon. China and some other countries still face significant pandemic-related challenges and will also be affected in 2023.

KONGSBERG was not significantly impacted by the pandemic in 2022. The Group will continue to monitor developments to protect its own employees and business associates and, in so far as possible, ensure normal business operations. After almost three years of COVID-19, we have gained a lot of experience that will be valuable in dealing with COVID-19 and any other pandemics and crisis situations in the future.

2022 was marked by Russia's invasion of Ukraine, which started on 24 February 2022. The conflict affects the flow of energy and goods between the two countries and the rest of the world, and broad sanctions were implemented in 2022. This affected KONGSBERG during the year and will continue to affect us in 2023, so the situation is being monitored closely.

In 2021 and 2022 there has been a challenging energy situation in Europe. This is as a consequence of the economic upturn following the COVID-19 pandemic, in which demand increased more than supply, and was further exacerbated by Russia's invasion of Ukraine and the reduction in gas imports from Russia. As a result of the drop in the supply of goods and services during the pandemic, the world economy was in 2022 characterised by inflation and the countercyclical policies imposed by countries' central banks. KONGSBERG is vulnerable to increases in the price of energy, wages and materials, and implemented measures to ensure the profitability of its delivery contracts in 2022.

KONGSBERG supplies products and services to the complete value chain within oil & gas as well as wind. Energy demand and price developments affect the willingness to invest in these markets. Investment levels may also vary between different geographical areas, depending on factors such as reserves and the level of exploration and production activities. The uncertainty surrounding future oil-price developments as well as the transformation towards renewable energy sources affect investment levels in several segments, but also provides opportunities in other segments where KONGSBERG's technology makes a difference. The focus on sustainability and climate is constantly increasing and this affects the offshore market. It affects investors' and lenders' assessments, and may also affect us and our customers' and suppliers' activities and priorities going forward. Offshore wind is a market that is growing rapidly, and new vessels are being ordered to construct and operate the wind farms. KONGSBERG is in a position to secure contracts in this segment in the coming years too.

The merchant marine market ranges from simple dry cargo ships to advanced tankers. Passenger-carrying cruise ships and ferries are also an important part of the merchant fleet. Newbuilding orders are closely linked to the expected development in transport needs. Changes in the world economy affect the need to transport people, energy, raw materials and finished products by sea. As a result, the demand for new vessels is cyclical and varies over time. There is currently uncertainty in the

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market related to economic prospects, future fuel developments, commodity prices and shipyard capacity. While this may negatively affect new-building orders for a period, it also creates new opportunities and the need for innovative technological solutions.

In the defence market, products and systems are supplied for land-, air- and sea-based defence. Due to strict security requirements and the protection of the different countries' own defence industries, it is often difficult for a defence contractor to win defence contracts outside its own country. There is considerable protectionism in Europe, the US and the defence market in general. Nevertheless, there are opportunities via long-term relationships and niche products, and these are partly safeguarded through our relationships with several large foreign defence companies. Russia's invasion of Ukraine has led to security rising on the agenda, and this has increased the demand for surveillance and defence equipment.

KONGSBERG mainly operates in markets that are greatly influenced by technological developments and where there is a risk that new technology may affect our leading position. We annually invest considerable amounts to develop both new and existing products in order to take new, and maintain existing, market positions. General economic-cycle fluctuations will also affect the markets – to varying degrees and at different times. Export-control regulations and sanctions may entail uncertainty regarding market opportunities.

In 2022, the focus on limiting exports of technology products through export-control regulations continued. Russia's invasion of Ukraine and the subsequent sanctions against Russia have presented new challenges. Together with the ongoing trade war between the US and China, this means that the risks associated with restrictions on market access and sanctions have increased.

We deliver systems and solutions with high technological complexity, and the deliveries are mainly organised as projects. Effective project management is therefore an important factor in reducing risk. KONGSBERG has established project-management goals based on internal and external best practice, and project managers undergo training programmes. The projects' revenues are primarily contractually agreed, and the uncertainty in the projects is largely related to the assessment of remaining costs and determination of the completion rate, as well as the counterparty risk and guarantee obligations. The Group has established principles for categorising projects in terms of technological complexity and development content. This forms the basis for assessing the execution risk and profit to be recognised in the projects.

KONGSBERG is exposed to financial uncertainty through currency risk, interest-rate risk, credit risk, liquidity risk and climate risk. The aim is to reduce the financial risk and thus improve predictability in the Group. Our financial risk is managed centrally in accordance with the guidelines adopted by the

Board in the Group's financial policy. The Group's financial risk management is described in [Note 4](#) to the annual financial statements, 'Management of capital and financial risks'. Our customer base is diversified and consists mainly of public-sector enterprises and large private companies in a number of countries. Historically, the Group has had low losses on accounts receivable from customers. Measures to limit risk exposure are implemented when the administration deems these necessary. The Group's liquidity risk is managed centrally through loan-refinancing and available-capital requirements, as well as the use of liquidity forecasts.

With a high share of net income in currencies other than the Norwegian krone, KONGSBERG is exposed to fluctuations in foreign-exchange markets. Efforts are made to reduce the currency risk through the exercise of the Group's financial policy, which states that contracts over a certain size must be currency hedged when they are entered into. These are mainly hedged using forward currency contracts (fair value hedges). In special cases, the Group uses forward contracts as cash-flow hedges, for example in the case of large tenders where there is a high probability that KONGSBERG will win the contract. In addition, currency options are used to some extent.

KONGSBERG has large book values on its balance sheet that are justified by future cash flows. A reduction in cash flows could affect the value of the assets. In 2016, KONGSBERG acquired 49.9 per

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cent of the shares in Finnish company Patria, which at 31 December 2022 had a book value of MNOK 3,036. A persistent weakening of Patria's results may make it challenging to defend the book values. During 2022, KONGSBERG acquired NanoAvionics, a Lithuanian manufacturer of small-scale satellites, for MNOK 505, as well as Interconsult Bulgaria (ICB) and Visavi (Norway), both software development consultancies, for MNOK 101 and MNOK 9 respectively. Significant amounts of the excess value of these acquisitions have been added to goodwill. See [Notes 5, 14 and 15](#) to the financial statements for details.

KONGSBERG is exposed to climate-related financial risk and works systematically to identify risks and opportunities relating to climate changes and the transition to a low-emission society. The risk assessments are an integral part of the company's central management and reporting of risks and are used as a basis for strategy, product and business developments. KONGSBERG reports in accordance with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD) and further details can be found in [chapter 3](#).

In addition to climate, we consider the transition to a circular economy, sustainable supplier chains, human rights and anti-corruption measures as being financially material environmental, social and governance (ESG) factors for KONGSBERG. The new materiality analysis process, in line with the double materiality principle, was completed towards the end of 2022. In 2023, we will consider

whether all the financially material ESG factors have been fully integrated into the Group's management of its strategy and risks.

KONGSBERG has built up and further developed compliance functions over several years. Regulations, as well as follow-up and reporting systems, have been established to manage risk in areas such as anti-corruption, export controls and sanctions, human rights, supply chains and whistleblowing. Training in the area of ethics and compliance is provided throughout the organisation, both in Norway and abroad.

We conduct external evaluations of our compliance and anti-corruption programme every three years, and did so most recently in 2020. The Board considers KONGSBERG's compliance programme to be at a very good level.

As a high-tech company, KONGSBERG is constantly exposed to data-security threats, and is under constant pressure from various external players. Essentially, we are subject to computer virus attacks and attempts at hacking, social engineering and fraud. The management prioritises and pays close attention to monitoring and other measures to prevent us from being compromised. In order to be as well-equipped as possible for this type of threat, we have established Kongsberg Cyber Security Center and cooperate closely with Norway's National Security Authority and several leading competence environments, such as the Forum of Incidence Response and Security Teams.

Together with information to and the training of all employees, this helps the Group to continuously improve its ability to withstand these threats.

The risk of physical attacks on locations and employees is considered to be lower than the risk of cyber attacks, but we conduct risk assessments continuously and implement security measures where necessary.

Technology and product development

KONGSBERG develops and delivers high-tech solutions both in Norway and abroad. Our technology platform has been systematically built up over many years and is an important prerequisite for our competitiveness. The transfer of technology between the different parts of the Group is very valuable. Sustainable innovation is an important part of the Group's business strategy and KONGSBERG has developed and invested considerably in future-oriented technology expertise in digitisation. We are also actively working together with our key technology partners to further develop our technology platform. KONGSBERG continuously invests in product and system development, both self-financed and through customer-funded programmes. In total, the Group spends about 10 per cent of its operating revenues on product

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development over time. This includes both self-financed and customer-financed developments.

The total self-financed product development and maintenance work amounted to MNOK 1,980 in 2022, of which MNOK 305 was capitalised. At 31 December 2022, the capitalised own-development work equalled a total of MNOK 1,262 for KONGSBERG.

The Kongsberg Defence & Aerospace business area has the largest share of the capitalised own-development projects in KONGSBERG. These comprise technology relating to weapon stations, missile systems, control systems and communication equipment.

Kongsberg Maritime's self-financed development projects mainly comprise many projects with a limited total scope, and to a large extent relate to the development of existing technology. Most of these development projects do not meet the criteria for capitalisation of development costs.

Kongsberg Digital has ongoing development projects whose capitalisation is linked to the development of the digital platform Kognifai and associated applications.

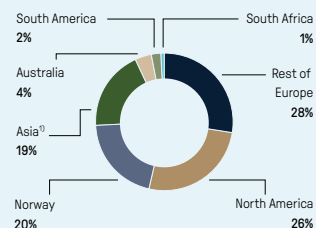
Sustainability and ESG

KONGSBERG shall represent sustainable development, with a balance between results, value creation and environmental, social and governance (ESG) factors. Sustainability and ESG are integral parts of the Group's strategy processes. Sustainable value creation and innovation are key elements in helping to solve the major global challenges facing the world. For us, this means business opportunities in several markets in light of our broad technology and competence platform. We are aware of the risks associated with our licence to operate – with

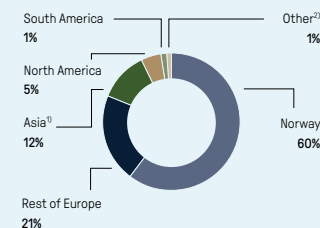
regard to compliance with laws and regulations, changes in resource scarcity, unrest in the global situation, developments in global megatrends and suchlike. We have, and will continue to have, a focus on anti-corruption and corporate social responsibility as regards our suppliers and partners, as well as on following up human and labour rights in both our own organisation and our business partners' organisations.

In 2022, the Group conducted a new materiality analysis in accordance with the double materiality principle in order to identify, assess and prioritise its most important ESG topics, including risks and

Geographical distribution of revenues



Geographical distribution of employees



¹) Middle East is included in Asia 2) Africa and Australia

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opportunities. Refer to the annual report's sustainability chapter for a more detailed description of the Group's work on sustainability and ESG factors.

Respect for human rights is key to sustainable development. In KONGSBERG, this is enshrined in our governing documents. We are committed to identifying, preventing and mitigating any adverse consequences related to our business activities, for our employees, in our supply chain, for our business partners and where we operate. We will publish an account of the specific due diligence assessments on our website by 30 June 2023.

According to section 3-3c of the Norwegian Accounting Act, the company must prepare a corporate social responsibility statement. We refer to that stated about the environment, social factors and corporate governance in the annual report's sustainability chapter.

Ethics, integrity and compliance

When carrying out all activities, we are committed to complying with our values and high standards of safety, ethics and quality, and this is also reported in our quality management system. The Board believes that such a commitment is fundamental to running a healthy, successful and sustainable business. Significant resources are devoted to maintaining a comprehensive global ethics and compliance programme designed to prevent and deter, as well as detect and handle, any violations

of laws, our business-ethics guidelines and other important regulations and governance documents applicable to the company.

Climate and environment

The climate and environmental accounts provide an overview of KONGSBERG's energy consumption, greenhouse gas emissions and waste management. The Group's biggest positive contribution to limit climate changes is through its deliveries of products and solutions that contribute to reduced emissions for our customers. This is a key part of our business strategy.

In 2021, we committed to setting targets to reduce greenhouse gas emissions from our own operations, including our supply chain, in order to contribute to the Paris Agreement's goal of limiting global warming to 1.5 degrees Celsius in accordance with the Science Based Targets initiative (SBTi). In 2022, the Group further developed these climate goals and documented how they are to be achieved in an application for approval by SBTi. The goals are described in the [chapter on climate on pages 74–91](#) of this report. This also contains a detailed overview and description of the climate and environmental accounts for 2022. Our ambition for the period up to 2030 is to reduce our own greenhouse gas emissions from the use of oil and gas by 55 per cent and from our own use of electricity by 25 per cent through energy efficiency and technical upgrades. Furthermore, electricity purchases must

have a guarantee that they originate from a renewable energy source. We aim to reduce emissions from transport and distribution by 25 per cent and from our own business travel by 30 per cent. In addition, we aim for at least two-thirds of our suppliers to set their own science-based targets for their operations within five years.

No serious incidents related to pollution of the environment were reported in 2022.

In 2022, the Group considered nature and natural diversity to be an important topic that includes risks and opportunities for the company. In 2023 and beyond, we will conduct risk assessments and develop our approach and strategy to minimise negative effects and increase the positive effects in accordance with recognised standards and the Convention on Biological Diversity.

Health, safety and the environment

At KONGSBERG, we put life and health first, and will never compromise on the health and safety of our employees, customers or partners in our global operations. To achieve this goal, we work continuously, openly and pre-emptively to build a strong health, safety and environmental (HSE) culture at all levels of the organisation. It is our responsibility,

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in cooperation with the management, to ensure a safe and prudent working environment in KONGSBERG, and we are convinced that this also contributes to increased efficiency and wellbeing, as well as to lower operating costs. In 2022, KONGSBERG established a new HSE directive, in which best practices, expectations and management principles are defined to support our 'Vision Zero' – zero accidents and injuries.

In KONGSBERG, safety must always come first. Our employees and partners have been mandated to stop work that is a threat to life and health. We actively strive to increase safety in the workplace through systematic risk reduction, and we encourage the organisation to map and report high-risk incidents, as well as to share experiences and best practices – which is especially important regarding incidents with a high injury potential. All personal injuries and high-risk incidents are investigated to determine the underlying causes and to share best practices with the organisation. We need to understand the conditions and situations that have triggered the incident so that similar incidents can be prevented. We believe in collaboration and that everyone must contribute to the HSE work, but our managers have the overall responsibility. The corporate executive management has been continuously updated about the HSE results and any challenges as well as about personal injuries and high-risk incidents. HSE reporting is an important part of our follow-up in this area, and active efforts are being made to increase the number of reports. Everyone who works for KONGSBERG must

contribute to reporting dangerous conditions, near-misses and accidents. In 2022, 3,051 HSE reports were submitted. All employees, including contract workers, are to receive relevant HSE training with information on the rules, requirements and risks.

The number of personal injuries was reduced in 2022. The number of lost-time and non-lost-time work-related incidents fell from 2.23 per million hours worked in 2021 to 2.01 per million hours worked in 2022. In most of the personal injury cases, the injuries were limited. Preventive measures have been introduced on an ongoing basis.

We see that sickness absence has increased since the pandemic. We are therefore working closely on follow-up and prevention, as well as on mapping any post-COVID effects. We also seek experience and best practice outside our own organisation. The Group's total sickness-absence rate increased from 3.0 per cent in 2021 to 3.6 per cent in 2022. For the operations in Norway, the sickness-absence rate is 4.5 per cent, up from 3.2 per cent in 2021. Those on sick leave are systematically followed up. All employees in Norway have access to the company health service. In the foreign enterprises, this varies in line with local practice and legislation. At the end of 2022, 40 per cent of KONGSBERG's employees worked outside Norway. This means we must pay great attention to, and have a lot of insight into, HSE issues in the countries in question.

Mental health is important to us, which is why we have continued last year's campaign where we talked about the importance of working on conditions that improve mental health – both at work and in our spare time.

On World Day for Employees with Disabilities, we rolled out a campaign on the themes of inclusion, collaboration and facilitation. All colleagues are equally important to KONGSBERG. We are one team, and we take care of each other no matter what.

All the business areas have established HSE processes and guidelines to reduce risk and exploit opportunities, with support from ongoing HSE audits to map the compliance status and further opportunities for improvement. In 2022, ten HSE audits were carried out in the business areas. The results of all the audits have helped to improve overall HSE processes and share best practices.

Further details on key sustainability figures relating to HSE can be found in the Group's [Sustainability Report, page 105](#).

The Board monitors the HSE work closely and reviews the HSE reports every quarter.

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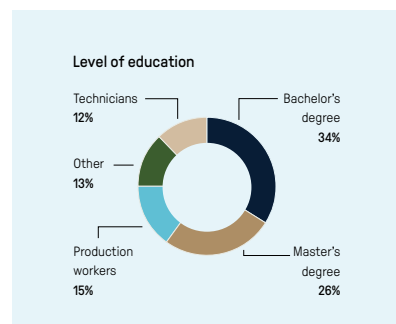
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Our employees

Number of employees	31 Dec 22	31 Dec 21
Kongsberg Defence & Aerospace	3 879	3 428
Kongsberg Maritime	7 114	6 857
Other	1 194	837
Total in the Group	12 187	11 122
Proportion outside Norway	40%	37%

KONGSBERG is an organisation based on knowledge and expertise, and our employees are our greatest resource. We have a unique, strong corporate culture that has been developed over many years. Our culture is a valuable resource that helps us attract people with the right behaviour and expertise to meet tomorrow's technical challenges



in a sustainable way. Good, clear and shared values lead to good conduct that yields commercial results. KONGSBERG has clear common denominators and these are expressed and experienced in the same way wherever we work.

In KONGSBERG, management is about creating value and achieving results through others. The key to success lies in the combination of good leadership and dedicated employees. The manager is to exercise leadership based on our values, ethical guidelines and management principles. Our managers must create an environment where our employees will thrive and succeed in meeting the strategic priorities of customer satisfaction, innovation and operational excellence. Based on this, we have Leadership@KONGSBERG, which is intended to help clarify and quality assure goal-setting, goal follow-up and evaluation processes for all our employees.

KONGSBERG's management of its employees' competence is an important prerequisite for long-term success. The Group is working to increase the exchange of knowledge and employees between the business areas. Good work processes and development opportunities are important tools for recruiting and retaining good employees. KONGSBERG attaches great importance to competence development and makes continuous efforts to further develop its employees.

Cooperation with employee unions and organisations through the established cooperation and

representation schemes is good and makes valuable contributions to dealing with the Group's challenges in a constructive manner.

Diversity

Key figures in diversity	31 Dec 22	31 Dec 21
Percentage of women	21.1%	20.4%
Percentage of women in managerial positions out of total managerial positions	20%	19%
Percentage of women in level 1–3 managerial positions out of total managerial positions	26%	25%
Percentage of women in corporate executive management	25%	22.2%
Shareholder-elected women on the Board	40%	40%

KONGSBERG is convinced that diversity benefits its business, provides access to a wider range of talent and ensures a better and broader understanding of customers, as well as access to new markets. Different perspectives drive innovation and growth. We therefore work systematically and purposefully to recruit and develop people with different ethnic backgrounds, education levels, ages and genders. The average age of our permanent employees dropped from 43.9 years in 2021 to 42.4 years in 2022.

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The company is committed to promoting gender equality and preventing discrimination in violation of the Norwegian Gender Equality Act. Short- and long-term goals have been established to help increase the proportion of women in the Group, with regard to both appointments and management positions. The number of female employees rose to 21 per cent, from 20 per cent in 2021. The percentage of female managers on levels 1-3 also rose and was 26 per cent in 2022.

To the extent possible, KONGSBERG seeks to adapt working conditions so that people with disabilities can also be employed by the company. Diversity is particularly followed up by the Board's Compensation Committee. The Board considers that the Group complies with applicable regulations in this area.

See [pages 116–123](#) of this report for a more detailed discussion of the Group's work on diversity and equality.

Corporate governance

KONGSBERG aims to safeguard and increase stakeholder value by pursuing profitable, growth-oriented industrial development in a long-term, sustainable and international perspective. Good corporate governance shall reduce the risk associated with the business, while at the same time utilising the Group's resources in an efficient and

sustainable manner, thereby ensuring the greatest possible value creation. The value created shall benefit shareholders, employees, customers and society at large. The Board attaches importance to ensuring that the Group's governing documents are reviewed annually and updated so that they are in so far as possible in accordance with the Norwegian Code of Practice for Corporate Governance.

Pursuant to section 3-3b of the Norwegian Accounting Act, the company must prepare a corporate governance statement. In accordance with section 5-6 of the Norwegian Public Limited Companies Act, this statement will be discussed at the Annual General Meeting. The statement in chapter 4 of the annual report is based on the latest revised version of the Code of Practice dated 14 October 2021.

Directors' liability insurance

Kongsberg Gruppen ASA has taken out a directors' liability insurance policy that is applicable to the Group's Board members, CEO and senior executives. The directors' liability insurance covers legal financial claims against the Board or management arising from actions by the Board or management. The insurance is valid for the parent company and all KONGSBERG subsidiaries in which KONGSBERG owns more than 50 per cent. The insurance is placed with a reputable insurance company with a good rating.

Salary and other remuneration to executive management

The Board has a separate Compensation Committee that, among other things, considers all material matters relating to salary and other remuneration to executive management before formal Board deliberations and decisions. In accordance with Norwegian company legislation, the Board has also prepared a separate report entitled 'Report on the remuneration of executive management in KONGSBERG 2022', which will be published at the same time as the notice of the Annual General Meeting.

Profit for the year and its allocation

The operations of Kongsberg Gruppen ASA mainly consist of providing group services to subsidiaries and carrying out other administrative tasks.

The revenues in 2022 came to MNOK 201, compared to MNOK 243 in 2021. The profit for the year was MNOK 257 in 2022, compared to MNOK 5,782 in 2021. This change is due to a considerably lower Group contribution in 2022 than in 2021.

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The balance sheet has been reduced by MNOK 9, which is due to a reduction in short-term receivables and debts relating to subsidiaries. As at 31 December 2022, the total assets amounted to MNOK 15,915.

The parent company, Kongsberg Gruppen ASA, made a profit for the year of MNOK 257 in 2022. The Board proposes the following allocations in Kongsberg Gruppen ASA:

Provisions for dividend	MNOK	2 128
From equity	MNOK	(1 871)
Total allocated	MNOK	257

The proposed dividend equals 76 per cent of the Group's profit from ordinary activities for the year.

Going concern

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

"Sustainability at KONGSBERG", chapter 3, and "Corporate Governance", chapter 4, is an integral part of the Report of the Board of Directors.

Kongsberg, 23 March 2023

Eivind Reiten
Chairman

Anne-Grete Strøm-Erichsen
Deputy chairman

Merete Hverven
Director

Morten Henriksen
Director

Per A. Sørlie
Director

Rune Fanøy
Director

Oda Ellingsen
Director

Jo Even Bjerknes
Director

Geir Håøy
President and
CEO