KONGSBERG

Annual &
Sustainability
Report 2023

Making a Difference

#protechtingpeopleandplanet

Content

Chapter 1

Year 2023

Key Figures 2023

KONGSBERG

MNOK	*2023*	*2022*	*2021*	*2020*	*2019* [3]	*2018* [3]	*2017*	*2016*	*2015*	*2014*
Sales										
Operating revenues	40 617	31 803	27 449	25 612	23 245	13 807	14 490	15 845	17 032	16 613
Order intake	65 401	45 150	40 979	28 818	31 413	15 879	13 430	14 319	15 238	22 097
Order backlog	88 550	63 256	49 535	35 947	32 347	16 707	15 629	16 914	19 597	21 020
Book-to-bill ratio	1.61	1.42	1.49	1.12	1.35	1.15	0.9	0.9	0.9	1.3
Performance										
Earnings before interest, taxes, depreciation and amortisation (EBITDA)[1]	6 037	4 602	4 086	3 250	2 113	1 126	1 092	988	1 697	1 998
Earnings before interest and taxes (EBIT)[1]	4 600	3 309	2 863	1 905	1 029	701	585	462	857	1 196
Earnings before taxes (EBT)	4 675	3 497	2 922	1 855	833	780	654	729	944	1 285
Earnings after tax	3 715	2 809	2 290	2 932	717	704	559	651	755	880
Profitability										
EBITDA %	14.9%	14.5%	14.9%	12.7%	9.1%	8.2%	7.5%	6.2%	10.0%	12.0%
EBIT %	11.3%	10.4%	10.4%	7.4%	4.4%	5.1%	4.0%	2.9%	5.0%	7.2%
Balance										
Equity	16 465	13 744	13 618	13 301	12 810	12 626	7 365	6 725	6 127	6 282
Equity ratio %[5]	30.9%	31.8%	34.6%	33.9%	32.8%	45.7%	35.6%	31.7%	32.0%	31.0%
Net interest-bearing debt	-2 975	-1 479	-5 668	-3 949	-1 565	-5 706	384	2 195	-941	-3 551
Working capital[1]	-445	565	-2 003	-458	17	-14	955	2 533	2 698	155
ROACE[1]	33.3%	33.9 %	32.7%	20.8%	10.0%	12.5%	9.1%	8.2%	21.8%	35.9%
Employees										
Number of employees	13 341	12 187	11 122	10 689	10 793	6 842	6 830	7 159	7 688	7 664
Number of reported injuries per million hours worked (TRI)	1.9	2.0	2.2	1.7	2.3	1.6	3.2	3.5	4.1	4.7
Number of lost time days per million hours worked (ISR)	14.3	12.7	30.0	21.2	31.4	17.6	16.2	32.0	14.2	45.3
The enviroment[2][4][6]										
Energy consumption (GWh)	174.4	170.0	182.8	167.1	178.4	131.2	124.4	122.8	119.35	123.7
CO2 emissions (metric tonnes)	29 979	52 063	34 942	40 619	74 114	35 466	32 517	33 464	39 268	26 006
Total waste (metric tonnes)	6 370	5 801	8 079	7 420	7 830	1 888	1 884	1986	2 368	1 788
Owners' value										
Market capitalisation	81 874	73 691	51 146	31 714	24 839	21 167	18 120	14 940	17 400	14 760
Earnings per share after tax (EPS) in NOK	21.08	15.64	12.06	16.08	3.89	5.58	4.62	5.44	6.23	7.28
P/E in NOK	22.08	26.57	23.71	10.82	34.64	30.2	32.7	22.95	23.05	16.77
Dividend per share in NOK[5]	14.00	12.00	15.30	8.00	12.50	2.50	3.75	3.75	4.25	9.25

1) For definitions, see note 30.

2) Refer to page 247 for comparable figures in the climate account.

3) Financial figures, order intake, and order backlog for 2019 and 2018 have been adjusted for divested operations. Corresponding figures for previous years have not been adjusted.

4) Figures for 2019 have been corrected.

5) The proposed dividend per share for 2023 is NOK 14.0, of which NOK 7.0 per share is in addition to the regular dividend policy.

6) Starting from 2022, emissions calculation for Scope 2 (electricity) is based on a market-based method (previously used location-based method). This change has also been applied to the years 2019-2021 to ensure comparabilit

Key Figures 2023 - Business Areas

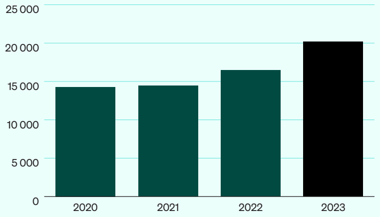
Kongsberg Maritime

6,643
Number of employees

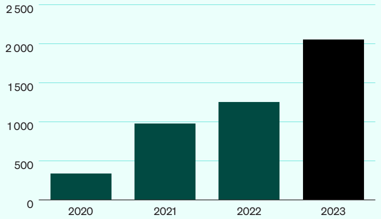
34
Present in number of countries

Read more on page 22 →

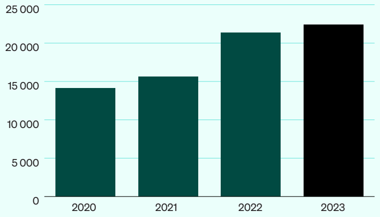
Operating revenues
MNOK



EBIT
MNOK



Order intake
MNOK



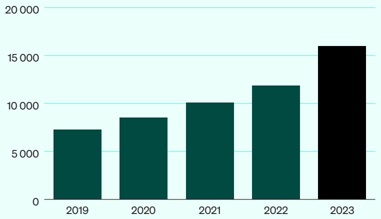
Kongsberg Defence & Aerospace

4,365
Number of employees

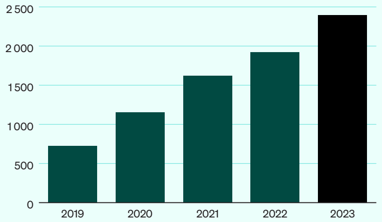
16
Present in number of countries

Read more on page 28 →

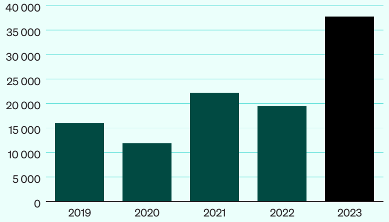
Operating revenues
MNOK



EBIT
MNOK



Order intake
MNOK



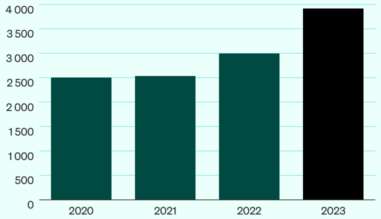
Kongsberg Discovery

1,074
Number of employees

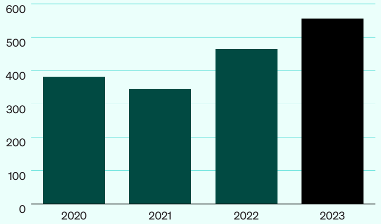
7
Present in number of countries

Read more on page 37 →

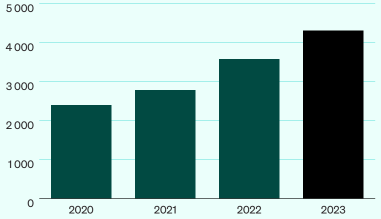
Operating revenues
MNOK



EBIT
MNOK



Order intake
MNOK



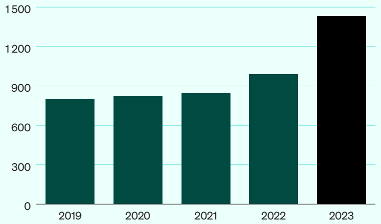
Kongsberg Digital

1,188
Number of employees

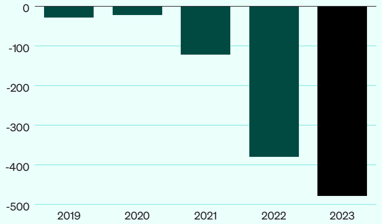
8
Present in number of countries

Read more on page 44 →

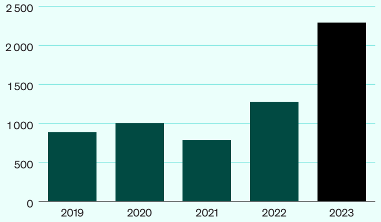
Operating revenues
MNOK



EBIT
MNOK



Order intake
MNOK



Geir Håøy, President & CEO

Making a Difference

2023 was a strong year for KONGSBERG. We reached several milestones, strengthened our positions within sustainability and safety, and passed 40 billion NOK in revenues. Our success stems from years of focused and committed efforts. I would therefore like to extend a big thank you to my colleagues at KONGSBERG, our customers, suppliers, owners, and other important partners.

Our recent growth has been robust. In the span of five years, we've doubled our revenues and seen a fivefold increase in results. This achievement is a source of pride for all of us. As of the end of 2023, our order backlog has reached a record high of nearly 90 billion NOK, providing a solid foundation and predictability for the future.

As we embark on 2024, we stand in the middle of a world characterized by disruptions and geopolitical tensions. The distance between the world's superpowers has increased, and global uncertainty has escalated. Both Europe and the Middle East carry the burden of ongoing conflicts and war. The current geopolitical tensions serve as a stark reminder of the world's fragility and emphasize the crucial need to advocate for global security.

"2023 was a strong year for KONGSBERG. We reached several milestones, strengthened our positions within sustainability and safety, and passed 40 billion in revenues."

Society is now paying increased attention to the more obvious consequences of climate change. The heightened awareness of extreme weather events, ice melting, record-breaking heat, droughts, forest fires, and their repercussions on ecosystems emphasizes the necessity of addressing both technological and climatic challenges. This calls for a collective effort to create a sustainable future, where we must develop and implement innovative technology while taking action to reduce our impact on the environment. As a world-leading technology company, KONGSBERG has a duty to develop technology and solutions to strengthen nations' defence capabilities, reduce emissions, promote sustainable energy sources, and drive digitization forward.

Governments worldwide have security, sustainability, and digitization at the top of their agendas. In 2024, over 70 countries and regions including the United States, the United Kingdom and the European Parliament will elect their leaders. The ongoing global wave of elections will influence political choices, impact international institutions, and bring about changes that we will need to address in the years ahead.

KONGSBERG is a diversified and international technology company with locations in nearly 40 countries. Our solutions are of strategic importance within a wide range of markets such as defence, security, maritime, energy, space, and underwater technology. Navigating an evolving international landscape poses challenges, yet it primarily offers opportunities. We possess solutions and systems that align with the demands of our markets and the world.

I strongly believe that with our technology portfolio and deep domain knowledge, we are well positioned to respond to the global trends related to security and sustainability. We persist in making substantial investments, not only in new solutions but also in capacity. This lays a solid foundation for continued growth in the future.

Geir Håøy
President & CEO

Chapter 2

About KONGSBERG

This is KONGSBERG

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 collaborates with global customers in the defence, energy, maritime, fisheries, renewable and aerospace sectors.

Kongsberg Maritime is a leading technology partner for the maritime industry. From advanced offshore vessels to cruise ships, and from fishing vessels to complex naval vessels, we strengthen the entire maritime industry with groundbreaking technology and solutions. 2023 shows that we are on the right track. Together with customers and research partners, we solve technology challenges in new markets and make smart improvements to existing fleets and sea installations.

Kongsberg Discovery develops technology to ensure sustainable management of ocean resources, monitor climate change and critical infrastructure, and safeguard national security. The technology and solutions are aimed at areas such as offshore operations, fisheries, ocean research, maritime operations, sea-based energy production, as well as naval defense and the navy.

Kongsberg Defence & Aerospace's solutions protect people and critical infrastructure in countries around the world. Our defense systems in air defense, surveillance, tactical communication, weapon stations and missiles are at the forefront of development, and help to strengthen countries' ability to defend themselves against external enemies. We are a growing player in space exploration, where we provide microsatellites and solutions for maritime surveillance.

Kongsberg Digital is an industrial software company that optimises the way businesses develop, operate, and maintain their installations and assets. Our technology contributes to safer, smarter, and more sustainable industries by making industrial data accessible and contextualizing it, primarily within the energy, maritime, and renewable sectors.

KONGSBERG aims to safeguard and enhance stakeholder value by engaging in profitable and growth-oriented industrial development with a long-term, sustainable and international perspective.

Organisation

The Group is organised in four business areas and in other activities. The four business areas are Kongsberg Defence & Aerospace, Kongsberg Maritime, Kongsberg Discovery and Kongsberg Digital. Kongsberg Discovery was established as a separate business area on 1 January, 2023, and was previously the Sensor & Robotics division within Kongsberg Maritime. Kongsberg Digital is reported as part of other activities. Other activities also include property management and the corporate staff. The corporate staff oversees governance and control of the group, providing support functions to the business areas, the CEO, and the board, along with associated council and committees.

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

Ownership structure

Kongsberg Gruppen ASA is listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation and stock exchange regulations. The Norwegian state owns 50.004 per cent of the shares in the company.

Value creation

KONGSBERG is an active value creator in the areas and countries where we are present. Our presence creates significant effects that extend beyond our own business area. First and foremost, we create value for our customers through our products and solutions. These products help to meet the needs and challenges that customers face, and thus generate added value and improvements in various sectors and industries.

We are also a significant economic actor. This includes our contributions through tax and fee payments, dividend distribution to our shareholders and salary payments to our dedicated employees. These economic contributions play an important role in the communities where we operate, and support economic stability and growth. In addition to direct contributions, we also create indirect values through our cooperation with our suppliers. Our procurement of goods and services from various partners helps to strengthen and maintain a broad ecosystem of business relationships that promote value creation at multiple levels. We invest significantly in research and development. This focus on innovation drives forward new thinking and technological progress, and lays the foundation for future value creation not only for our company, but also for the societies we are part of.

Sustainability and corporate social responsibility

Sustainability and corporate social responsibility are important for KONGSBERG and are 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. To 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.

"KONGSBERG is an active value creator in the areas and countries where we are present. Our presence creates significant effects that extend beyond our own business area."

Vision and Purpose

We have a strong, value-based culture that drives the performance of our organisation. Our shared vision defines our direction and what we aim to achieve. Our purpose is to protect people and planet by innovating technology today for a better tomorrow, in collaboration with companies and nations.

Our vision

WORLD CLASS

→ through people, technology and dedication

Our purpose

To protect people and planet by innovating technology today, for a better tomorrow with sustainable solutions for the ocean space, the protection of natural resources and national security – together with companies and nations

Our Values

Our values describe the KONGSBERG identity and the kind of conduct we would like to characterise us as individuals and as an organisation. At KONGSBERG values are regarded as an integral part of business operations and we expect all employees 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.

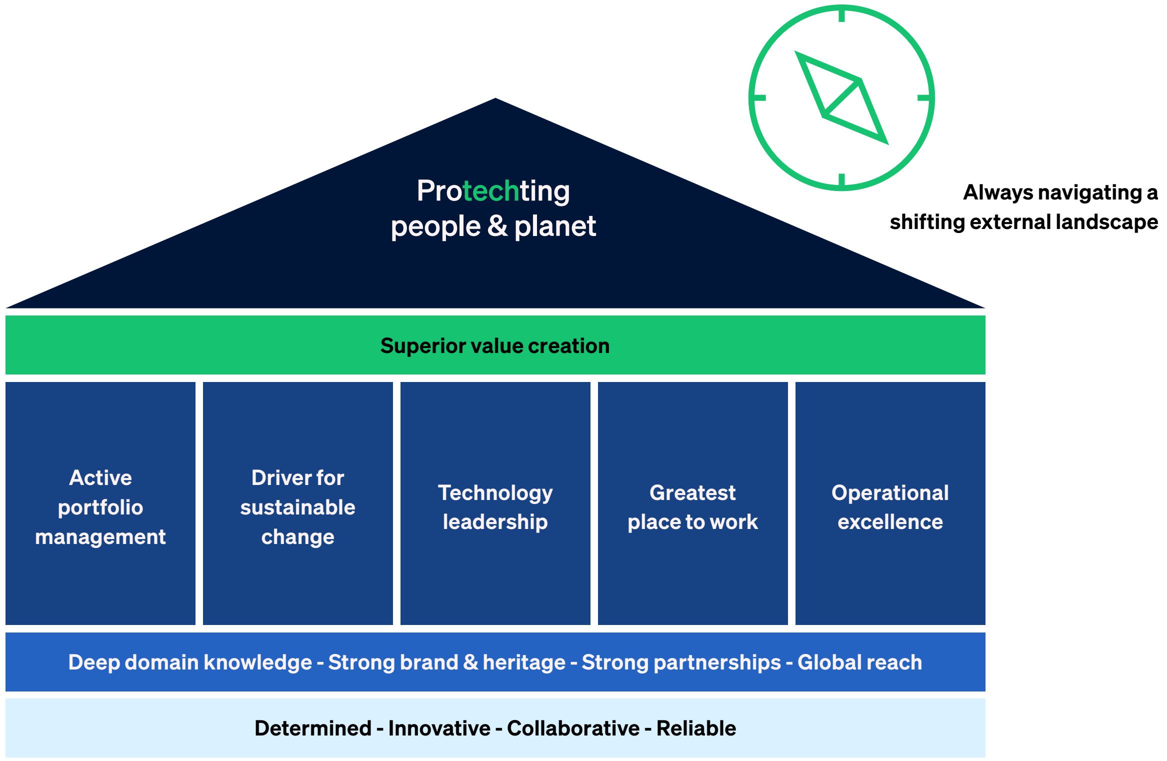
Our customers and partners can trust us to deliver – always. We are an organisation characterised by our corporate responsibility, integrity, and concern for health, safety and the environment. We are part of the solution – proudly creating products for a safer and more sustainable future

Strategy and Ambitions

KONGSBERG is an international technology group that delivers advanced and reliable solutions improving safety, security, and performance in complex operations and under extreme conditions. Our over-arching ambition for the Group is to be a portfolio of world-class, industrial-scale technology companies, delivering the smartest, most secure, and most sustainable solutions for our customers.

In all that we do, we have a clear focus on generating superior, lasting value for our shareholders and for all our stakeholders. Over the long-term, we believe that the greatest shareholder value will be created by considering and acting on the opportunities and risks for KONGSBERG, viewed from a social development, environmental and economic perspective, and by engaging with all our stakeholders in an open and transparent manner in line with our purpose *"to protect people and planet by innovating technology today, for a better tomorrow".*

We will achieve this by realising our ambitions within five strategic pillars:



Active portfolio management:

Our business areas provide vital solutions to our customers in the defence, space, energy, maritime and marine resources sectors, where we have strong positions in our core markets. We will pursue growth in these markets, as well as new and adjacent ones, and will look for opportunities where we can leverage off our deep domain knowledge and technological competencies across the Group, to create long-term and sustainable value according to our value creation principles. We will achieve this value creation through organic growth and will evaluate selected M&A and partner opportunities, where they align with our strategy. We will actively manage and adapt our portfolio to optimize our performance.

Driver for sustainable change:

Our company is dedicated to pursuing a more sustainable path for our development and to fostering a sustainability mindset that is embedded in our operations, our culture and our business philosophy. We have ambitions to be a driver for sustainable change and an accelerator in the energy transition. We are particularly well positioned to capture leading positions in fields such as green shipping, security and surveillance, sustainable ocean management, heavy industry digitalisation and offshore wind. Each of our business areas have contributions to make in the decarbonisation and digitalisation transitions and seizing relevant opportunities is a core part of our strategy.

Technology Leadership:

Technology and its application in innovative and advanced ways is at the heart of our DNA. We have a core foundation of knowledge, systems and partnerships, built up over many years. Together with our people and culture, this forms the backbone of how and why we are able to deliver competitive solutions to our customers. At the heart of our strategy, we want to be a leader for developing, managing, delivering and supporting technology to our customers. We understand that sustainability, security, safety and efficiency are all essential factors in product and technology development and we will keep developing our deep domain knowledge in new and existing areas and keep applying state-of-the-art technologies to deliver the most advanced, sustainable and competitive solutions to our customers.

Greatest place to work:

At KONGSBERG, we value our people as our most important resource. We have ambitious goals and a clear vision, and we need talented and committed people who share our values and aspirations. We want to create a work environment where everyone can thrive and excel in their roles. We care about the well-being of our employees, the development of our leaders and the cultivation of a strong culture. We foster collaboration and partnership, diversity, inclusion and equality; and we encourage continuous learning, improvement and development. These are all key elements of our strategy.

Operational excellence:

Our activities and processes are guided by a core philosophy of operational excellence, which aims to achieve long-term sustainable improvements that create value. We shall always operate with a "best in class" mindset and protect our license to operate. We shall optimize our value chains and continuously improve our operational efficiency. Moreover, our strong balance sheet and constant focus on good capital discipline provide a solid foundation for our business and operations.

Underpinning these strategic pillars, we will continue to expand our deep domain knowledge, ensure that we acknowledge and maintain our strong brand and Norwegian heritage, continuously strengthen and develop our strong partnerships, and extend our global reach, to be present internationally, where it is relevant for our business and operations.

Our values to be "Determined", "Innovative", "Collaborative" and "Reliable" - will continue to underpin and guide the way we act. At all times, we shall also seek to navigate KONGSBERG in the best possible way through a rapidly shifting external landscape.

Outlook 2024

In recent years, KONGSBERG has achieved solid results, demonstrated good adaptability, delivered significant growth and improved results.

At the end of 2023, the Group had an order backlog of NOK 88,600 million, of which NOK 30,800 million is for delivery in 2024. This provides a solid foundation for further growth. Order intake from the aftermarket is to a lesser extent included in the backlog. The order backlog in associates and framework agreements comes in addition to the reported backlog.

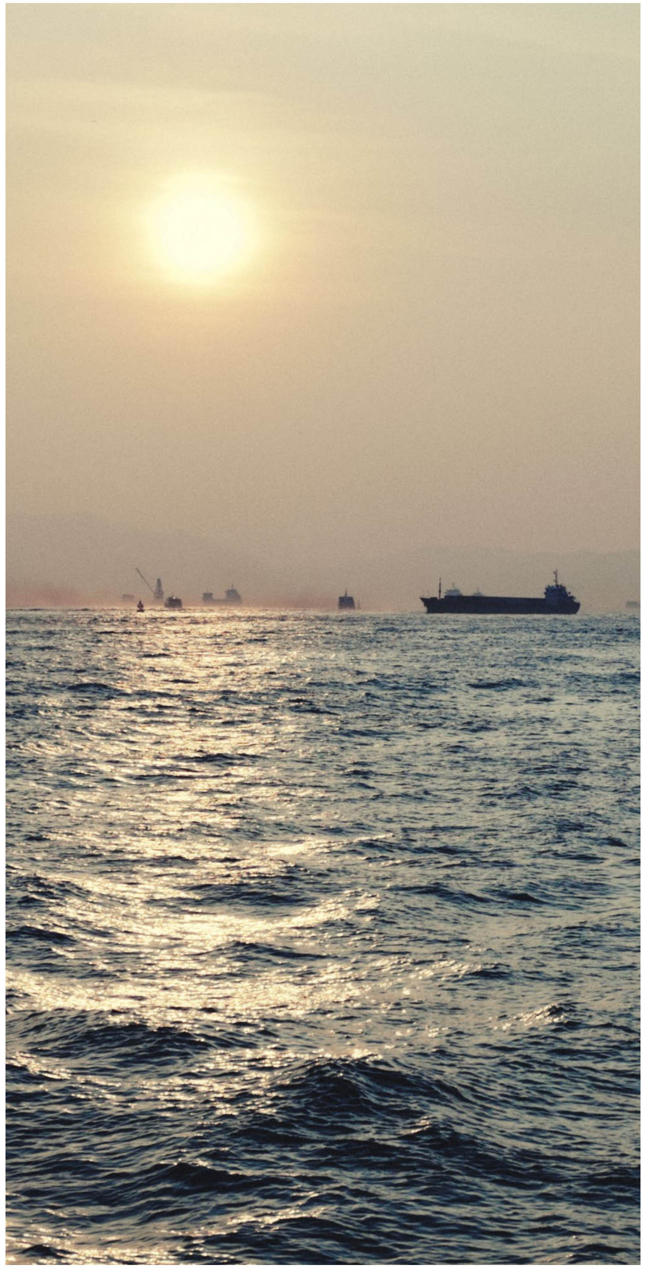
Kongsberg Maritime is exposed to both newbuild and aftermarket within a broad specter of segments, ranging from traditional commercial fleet to more advanced vessels carrying out complex marine operations. Many shipyards have close to full orderbooks for the coming years, meaning Kongsberg Maritime's order backlog extends over time and secures solid activity. An aging vessel fleet and increased regulatory demands to reduce emissions yields a demand for upgrades. As a result of this, high activity is to be expected in 2024.

Kongsberg Defence & Aerospace has grown continuously in recent years and had an order backlog of NOK 65,400 million as of year-end 2023. The business area is well-positioned for several significant orders both in the short- and medium-term, which justifies expectations of further growth in the backlog. The profitability varies between different product segments and geographies. The mix of projects being delivered on is therefore an important driver of the profitability. The business area's long-term EBITDA-target is 17 per cent in 2025, but it will fluctuate between quarters. Continued growth is expected, particularly driven by missile deliveries. To ensure capacity to deliver on existing orders and to accommodate the considerable demand, investments are being made in increased production capacity for missiles, and the new factory will be active in the summer of 2024.

Kongsberg Discovery has a broad, world-leading portfolio of technology combined with deep domain knowledge and critical software. These solutions are vital within fishery, marine research, marine operations, ocean-based energy production and the monitoring of critical infrastructure. All these segments are experiencing substantial demand, meaning sustained growth is likely.

Kongsberg Digital grew both operating and recurring revenues significantly in 2023. Its digital solutions attract attention from the market, both in terms of streamlining operations and addressing climate concerns. The demand, coupled with existing framework agreements, lays the foundation for further growth. There will be significant investments in capacity, development and deployment of digital solutions also in 2024, but KONGSBERG aims for Kongsberg Digital to deliver positive EBITDA in the second half of 2024.

Today's global landscape is turbulent and unpredictable. At the same time, we see great demand for enhanced energy efficiency, sustainable energy sources, security and surveillance. KONGSBERG's products and systems can address these challenges. In combination with a strong order backlog and financial solidity, KONGSBERG is well-positioned to continue its growth in 2024 and beyond.



Risk Factors and Risk Management

KONGSBERG is exposed to various forms of risk that the Board monitors through the handling of 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 operational reports and quarterly risk reports that are discussed by the Board. We perform risk analyses in connection with major investments and customer contracts, strategic initiatives and when businesses are acquired or sold.

The Audit and Sustainability Committee is a preparatory body for the Board handling 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. The Audit and Sustainability Committee held 7 meetings during 2023 and meet as a minimum in connection with the submission of the annual and quarterly accounts.

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.

2023 has as 2022 been affected by Russia's invasion of Ukraine, which started on 24th February 2022. The conflict affects the geopolitical situation and the flow of energy and goods between the conflict countries and the rest of the world. Broad sanctions against Russia continued and expanded during 2023. This has affected KONGSBERG in 2023 and is expected to contribute to a more tense geopolitical picture in 2024.

The energy crisis that affected Norway and Europe in 2021 and 2022 has somewhat stabilized. In 2023, Europe witnessed a 50% reduction in energy prices from the high levels of 2022, but prices remain higher compared to 2020. In the same period, the world economy has been 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 has in 2023 implemented measures to ensure the profitability of its delivery contracts.

The offshore market encompasses exploration, development, extraction, and transportation of oil and gas. Additionally, it includes support functions such as supply services, operational support, as well as maintenance and service for platforms and vessels. KONGSBERG is a supplier of products and services to all these segments. 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 last two years have been more positive than the preceding five years, and the outlook for 2024 is favorable. The uncertainty surrounding future oil-price developments affect investment levels in several segments, but also provides opportunities in other segments where KONGSBERG's technology makes a difference. The focus on sustainability is constantly increasing and this affects the offshore market. It impact investors' and lenders' assessments, and may also affect us and our customers' and suppliers' activities and priorities going forward.

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. In addition, ship types, emission requirements, and geopolitical tensions can influence the market. The market for vessel newbuilds spans several segments at a moderate level, with positive expectations in the years to come. Compared to contracting in previous years, the market uncertainty has decreased. While the prospects for contract awards are largely positive, there remains some uncertainty related to economic outlook, future fuel development, commodity prices, and shipyard capacity. This dynamic creates new opportunities in the market, and there is a need for innovative technological solutions. In anticipation of these solutions, we can expect upgrades to ensure the extended lifespan of existing fleets.

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 considerable protectionism in the defence market. There is considerable protectionism in Europe, the US and the defence market in general. Nevertheless, there are opportunities through long-term relationships, repurchase agreements and niche products. 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.

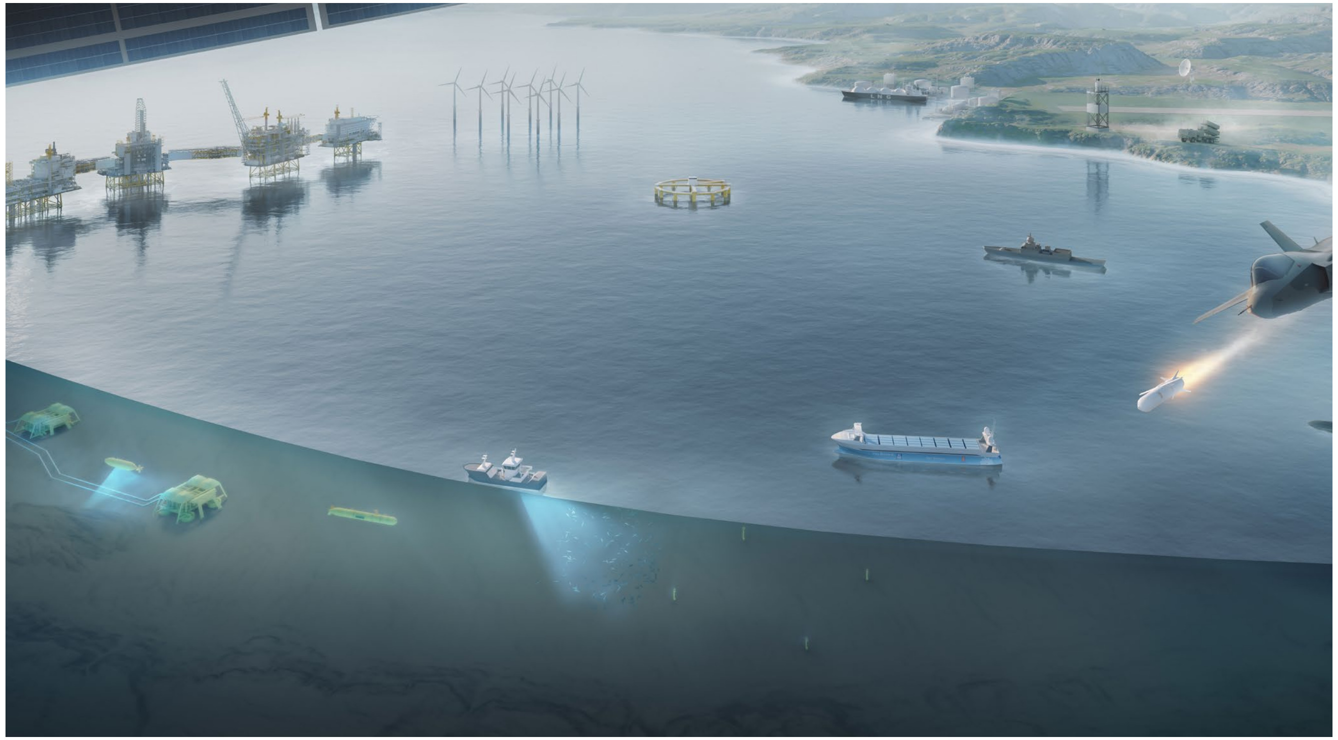
KONGSBERG mainly operates in markets that are greatly influenced by technological developments and where there is a risk that new technology may affect our leading position. We annually invest considerable amounts to develop both new and existing products in order to take new, and maintain existing, 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 2023, the focus on limiting exports of technology products through export-control regulations continued. The tension in the geopolitical situation and active conflicts leads to a higher risk related to market access and sanctions than earlier. KONGSBERG is monitoring the situation to ensure ability to deliver and adherence to potential changes in sanctions.

KONGSBERG 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 experiencing significant growth, and works diligently to secure delivery commitments both through active follow-up of the supply chain, expansion of production capacity and securing access to expertise. The group has invested significantly in increased production capacity and carries out active recruitment campaigns for universities and professional environments to ensure access to the necessary expertise.

KONGSBERG is exposed to financial uncertainty through currency risk, interest-rate risk, credit risk and liquidity risk. The aim is to reduce the financial risk and thus improve predictability in KONGSBERG. 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 customers is diversified and consists mainly of public-sector enterprises and large private companies in several 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.



"KONGSBERG is experiencing significant growth, and works diligently to secure delivery commitments through active follow-up of the supply chain, expansion of production capacity and securing access to expertise."

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 at time of signing. 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.

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. Please see notes 8, 14 and 15 to the financial statements for details.

KONGSBERG is exposed for financial risk related to climate changes, and we work continuously to identify the risks and opportunities related to climate change and the transission to the net zero society. KONGSBERG reports in line with the recommendations from Task Force on Climate Related Financial Disclosures (TCFD) – more details is found in section 3.

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.

KONGSBERG conduct external evaluations of our compliance and anti-corruption programme every three years. The external evaluation in 2023 states that the Group have adequate and efficient programs in the area, and observes improvements since prior review 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. Together with information to, and the training of all employees, this helps the Group to continuously improve its ability to withstand these threats. In 2021, Kongsberg Defence & Aerospace, on behalf of KONGSBERG, was included as a member in FIRST (Forum of Incident Response and Security Teams). FIRST is a forum for internet security that contributes to global coordination. The forum provides information, a platform, and tools to find the right collaborative partner and promotes effective cooperation.

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

The KONGSBERG Share and Shareholder Relationships

KONGSBERG is to provide the stock market with relevant and comprehensive information, forming the basis of a balanced and correct valuation of the share. We emphasize an open dialogue with the stock market and the media.

The KONGSBERG-share increased from NOK 415.16 at the end of 2022 to NOK 465.40 at the end of 2023. This results in a market value of NOK 81,874 million. Including a dividend of NOK 12.00 per share, the total return in 2023 was 14.9 per cent. The Oslo Stock Exchange Benchmark Index (OSEBX) increased by 9.9 per cent in the corresponding period.

As of 31 December 2023, KONGSBERG had 31,175 shareholders (22,298). The company had 1,853 foreign shareholders that owned a combined share of 20.82 per cent of the outstanding shares (22.76 per cent). The Norwegian state, represented by the Ministry of Trade, Industry and Fisheries, is the largest shareholder with 50.004 per cent. The ten largest shareholders held a total of 67.9 per cent (66.38) of the shares at year-end. The number of outstanding shares was 175.92 million, each with a nominal value of NOK 1.25. At the end of 2023, KONGSBERG owned a total of 17,250 (693,610) treasury shares.

KONGSBERG has paid dividends to its shareholders every year since its listing in 1993, apart from 2000 and 2001. 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 2023, 38.9 million (56.7 million) KONGSBERG-shares were traded in 317,927 (406,711) transactions. The company is actively working to promote interest in the share through activities aimed at the investor market. KONGSBERG is frequently represented at roadshows, meetings and conferences in Norway and abroad. The ambition for 2024 is to maintain a high degree of availability and continued activity towards the investor market. Investor presentations are held subsequent to the issuance of each quarterly report.

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 2023, the Group's annual employee share programme was carried out for the 27th time. Shares were sold to employees at a 25 per cent discount on the market price. All employees were offered shares for up to NOK 100,000 before the 25 per cent discount (taxable discount). A total of 691,791 shares were sold to 5,193 employees who participated in the programme.

Corporate Executive Management

Geir Håøy

President and CEO

Mette Toft Bjørgen

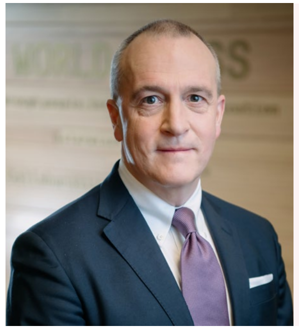
Group EVP and CFO f.o.m.
14 April 2023

Even Aas

Group EVP Public Affairs,
Communication and Sustainability

Iver Christian Olerud

Group EVP Corporate Development



Christian Karde

Group EVP General Counsel
and Chief of Staff

Lisa Edvardsen Haugan

EVP KONGSBERG and President
Kongsberg Maritime

Eirik Lie

EVP KONGSBERG and President
Kongsberg Defence & Aerospace

Martin Wien Fjell

EVP KONGSBERG and President
Kongsberg Discovery f.o.m.
1 February 2023

There have been alterations in the corporate leadership throughout 2023, and the overview illustrates the current state of leadership as of March 2024. Refers to the 'Report on Compensation for Key Personnel at KONGSBERG,' which provides detailes of the changes in the corporate leadership.

Business Areas

KONGSBERG consists of four business areas, each operating with a high degree of autonomy under a strong corporate governance model. These areas are interconnected through competence and technology synergies, fostering a shared culture based on our core values: Determined, Innovative, Collaborative, and Reliable. We are an innovative and customer-focused organisation, dedicated to delivering advanced systems and technologies for use in extreme conditions.

Kongsberg Maritime is a leading technology partner for the maritime industry. From advanced offshore vessels to cruise ships, and from fishing vessels to complex naval vessels, we strengthen the entire maritime industry with groundbreaking technology and solutions. 2023 shows that we are on the right track. Together with customers and research partners, we solve technology challenges in new markets and make smart improvements to existing fleets and sea installations.

Page 22 →

Kongsberg Defence & Aerospace's solutions protect people and critical infrastructure in countries around the world. Our defense systems in air defence, surveillance, tactical communication, weapon stations and missiles are at the forefront of development, and help to strengthen countries' ability to defend themselves against external enemies. We are also a growing player in space exploration, where we provide microsatellites and solutions for maritime surveillance.

Page 28 →

Kongsberg Discovery develops technology to ensure sustainable management of ocean resources, monitor climate change and critical infrastructure, and safeguard national security. The technology and solutions are aimed at areas such as offshore operations, fisheries, ocean research, maritime operations, sea-based energy production, as well as naval defence and the navy.

Page 37 →

Kongsberg Digital is an industrial software company that optimises the way businesses develop, operate, and maintain their installations and assets. Our technology contributes to safer, smarter, and more sustainable industries by making industrial data accessible and contextualizing it, primarily within the energy, maritime, and renewable sectors.

Page 44 →

Kongsberg Maritime

Digitalisation and Decarbonisation

Kongsberg Maritime aims to be a leading technology partner for the maritime industry. It is a particularly important role as marine industries now seek new energy solutions. From advanced offshore vessels to cruise ships, and from fishing vessels to high-tech naval vessels , we strengthen the entire maritime industry through ground-breaking technology and solutions. 2023 shows that we are on the right track. Together with customers and research partners, we solve technology challenges in new markets and make smart improvements to existing fleets and offshore installations.

Highlights and Key Figures 2023

6,643

No. of employees

34 countries

Present in # of countries

Autonomous sea voages

After several years of research and testing, the vessel Eidsvaag Pioner was in May 2023 controlled from a control center at Kongsberg Maritime in Ålesund, while the ship sailed outside Kristiansund, approximately 11 miles further north.

The cargo barge Zulu 04 was also remotely controlled in the canals and tides outside Antwerp in Belgium. This marks an important milestone for everyone who works with autonomy in the maritime industry.

Next-generation offshore ships

Kongsberg Maritime plays an important role in the development of key technologies for both offshore wind farms and the vessels that realize them. Our technology is relevant throughout the life cycle of an offshore wind farm.

In 2023, Kongsberg Maritime launched several new ship designs in its UT design portfolio. Our new anchor handling vessels (AHTS) and platform supply vessels (PSV) are capable of using alternative energy sources and fuels such as methanol, ammonia and hybrid battery systems.

New chemical tankers

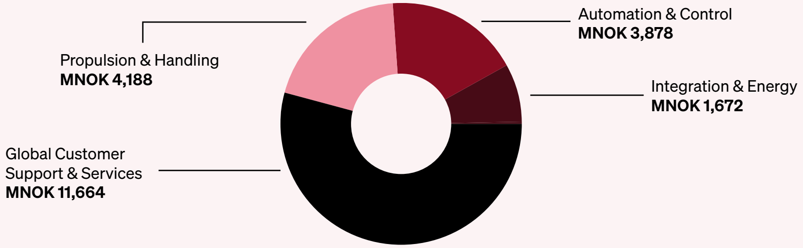
The Swedish shipping company Sirius Rederi AB chose Kongsberg Maritime to provide design, engineering services and equipment for two methanol-ready chemical tankers to be built in China.

This contract builds on a current program of nine ships with the Danish-Swedish shipping company Terntank, with a similar design and equipment package. These ships are designed for wind-assisted propulsion.

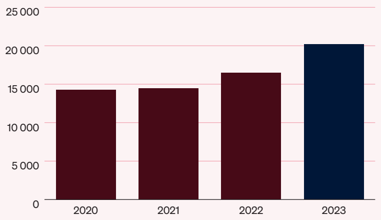
Good shipyard relations

Kongsberg Maritime signed an agreement in 2023 for the delivery of our US azimuth thrusters to Alexandria Shipyard in Egypt for six tugboats, following a contract entered into with the same yard the year before for the delivery of thrusters and deck machinery. 40 years of collaboration with the Dutch shipyard group Damen also resulted in the first delivery of the ELegance pod this year.

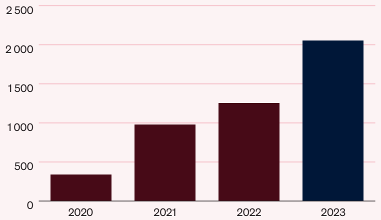
Operation revenues per division



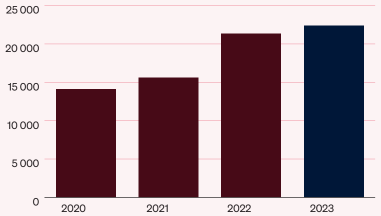
Operating revenues
MNOK



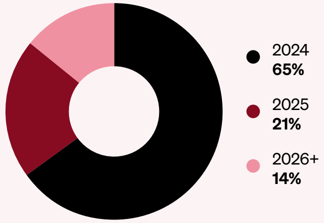
EBIT
MNOK

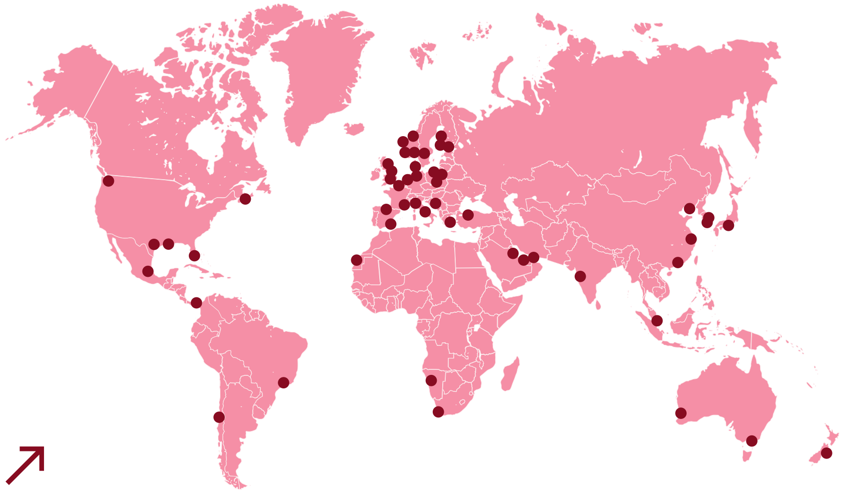


Order intake
MNOK



Order backlog
distributed according to the time of delivery





Kartet markerer landene der Kongsberg Maritime har virksomhet.

Divisons

Read more on page 27 →

Integration & Energy

Automation & Control

Propulsion & Handling

24/7

Global Customer Support

The Ocean Technologies Experts

Kongsberg Maritime shapes the maritime future, and we provide the technology, equipment and services required for sustainable maritime operations. The company enables operations across the world's oceans, in Arctic waters, in the busiest ports and under the harshest weather conditions.

Global technology

Kongsberg Maritime shapes the maritime future through our expertise, products and integrated solutions, as well as a worldwide service network. Over 33,000 vessels worldwide sail the oceans with equipment supplied by Kongsberg Maritime. The market is broad – and covers deliveries to advanced offshore and research vessels, naval vessels, merchant ships, passenger vessels and large fishing vessels, as well as offshore installations for the aquaculture, oil and gas, and wind power sectors.

Technology is developing fast and includes remotely controlled and autonomous operation, as well as products and systems for low and zero emissions. Kongsberg Maritime plays a key role in environmentally friendly shipping and other sustainable operations in the maritime industry and attracts customers and partners from all over the world.

Experience and new skills

Kongsberg Maritime has a long history of innovation. Since the 1800s, Kongsberg Maritime has been delivering technology to ensure a safer and more profitable marine economy. By developing new propellers, a more precise navigation system, or autonomous solutions, we have over several decades created technology and more efficient solutions that yield positive results for the company. Today, our driving force is still technology development, new ideas and solutions that create growth for the company. Climate change has provided additional motivation and we are now working towards delivering the technology that can lead to a carbon-neutral maritime economy.

For that reason, we need new knowledge, new insight and forward-looking partners. We are therefore proud that we are one of the most attractive employers for young people in Norway today, both for engineers and IT students. We have several research collaborations with Norwegian and international actors, while our customers challenge us to come up with new technology and sustainable solutions.

EU and IMO requirements

New requirements from the EU and IMO (International Maritime Organization), together with the maritime industry's own desire for more environmentally friendly solutions, constituted an important driver for the strong order intake in the aftermarket segment in 2023. These orders related to expedition ships, advanced offshore vessels, ferries, Ro-Ro ships and naval vessels, among others.

With Kongsberg Maritime's expertise and solutions, a number of ship owners can prepare their fleets to meet these new requirements. An increase in orders for upgrades shows that the shipping industry is willing to adapt and make green investments.

Growth and development

Kongsberg Maritime's broad product portfolio, integrated solutions and aftermarket services allow us to improve the efficiency, sustainability and safety of our customers' vessels and operations in a holistic way, increasing our partner value.

Technology trends are creating demand for environmentally friendly products, seamless integration and innovative concepts across the entire ocean space. In order to position Kongsberg Maritime as the preferred partner for new sales and aftermarket services, our growth strategy focuses on the following key pillars:

- Deliver mission-critical, differentiated and sustainable products, with a clear customer value proposition
- Enhance our market-leading integration capabilities across electrical, control, digital and mechanical systems.
- Become a trusted partner for energy transition, helping to navigate a complex landscape of requirements through advisory service and a portfolio of Kongsberg Maritimes products and solutions.
- Establish a strong presence in new maritime markets, based on an assessment of the business opportunities. Prospective areas include wind power, aquaculture and marine.
- Be a leader in digitalizing the maritime industry in collaboration with Kongsberg Digital.

Interview with the President

Increased Requirements for Energy Efficiency at Sea

It is a time of change in the maritime industry. As a technology supplier, we have a clear responsibility to provide solutions that will boost the long-term efficiency of operations in the ocean space and significantly reduce their carbon footprint.

Environmental considerations have very quickly become part of everything we do at Kongsberg Maritime. The shipping industry represents almost 3 per cent of the world's greenhouse gas (GHG) emissions, according to the IMO's latest study from 2020. This percentage could rise sharply given the industry's current rate of growth, unless we manage to reduce the carbon footprint of sea-going transport.

The International Maritime Organization (IMO) has defined new environmental targets. Its 2023 GHG strategy sends a clear signal to investors that ships being ordered today, and many already built, have to be capable of running on zero-emission fuels.The question is what fuel and how is the access to the alternatives.

According to a forecast published by DNV in 2023, shipping would need to use a massive 30–40 per cent of the estimated global supply of carbon-neutral fuels to meet expected demand and fulfil the IMO's current GHG strategy. Shipping will have to compete with many other sectors for these resources.

It is therefore obvious that carbon-neutral fuel alone cannot possibly take the ocean-going industry to net zero by 2050. There is simply not enough green energy available. We must deliver the remaining reductions through smart technology that can make ships more energy efficient.

Many of our customers are willing to be front-runners in the decarbonization journey, and they partner with us to find future-proof solutions. Becoming greener fast can provide a competitive advantage, but there are also many choices to be made.

Four key factors now drive the pace of change: the existence of the required technology, the availability of fuel for the specific type of vessel, access to funds to invest in more environmentally friendly ships, and the cost of not being compliant with government requirements. The impact of the EU Emissions Trading System (ETS) will, for example, affect the latter.

Kongsberg Maritime is focused on delivering products and technology that support our customers' green transition. We work with solutions from the ship's bridge down to the propellers, from stem to stern, and with the surrounding communications technology. We know that integration between products and systems is key to efficiency and reduced emissions, and we study electrification and systems for low-carbon fuels, optimized tools and efficiency technologies, from a holistic perspective. We are delighted to be part of key research and development programs worldwide, positioning ourselves at the forefront of development. This requires collaboration in knowledge development and investments.

When you read this year's annual report from KONGSBERG, you will find case studies and examples of this – from new innovations to simple upgrades that still makes a very positive impact on energy efficiency. A common denominator for all of this is how our employees' core competence within electrification, energy efficiency and digitalization is a differentiator for us in the market.

For large industrial companies, sustainability obviously represents a challenge regarding timing. We need to act fast and at the same time remain profitable. It is our responsibility to meet this challenge and put business plans in place now that will impact the maritime industry — and the world — for generations to come.

Lisa Edvardsen Haugan

EVP KONGSBERG and President
Kongsberg Maritime

About KONGSBERG / Business Areas / **Kongsberg Maritime**

Divisions

After a reorganization during 2023, Kongsberg Maritime comprises the following divisions:

Integration & Energy

Seamless integration and energy efficiency

- Provides integrated solutions based on products and systems from all divisions within Kongsberg Maritime. In addition, the division is responsible for ship design, developing systems for self-driving/remotely controlled vessels, and for our electronics product portfolio.
- Seamless integration provides sustainable competitive advantages for customers and is particularly relevant for vessels that use new types of fuel in combination with various energy efficiency solutions.
- The digital dimension is a key aspect of our integrated solutions. We leverage our status as a digital spearhead together with the advantage of being a leading integrator.

MNOK 1,672
Operating revenues

410
Number of employees

Automation & Control

Intelligent control systems

- The division's portfolio covers automation and security, bridge systems, sensor solutions and digital performance. We support a wide range of missions in the ocean space, from sea transport to complex marine operations and offshore energy production.
- Integration of digital technology across equipment, vessels and fleets enables performance optimization and safer and more sustainable operations. The products are developed with cyber-safe digital properties.
- Our automation and control systems grow together with the customers and are developed interactively with crews, operators and owners over time.

MNOK 3,878
Operating revenues

1,590
Number of employees

Propulsion & Handling

World-leading supplier

- Propilsion & Handling is a world-leading supplier of propulsion systems, maneuvering and handling systems.
- We supply a large selection of products and systems in the field of safety-critical deck machinery. The products can be equipped with both electric and hydraulic motors, and are tested to operate in extreme conditions.
- Within propulsion and maneuvering systems, we offer propellers, rudders, steering equipment, fin stabilizers, and thrusters ranging from mechanical to electrical. The products can be tailored to accommodate electrification and low-noise technologies, and their high level of efficiency reduces energy consumption.
- The division employs internationally leading experts in hydrodynamics, who deliver energy-efficient propulsion systems in close collaboration with our international customers.

MNOK 4,188
Operating revenues

1,077
Number of employees

Global Customer Support

Works closely with customers

- Global Customer Support supports our customers through a worldwide network of more than a thousand service engineers. The division also provides technical support, parts sales and upgrading of existing vessels.
- Global Customer Support works closely with customers to ensure cost-effective upgrades, safe operation and environmentally friendly solutions adapted to their operational profile.
- Through KONGSBERG's digital solutions, we also offer remote service and support. This ensures uptime for the vessel and reduces the need for travel to and from the vessels.

MNOK 11,664
Operating revenues

3,267
Number of employees

About KONGSBERG / Business Areas / **Kongsberg Defence & Aerospace**

Kongsberg Defence & Aerospace

Increased Security in Uncertain Times

Kongsberg Defence & Aerospace's solutions protect people and critical infrastructure in countries worldwide. Our defence systems, including air defence, surveillance, tactical communication, weapon stations, and missiles are at the forefront of development, contributing to enhancing countries' ability to defend themselves against external threats. We are also a growing player in the field of space exploration, where we provide microsatellites, solutions for maritime surveillance, and critical equipment for expeditions to Jupiter and Mars.

Highlights and Key Figures 2023

4,365

No. of employees

16 countries

Present in # of countries

Air defence ensures protection in Ukraine

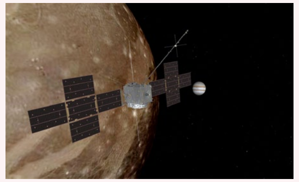
In 2023, Norway, Lithuania, and the USA donated deliveries of the NASAMS air defence system to Ukraine, where it helped protect people and infrastructure against Russian air attacks. Norway and Lithuania also announced new orders to replace NASAMS systems that were donated to Ukraine.

The largest contract in KONGSBERG's history

In September, we were awarded a contract by the Polish Ministry of Defence for the delivery of four NSM (Naval Strike Missile) Coastal Defence System squadrons worth approximately NOK 16 billion – the largest contract in the company's history. Poland was the first nation to acquire the NSM CDS capability back in 2008.

Personnel Protection

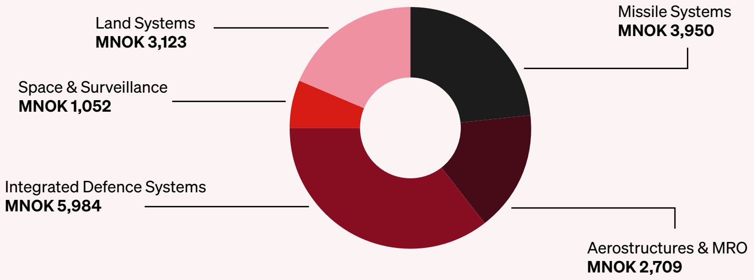
Our PROTECTOR weapon system safeguards personnel in vehicles, buildings, and vessels worldwide. During the autumn of 2023, the U.S. Army placed orders worth NOK 1 billion for the delivery of 409 unmanned CROWS weapon stations, spare parts, and other support from our factory in Johnstown, Pennsylvania.



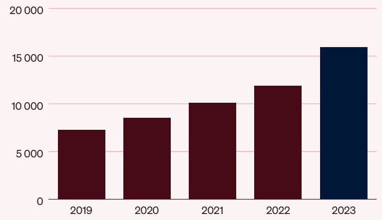
On our way to Jupiter

On 14 April, the Ariane 5 rocket, carrying critical equipment from us, including giant solar panels, successfully launched from the Kourou Space Center in French Guiana. The journey is bound for Jupiter's moons Ganymede, Callisto, and Europa, with an estimated arrival in 2032.

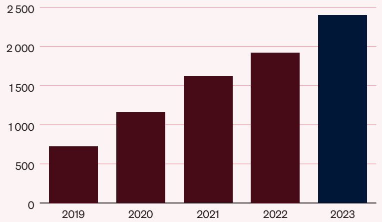
Operation revenues per division



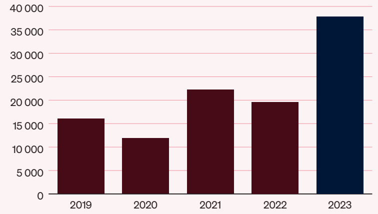
Operating revenues
MNOK



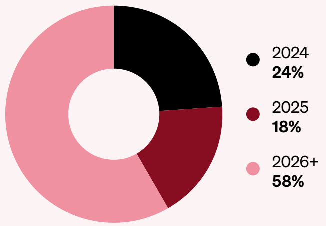
EBIT
MNOK

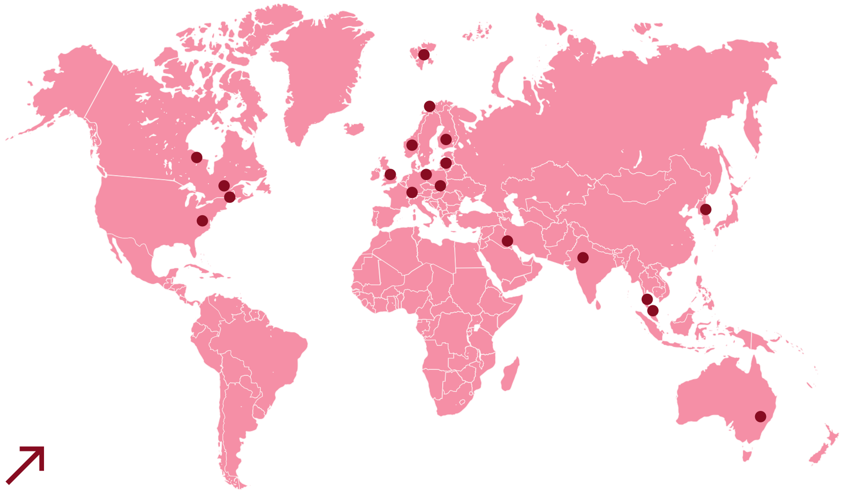


Order intake
MNOK



Order backlog
distributed according to the time of delivery





Kongsberg Defence & Aerospace is present in 16 countries.

Solutions for Better Protection and Security

Kongsberg Defence & Aerospace delivers defence technology and systems that protect people and critical infrastructure in a troubled world. The business area's cutting-edge solutions are currently in high demand, leading to substantial order volume and increased company activity throughout the past year.

A country's defence safeguards important societal functions in peacetime, crisis situations, conflict, and war. Our role as a supplier of defence solutions and technology is linked to Norway's national security policy and Norway's international obligations as a member of the UN and NATO. We cooperate closely with the Norwegian Armed Forces and research communities to develop systems tailored to the nation's unique requirements. Simultaneously, we are developing advanced defence technologies that are crucial on the international arena.

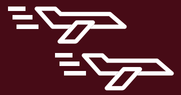
The sale of defence-related products is governed by stringent regulations established and enforced in the countries where we operate. Additionally, we maintain close collaboration with the local communities in these areas.

Kongsberg Defence & Aerospace supllies advanced defence systems, including command and control, surveillance, aerospace technologies, tactical communications, external weapon stations, and missile systems. Furthermore, our comprehensive expertise spans advanced composite production and the maintenance, repair, and overhaul (MRO) of aircraft and helicopters within the aerospace market.

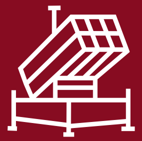
Last year was marked by security-related unrest and war in Europe. Donations from Norway and other NATO countries, including NASAMS air defences, played a crucial role in safeguarding people and critical infrastructure in Ukraine. Simultaneously, the situation spurred a surge in demand for advanced technology and solutions, resulting in a significant increase in order intake and a record high order backlog by year-end. 2023 witnessed substantial contracts for missiles, air defence, and weapon stations, alongside a notable expansion of our space and surveillance-related activities.

Divisions

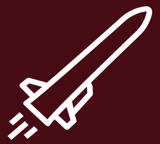
Read more on page 35 →



Aerostructure & MRO

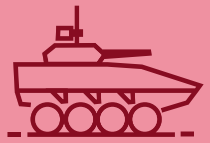


Integrated Defence Systems



Missile Systems

Space & Surveillance



Land Systems

Sustainable solutions and good workplaces

Kongsberg Defence & Aerospace's work on sustainable solutions includes maximizing the use of renewable, reusable, and non-toxic materials and resources, while at the same time facilitating the lifetime of products and solutions. Through significant investments in digital infrastructure, we have achieved greater production efficiency, while working closely with our partners to commit to science-based climate targets.

Numerous of new contracts and projects have led us to recruit hundreds of new colleagues in recent years. In 2023, we employed 665 at Kongsberg Defence & Aerospace. We firmly believe that good working conditions are a prerequisite for successfully completing the diverse range of tasks our operations entail throughout the year. We have established clear objectives and strategies to safeguard health, safety, the environment, sustainability, and workers' rights. An inclusive work culture increases well-being and efficiency and can also contribute to increased creativity in the workplace.

Milestones in 2023

Air defence provide protection in Ukraine

The Russian war in Ukraine continued throughout the year unabated. Nations such as Norway, Lithuania and the United States donated deliveries of the NASAMS air defence system to Ukraine in 2023, where it helped protect people and infrastructure from Russian airstrikes. Norway and Lithuania also announced new orders to replace NASAMS systems donated to Ukraine.

Anti-drone systems

In the summer of 2023, we signed an agreement with the UK-led International Ukraine Fund (IFU) for the supply of anti-drone systems, or Counter Uncrewed Aerial Systems (C-UAS), to Ukraine. The delivery consists of several of our CORTEX Typhon systems, which are designed to counter a wide range of air threats either by doing physical damage or otherwise disabling the threat.

Largest KONGSBERG contract ever

In 2023, we were awarded a contract by the Polish Ministry of Defence for the delivery of four NSM (Naval Strike Missile) Coastal Defence System squadrons worth approximately NOK 16 billion – the largest single contract in the company's history. Poland was the first nation to acquire the NSM CDS capability in 2008, and then expanded with an additional squadron in 2014. The contract award was based on more than ten years of successful cooperation between KONGSBERG, the Polish government and Polish industry.

Key supplier to the F-35 fighter program

We have strengthened our longstanding partnership with the F-35 fighter program, serving as a key supplier for numerous years. In 2023, we signed a new agreement with Lockheed Martin worth NOK 1.2 billion for deliveries of parts for the F-35 fighter aircraft. The agreement covers production batches 18 and 19, which consist of more than 300 fighter aircraft.

Increased focus on the F-35 program

Through our subsidiary, Kongsberg Aviation Maintenance Services, we specialize in maintenance, repair, overhaul, and upgrades (MRO&U). We have conducted extensive repair and overhaul operations for the Pratt & Whitney F135 engine at our Rygge depot. The F135 is the engine that powers all three variants of the fifth generation fighter jet F-35 Joint Strike. In 2023, we decided, together with the Norwegian Armed Forces, to build a new depot for maintenance of the hulls of the Norwegian F-35 fighter aircraft at Rygge. KONGSBERG is investing approximately MNOK 500 in the new depot, which will be part of the global maintenance solution and contribute to strengthened national expertise and increased operational availability of the Norwegian F-35 fleet.

Protection of personnel

Our PROTECTOR weapon system is the most widely used remote-controlled weapon system in the world and is a joint force of NATO and allied forces. Our various remote-controlled weapon systems protect personnel in combat vehicles, buildings and vessels. The U.S. Army ordered 409 new Common Remotely Operated Weapon Stations (CROWS) that will be manufactured and assembled at our plant in Johnstown, Pennsylvania. Over the past 25 years, we have delivered more than 22,000 external weapon systems to customers in 28 different countries.

On the way to Jupiter

On 14 April 2023, plumes of smoke erupted from the colossal side boosters of the Ariane 5 space rocket at its launch site in Kourou, French Guiana, marking the beginning of its ambitious journey to the three moons of Jupiter: Ganymede, Callisto, and Europa. The mission is made possible by, among other things, critical equipment from us, including the giant solar panels. The estimated arrival at Jupiter is 2032.

New super-missile

Developed in the early 2000s, the Naval Strike Missile (NSM) was supplied to the Norwegian Armed Forces between 2011 and 2015. As of today, it has been adopted by 13 countries. In 2023, Australia, Norway, Poland, Spain, and the US Navy placed orders for several NSM anti-ship missiles.

A new and exciting project was initiated when Norway and Germany announced the beginning of development of the next generation anti-ship missile, with Kongsberg Defence & Aerospace as the leading industrial partner. We developed the current Naval Strike Missile (NSM) and will play the main role in the development of the new anti-ship missile, which will complement the NSM. The new missile will be called SuperSonic Strike Missile (3SM) Tyrfing and is scheduled to be ready in 2035.

"We have clear goals to ensure health, environment, safety, sustainability, and employee rights."

Start of production for new submarines

In September, we celebrated together with Thyssenkrupp the start of production of the new 212CD submarines in Kiel, Germany. KONGSBERG is supplying the ORCCA™ combat system for the 6 new 212CD submarines under construction. Four of the submarines are going to Norway and two of them to Germany.

F-16 from Rygge to Romania

Kongsberg Aviation Maintenance Services played a pivotal role in the maintenance and preparation of a total of 32 former Norwegian F-16 fighter aircraft, which were subsequently sold by Norway to Romania. Additionally, the agreement encompassed technical assistance and support for training Romanian technical personnel, a crucial element in finalizing the sale of F-16 aircraft to Romania. The initial aircraft were handed over in November 2023.

Maintenance of Norway's frigates

In 2023, Kongsberg Naval Services, a company owned by Kongsberg Maritime and Kongsberg Defence & Aerospace, was selected as the main contractor to carry out maintenance, modifications, and possible lifetime extension of Norway's Fridtjof Nansen class frigates. The agreement has a total value of up to NOK 17 billion for services delivered throughout their lifetime – assumed up to 2040. In close cooperation with strong Norwegian suppliers, we will offer the Armed Forces effective and sustainable maintenance services to strengthen the Armed Forces' operational capability and preparedness, and at the same time provide support to allied forces.

Strategy and priorities

Well positioned in a growing market

Kongsberg Defence & Aerospace has experienced significant and continuous growth in recent years, primarily driven by increased order intake from nations seeking to strengthen their security capabilities.

Two years of Russias's warfare against Ukraine have created a more uncertain world. Donations of equipment and technology to Ukraine, coupled with escalated geopolitical tensions, have caused defense budgets to increase not only in Norway and NATO countries but also among other allied nations. This growth underscores a decade-long trend, impacting various core products in our portfolio, ranging from air defense systems to missiles and weapon stations.

Due to a high level of activity, Kongsberg Defence & Aerospace's turnover has increased by 58.2 percent in two years. We expect continued growth moving forward, particularly driven by missile deliveries. To ensure capacity to fulfill existing orders and meet significant demand, we are investing in expanding our missile production capacity. A new factory at Arsenalet in Kongsberg is set to open in the summer of 2024, enhancing our ability to deliver larger volumes within shorter timeframes.

Furthermore, we are expanding our international capacity, including in Australia, where we have invested in a new 2,500 sqm facility. This facility will support local production, assembly and maintenance for several of our air defence systems, weapon stations, and missile programme deliveries. In the future, it's likely that we will make further international investments, driven in part by increasing customer demands and expectations for industrial cooperation across national borders.

The space division Space & Surveillance is well positioned within, among other things, maritime surveillance and nanosatellites, as well as with Kongsberg Satellite Services (KSAT).

In recent years, the company has diversified its operations by venturing into new segments, such as maintenance of combat aircraft through its partially owned subsidiary, Kongsberg Aviation Maintenance Services (KAMS). Last year, we secured a contract to provide maintenance and upgrades for the Norwegian frigates, extending until approximately 2040.

Maintenance services provide stable and relatively predictable revenues. Profitability varies between different product groups and different geographies. The composition of projects in delivery is therefore crucial for profitability in the business area.

New investments in increased defence capabilities contributed to Kongsberg Defence & Aerospace ending 2023 with a record-high order backlog of NOK 65.4 billion. The investments are expected to further increase; in 2024, NATO allies in Europe are projected to invest a total of USD 380 billion in their defences, according to NATO.

We are well-positioned for several significant orders in the short and medium term, which raises expectations for increased order backlog over the next few years.

The high activity has also generated local value in areas where we operate. Over the past two years, we have hired approximately 1,000 new employees. We expect to continue recruiting over the next few years to manage the increased workload.

With a strong and motivated organisation and a good position in our most important markets, Kongsberg Defence & Aerospace is well-equipped to seize the opportunities presented in a rapidly growing market.

> "Two years of Russia's warfare against Ukraine have created a more uncertain world. Donations of equipment and technology to Ukraine, coupled with escalated geopolitical tensions, have caused defence budgets to increase not only in Norway and NATO countries, but also among other allied nations. The growth reinforces a trend that has lasted for a decade"

Interview with the President

Strong Growth in an Uncertain World

Kongsberg Defence & Aerospace develops and delivers technology and solutions to the Norwegian Defence and Norway's allies to protect people and infrastructure. Our societal mission is to assist the nations that are our customers in securing peace.

The past year for Kongsberg Defence & Aerospace was marked by exceptionally high activity and a record level of new orders, including numerous significant contracts from Norway and other nations. The backdrop to this surge in activity was, and remains, both serious and dramatic: a Russian warfare in Europe that has resulted in substantial civilian casualties, destroyed infrastructure, and contributed to a more uncertain world.

As Norway's foremost supplier of defence and space technology, KONGSBERG is strongly influenced by the changes two years of Russian warfare in Ukraine have brought about in the European security landscape.

Together with our American partner Raytheon, we worked diligently throughout last year to deliver the NASAMS air defence system to Ukraine and to train Ukrainian soldiers. KONGSBERG is also supplying anti-drone systems to Ukraine. I am proud of our contributions to support the Ukrainian people defend their freedom.

The war also revealed how decades of disarmament had left countries vulnerable. The defence industry's capacity to ramp up the production of materiel and ammunition helped make a difference. In KONGSBERG, we pioneered measures to increase volume and reduce production time for deliveries of, among other things, air defence and missiles, through close cooperation with our many good suppliers in Norway and internationally.

Increased unrest in security policy has also led to increased political cohesion across national borders. NATO is being reinforced by the inclusion of new members, Finland and Sweden, while the EU is assuming a more significant and defined role in defence-related issues than before. The member states are among our most important customers, so the changes also affect KONGSBERG, and this is a development we are following closely.

2023 was another year characterized by high growth. In order to handle new contracts and missions, we hired 665 new employees last year, and the trend is expected to continue in 2024. We are also growing geographically, with new establishments or expansions – from Australia to Bjerkvik in Northern Norway. Last year marked the start of the construction of a new depot for the F-35 fighter aircraft in Rygge, at the same time as the new missile factory in Kongsberg was under construction.

Collaborative projects are becoming increasingly common within our industry. In Norway, the triangular cooperation between defence, research and defence industry is a cornerstone. This has contributed to the development of a robust Norwegian defence industry characterized by significant value creation, high levels of employment, and a substantial export share.

A recent example of cross-border cooperation is the new missile that Norway and Germany have taken the initiative to develop. The 3SM, standing for SuperSonic Strike Missile, is set to be a high-speed, long-range anti-ship missile. It will serve as a vital complement to the current Naval Strike Missile (NSM) and is expected to enter the market in the 2030s. We take pride in the fact that the Norwegian Ministry of Defence has designated KONGSBERG for a pivotal role in what is set to be one of the most significant innovation and development projects in Norwegian industry for the coming decade.

I extend my gratitude to our customers, partners, and owners who made a significant impact in 2023. A special thank you goes to all our employees for their exceptional dedication and hard work throughout the past year.

Kongsberg Defence & Aerospace is well-prepared to fulfill its contractual obligations while also capitalizing on future opportunities and navigating challenges. Consistent, longterm, and targeted efforts to secure advantageous market positions through leading technology, coupled with robust delivery capabilities, have proven successful.

Eirik Lie

EVP KONGSBERG and President
Kongsberg Defence & Aerospace

Divisions

Aerostructures & MRO

- Arsenalet Technology Park has extensive capacities and technologically leading production of advanced mechanics and alloying structures, as well as carbon fiber production for the aerospace industry.
- The main business is the supply of products for F-35 fighter aircraft and KONGSBERG developed systems in the defence sector. This includes deliveries to JSM/NSM, NASAMS air defence systems, and radar systems. As well as maintenance, overhaul and testing of critical dynamic components for helicopters.
- Arsenalet Technology Park has a brand new, state-of-the-art logistics centre, where all logistics activities and associated purchasing functions are gathered.
- Maintenance services, modifications and upgrades through Kongsberg Aviation Maintenance Services, including repair and overhaul of the Pratt &Whitney F135 engine powering all three variants of the F-35 fighter aircraft.

MNOK 2,709
Operating revenues

977
Number of employees

Integrated Defence Systems

- Develops and manufactures the world-leading NASAMS (National Surface-to-Air-Missile-System) air defence system, surveillance systems, artillery guidance systems and land and vessel-based combat systems. NASAMS has been chosen by 13 nations.
- Supplier of mission-critical systems for conventional submarine fleets worldwide.
- Assumed a key role in the design and use of autonomous ships and operations for both commercial and defence related customers.
- Supplier of high-performance ground-based coastal defence systems that improve overall defence capability..
- Expands the air defence portfolio by developing and manufacturing Mobile Short-Range Air Defence (SHORAD) solutions.
- Providing state-of-the-art command, control, and systems integration solutions for defence forces worldwide.
- Delivering future-oriented solutions in aviation, which through digitalization contribute to increased traffic safety and sustainability.

MNOK 5,984
Operating revenues

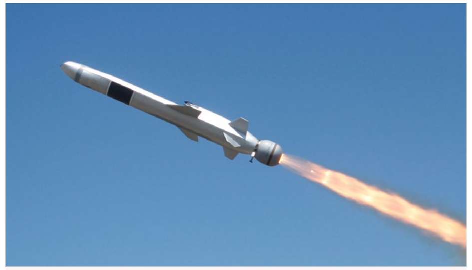
711
Number of employees

Land Systems

- World-leading supplier of unmanned weapon stations and turrets for various military vehicles and platforms. To date, it has delivered more than 23,000 systems to 29 nations. The largest program is delivered to the American program Commonly Remotely Operated Weapon Station (CROWS).
- The division develops and manufactures robust, high-quality equipment used in advanced tactical communication systems. Has over the last 60 years delivered to more than 30 countries and has been on the market for more than 40 years.
- n 2023, the division was awarded a major agreement with the Norwegian Armed Forces to develop and deliver a new advanced communications solution based on software designed the radio solution THOR.
- Provides training, maintenance, and lifecycle support to increase the operational availability of all products. The support helps ensure performance and can provide customers with predictable lifecycle costs.

MNOK 3,123
Operating revenues

749
Number of employees



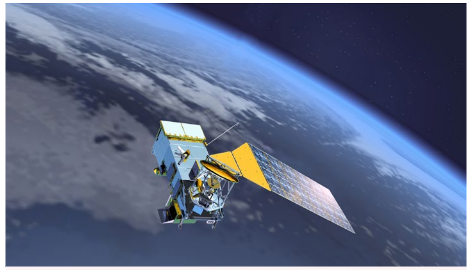
Missile Systems

- More than 50 years' experience of missile development and production. Provides state-of-the-art missiles for ships, vehicles, helicopters, UAV, patrol and combat aircraft.
- he Naval Strike Missile (NSM) is a long-range, precision strike weapon that seeks and destroys enemy ships at distances greater than 100 nautical miles. It eludes enemy radar and defence systems by performing evasive maneuvers and flying at sea-skimming altitude.
- The Joint Strike Missile (JSM) is based on the well-proven and modern technology of NSM. The only fifth-generation cruise missile designed to be launched from the internal weapons bay of the F-35A fighter aircraft.
- NSM/JSM has been chosen by 14 nations.

MNOK 3,950
Operating revenues

798
Number of employees

Divisions cont.



Space & Surveillance

Provides a wide range of equipment, systems, and services for space and maritime surveillance in over 40 countries.

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

MNOK 1,052
Operating revenues

667
Number of employees

Foto: Håkon Mosvold Larsen / NTB

Partly owned subsidiaries and affiliates[1]

Patria – We own 49.9 percent of the Finnish company Patria, an international provider of systems and services for defense, security, and aviation. Patria's robust growth continued in 2023. Their net revenue increased significantly, profitability improved, and the order backlog strengthened, driven by vehicle programs. New orders rose by 19 per cent to MEUR 945.8. A significant part of our operational focus has been on building production capacity for the new vehicle orders and enhancing productivity.

KSAT – We own 50 per cent of Kongsberg Satellite Services (KSAT) is a world-leading provider of communication services for spacecraft and launch platforms, as well as advanced satellite surveillance services.

1) See Note 8 to the consolidated financial statements for more information.

About KONGSBERG / Business Areas / **Kongsberg Discovery**

Kongsberg Discovery

Discover Ocean Space

Kongsberg Discovery develops technology to ensure sustainable management of marine resources, monitor climate change and critical infrastructure, and safeguard national security. The technology and solutions are aimed at areas such as offshore operations, fisheries, marine research, maritime operations, ocean-based energy production, as well as for the Navy.

About KONGSBERG / Business Areas / **Kongsberg Discovery**

Highlights and Key Figures 2023

1,074

Number of employees

7 countries

Present in # of countries

Establishment of Kongsberg Discovery

In 2023, Kongsberg Discovery was established as a separate business area within the Kongsberg Group. The new business area is leveraging its extensive technological expertise in hydroacoustic and sonar usage. We are currently present in seven countries and have a strong international presence through our network with other business areas in the KONGSBERG. In its first year of operation, Kongsberg Discovery delivered impressive results.

Close collaboration with research and science

During 2023, Ocean Technologies has signed several major contracts with research vessels and institutions worldwide. We deliver solid results and have a unique position as a sparring partner and advisor for our customers. The division has ongoing R&D activities involving investments and product launches in 2024 and 2025. In 2023, we also launched EM2042, our newest sonar specifically suited for shallower waters and unmanned vessels. The product's unique features were well received and a good addition to our already broad product portfolio.

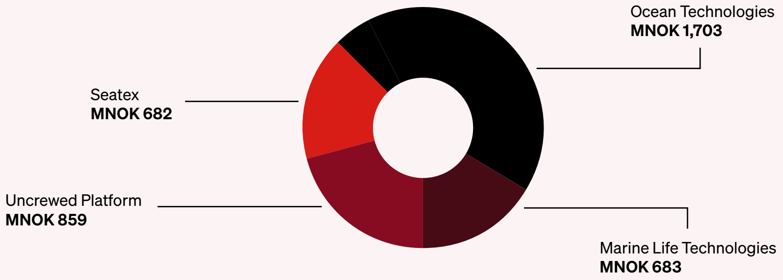
The launch of the drone detection radar

In collaboration with the Norwegian Defence Research Establishment Seatex, one of the divisions in Kongsberg Discovery, developed technology to detect drones. This technology is highly relevant to the times we live in. The technology can be used for monitoring at production facilities and critical infrastructure, but also to monitor the ecosystem.

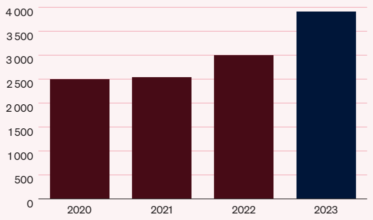
A fantastic teamwork for the launch of the HUGIN Endurance

The newest member of the HUGIN family is an autonomous underwater vehicle of 11 meters, which weighs around 8,000 kg, can dive down to a depth of 6,000 meters and with a range equivalent to the distance from Oslo to Kirkenes in one dive. Only 18 months passed from contract to delivery.

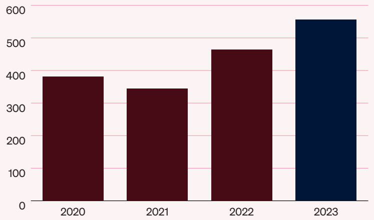
Operating reveues per division



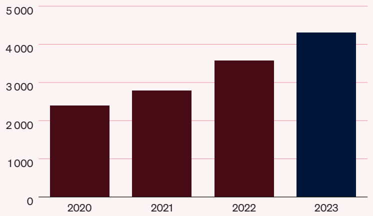
Operating reveues
MNOK



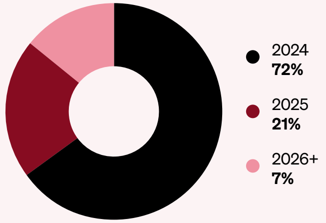
EBIT
MNOK

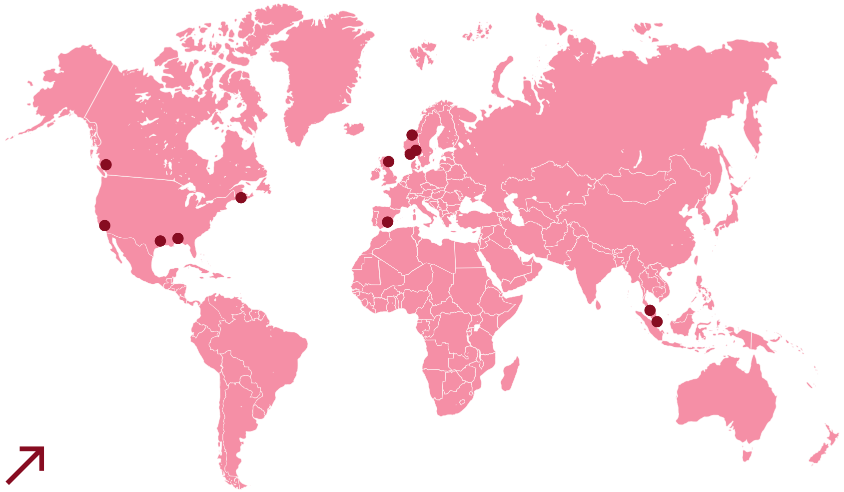


Order intake
MNOK



Order backlog
distributed according to the time of delivery

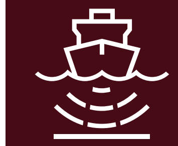




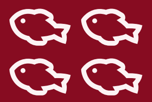
Kongsberg Discovery is present in Horten, Trondheim and Oslo in Norway, in addition to Alicante in Spain, Aberdeen in Great Britain, Seattle, Houston and New Orleans in USA, Vancouver and Halifax in Canada, Kuala Lumpur in Malaysia and Singapore.

Divisions

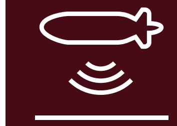
Read more on page 43 →



Ocean Technologies



Marine Life Technologies



Uncrewed Platforms

Seatex

The Discoverer of Ocean Space

The world is currently facing several crises, including a climate crisis, an energy crisis, a food crisis, and a security policy crisis. All of these issues are serious and partly interconnected, and they must be addressed simultaneously. Protecting marine areas and marine life is crucial to resolving these crises, and we need to ensure good coexistence.

With the increasing geopolitical tensions, it is more important than ever to have good surveillance and safety measures in place for underwater, offshore, coastline, and other critical infrastructure installations.

Research, monitoring, and fisheries

Our technology is designed to ensure the sustainable management of marine resources, monitor climate change, secure critical infrastructure, and safeguard national security. We offer technology and solutions for areas such as offshore operations, fisheries, marine research, maritime operations, ocean-based energy production, and naval. These are essential contributions to resolving global crises. For example, our echo sounders are widely used to set quotas in the fisheries sector to avoid overfishing and maintain healthy fish stocks. Our equipment is also used by research vessels worldwide to map the seabed and analyze marine life. Commercial players use our technology for feasibility studies before establishing offshore wind farms, and our equipment can also monitor critical infrastructure.

Long-term partnerships

We have developed advanced technology solutions through long-term partnerships with public and private companies. These solutions are well-documented and proven to be effective in monitoring various aspects such as airspace, sea surface, water column, and seabed. Some examples of such solutions include satellites, radars and cameras, advanced sonars, and other sensors. Additionally, autonomous vehicles that operate both above and below the water also contribute to the monitoring of these areas. These technological solutions are vital for various measurement tasks during the operational phase, mapping offshore wind farms, and monitoring climate change. We collaborate with leading research environments worldwide, including Norway's Institute of Marine Research, which shares our vision of "The Ocean of the Future." This vision encompasses the intrinsic value of nature, reducing human impacts on climate and nature, and exploring opportunities for ecosystem management using new technology.

Technology development for the future

Through our participation in strategic collaborative projects, we are actively contributing to shaping the future of technology development. This, in turn, creates job opportunities, ensures sustainable management of our resources, and opens up new markets. In 2023, we launched a radar designed to detect drones, which was the result of a long-standing collaboration with the Norwegian Defence Research Establishment. This radar can have several functions, such as detecting drones either individually or in swarms, as well as monitoring different types of birds. The technology behind it is multi-use, but we tailor each operation to get a precise result and the desired information. For instance, our latest echo sounders for the fisheries sector not only have the capability to efficiently detect the location of fish stocks, but also determine their size and species. This provides the industry with information that contributes to more efficient fisheries, less bycatch, and a smaller carbon footprint by reducing fuel usage.

Global presence

Kongsberg Discovery is a business area within KONGSBERG that was recently spun off from Kongsberg Maritime on 1 January 2023. It has over 1,000 employees located in Horten, Trondheim, and Oslo in Norway, as well as operations in Alicante in Spain, Aberdeen in the UK, Lynnwood (Seattle), Houston, and New Orleans in the USA, Vancouver and Halifax in Canada, Kuala Lumpur in Malaysia, and Singapore. The business area will work closely with Kongsberg Maritime and Kongsberg Defence & Aerospace to strengthen its international network.

People - Our most important resource

Kongsberg Discovery is made up of its employees, who work tirelessly to innovate and deliver the highest quality products to our customers. We understand that to retain our skilled workforce, we must prioritize their well-being, provide a safe working environment, maintain good communication, and offer targeted competence development opportunities. We have a strong focus on diversity, inclusion, and belonging, and we strive to create a socially safe and inclusive workplace that fosters creativity, development, and improved results.

Strategy and priorities

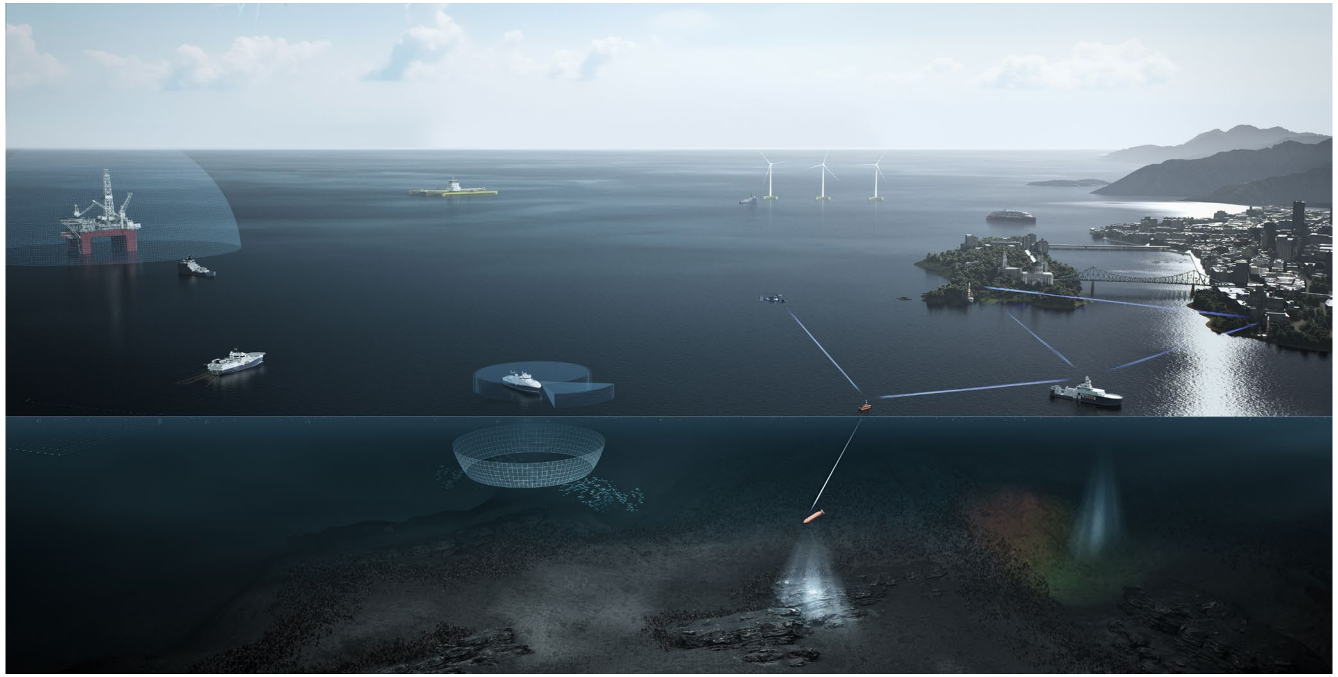
The world is facing multiple crises, including climate change, energy scarcity, food shortages, and security threats. These issues are serious and are often interconnected, which means they must be tackled simultaneously. One important aspect of resolving these crises is safeguarding marine areas and marine life, as this can have a significant impact on addressing these issues. Additionally, it's important to ensure good coexistence and safety for underwater, offshore, coastline, and other critical infrastructure installations, especially given the current global geopolitical tensions.

Our technology is designed to ensure sustainable management of marine resources, monitor climate change, secure critical infrastructure, and safeguard national security. The technology and solutions are aimed at areas such as offshore operations, fisheries, marine research, maritime operations, ocean-based energy production, and monitoring of critical infrastructure, as well as the navy and navy. These are essential contributions to resolving the crises facing the world.

Ocean Technologies counts some of the world's foremost research and development centers among its customers. We aim to maintain our position as a trusted advisor and partner, while also enhancing our efforts in product development and innovation. This unit has consistently delivered strong results, and we intend to build on this progress in the future.

Marine Life Technologies is committed to retaining its status as a global leader in technology and solutions for sustainable fisheries and ocean management. The division provides hydroacoustic products to locate fish, as well as monitoring equipment to major commercial players in the fisheries and aquaculture industries. In recent years, the division has devised a clear market strategy to expand into new sectors and increase its market share in existing ones.

Seatex offers advanced technology for use on land, in air, in space, and underwater. The company has experienced strong growth in recent years and expects to continue this trend in the coming years, thanks to its attractive product offerings and positive market trends.



Uncrewed Platforms has also experienced strong growth in 2023. This growth is due to the more tense global security situation as well as the high demand for seabed mapping. The demand for seabed mapping comes from both research communities and institutes, as well as private actors. There has been a particular interest in mapping the seabed in connection with the development of installations like new wind farms and similar installations.

Strategy

- Strengthen our defense and security positions through successful deliveries and new strategically important contracts.
- Maintain our positions in sustainable oceans by continuing ongoing partnerships and collaborations.
- Deliver growth through both organic and inorganic opportunities by leveraging our global business network.
- Empower our employees to perform at their best.

Interview with the President

Technology for the Future

Throughout our history, collaboration with research institutes and other stakeholders in Norway and globally has been crucial for our development. Our existence relies on the ocean, which provides us with sustenance, energy, and vital transportation routes. Yet, much of marine life remains unknown to us. Leveraging our technology, Kongsberg Discovery contributes to an enhanced understanding of what unfolds in the oceanic realm.

Our future competitiveness and value creation depend on continuing this strong collaboration and participating in international knowledge and technology development. This requires us to manage our position well, while constantly pursuing new development and business opportunities, as well as exploring applications for our technology. The mindset is not new. As early as 1490, Leonardo Da Vinci discovered that he could hear the pulse of a ship by listening through a tube submerged in water. The modern sonar we are familiar with today was developed during the First and Second World Wars, driven by the emerging threat posed by submarines.

Since then, technology has been and continues to be in constant evolution. We can now map the seabed with an accuracy that was once unimaginable. Using underwater acoustics and autonomous vehicles, we can explore the seabed at depths of several thousand meters and detect objects as small as three centimeters by three centimeters.

Our technology is increasingly in demand. It encompasses new applications and work methods that contribute to more cost-effective collection of high-quality data. Simultaneously, we live in a world with an unstable geopolitical situation, where there is a greater need to protect critical infrastructure and continuously monitor waterways and coastlines.

Additionally, environmental considerations and sustainability are paramount. Our customers continually challenge us to deliver technology that drives green and digital transformation, while also enhancing our own competitiveness. This development is positive for the global community's collective ability to address climate and environmental crises.

The technology developed by Kongsberg Discovery contributes, through our products and solutions, to understanding changes and trends in ecosystems. We need knowledge and a solid data foundation when launching new ventures, whether it's establishing offshore wind farms or addressing other types of human impact. We are by no means finished, but together with international partners, we continue to push the boundaries of what is possible.

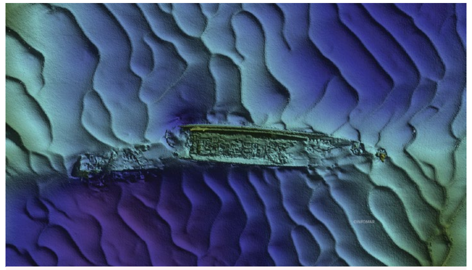
During our first operational year, we have focused on establishing the organization and developing a solid strategy for Kongsberg Discovery. Simultaneously, our unified team has delivered both new products and strong results throughout the year. The innovative capacity and adaptability within our international organization give me great confidence that we will succeed in the years to come.

Martin Wien Fjell

EVP KONGSBERG and President
Kongsberg Discovery

Divisions

In Kongsberg Discovery, we have four divisions that deliver knowledge and technology for the ocean space.

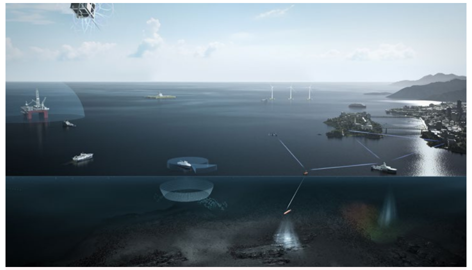


Ocean Technologies

Ocean Technologies is a renowned developer of subsea positioning and communication technology. Our cutting-edge hydroacoustic technology enables us to accurately locate and transmit data to and from subsea infrastructure, including autonomously operated underwater vehicles and remotely operated underwater robots, even at depths of up to 11,000 meters. Our technology is widely used across various industries that require high precision and exceptional performance. We have also developed a digital solution called Blue Insight, which facilitates automatic and smart data sharing, making it easier to access and analyze information. Our ongoing collaborative projects with private companies, government agencies, and independent research institutes are quite exciting.

MNOK 1,703
Operating revenues

289
Number of employees



Seatex

Seatex delivers products that combines its deep expertise in technology and application. It leverages technologies such as inertial navigation, navigation satellite systems, microwaves, and radio technology to provide valuable information on various aspects including position, speed, acceleration and course. These solutions contribute to increased situational awareness in various domains such as sea, air, space, and land, thereby ensuring safety and efficiency both during individual work operations and in a broader societal perspective like monitoring critical infrastructure and environmental changes.

In collaboration with the Norwegian Defence Research Establishment, Seatex launched a new radar in spring 2023 that can detect and follow drones independently and, in a swarm, which will enhance situational awareness of critical infrastructure. Additionally, Seatex has developed advanced solutions that enable accurate positioning and navigation of vessels both underwater and on the surface of the water.

MNOK 682
Operating revenues

125
Number of employees

Marine Life Technologies

Marine Life Technologies is the leading provider of sustainable technology for managing the world's most important raw material resource - fish. Their products enable the localization of fish of the right species and size in the most suitable sea areas, making the fishing industry more efficient. This contributes to solving major climate and environmental challenges, making the fishery more competitive. In recent years, they have increased their market position in sport fishing, medium-sized fisheries and coastal players. In 2023, they launched the new SY50 sonar, which is particularly suitable for smaller fishing vessels. The product has been well received in the market. They have also launched MF90, a new sonar that streamlines the search for fish in the water column with a shorter and more precise range where appropriate.

MNOK 683
Operating revenues

177
Number of employees

Uncrewed platforms

Uncrewed platforms provides autonomous underwater and surface vessels for military and civilian use. These vessels have cutting-edge technology that allows for data acquisition in previously inaccessible areas of the seabed. They can be equipped with a range of tailor-made sensors to collect desired information and data. Our HUGIN products are the world's leading autonomous underwater vehicles, providing a wide range of detailed information. The newest addition to the HUGIN line, the HUGIN Endurance, recently underwent its first sea trials in 2023 and produced excellent results. The HUGIN Endurance is a unique vessel, weighing 8,000 kg, measuring 12 meters in length, and capable of diving to depths of up to 6,000 meters. It has the capacity to travel over stretches of around 2,200 km or 1,200 nautical miles. The HUGIN Endurance has generated significant interest and attention, and there is great anticipation for this technology in the years to come.

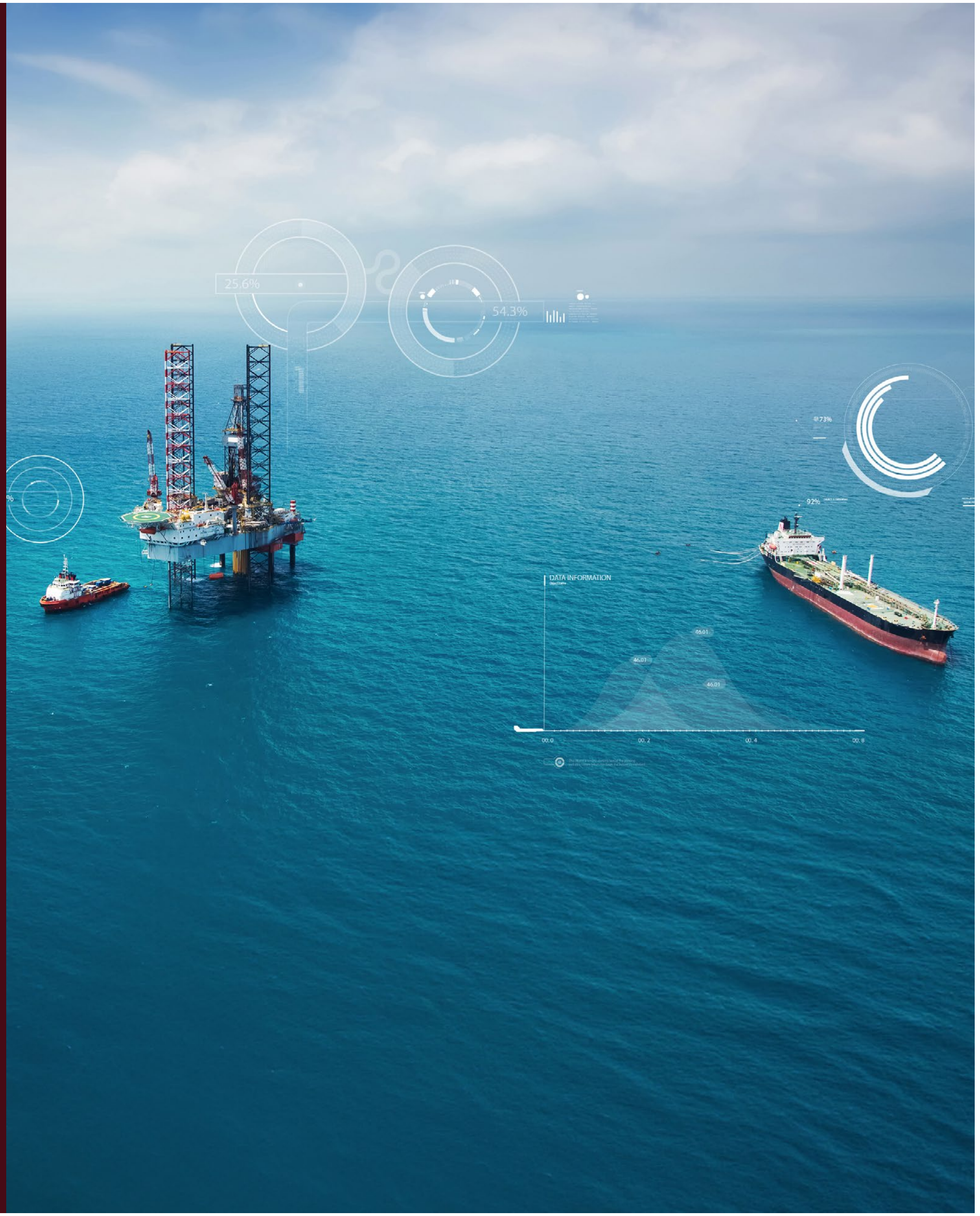
MNOK 859
Operating revenues

105
Number of employees

Kongsberg Digital

The Digital Transformation

Kongsberg Digital is an industrial software company with a clear vision to shape the future of work for a better tomorrow. We enable heavy industries to work smarter, safer, and greener through data collection. By combining expertise, technology development, and domain knowledge, we extract valuable insights from industrial data. This enables us to transform heavy industries to reach net-zero emissions and more sustainable solutions. By connecting physical installations and collecting all data streams, we at Kongsberg Digital deliver an Industrial Work Surface that gives operators one common infrastructure for all decision-making throughout the value chain.



Highlights and Key Figures 2023

1,188

Number of employees

8 countries

Present in # of countries

Private Placement Shell Ventures and Idékapital

In 2023, Kongsberg Digital Holding carried out a private placement of $90 million, specifically targeted at Shell Ventures and Idékapital. Following this placement, the valuation of Kongsberg Digital Holding ASA (KDI) reached $540 million. This capital raising has positioned us well for robust continued growth and developmen

Further investment in the Norwegian software company FutureOn

FutureOn's technology will play an important role in the development of digital twin technology for the offshore wind industry, among others. The investment was an important step in strengthening our position as a leading industrial Software-as-a-service (SaaS) company, and ensures the entire value chain from planning to operationalisation at the customer.

Since its inception in 2016, FutureOn has increased its market share, mainly within the energy industry by offering collaboration platforms for engineers and decision-makers working on energy projects and subsea installations.

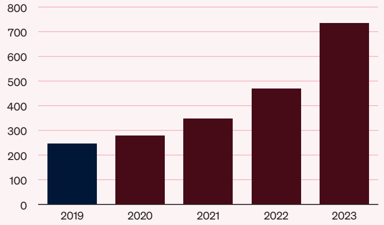
Continued Focus on Power Grid and Renewable Energy Sectors

We have intensified our efforts in the power grid and renewable energy sectors by developing new technologies and actively participating in key nationwide projects. This innovative technology brings increased capacity, improved performance, and provides significant insights and knowledge to these industries.

Trust and Growth from Existing Customers

In January 2023, we expanded our collaboration with energy company Chevron through a multi-year agreement for the digitalisation of their installations, building upon the 2021 contract. This agreement, along with the Shell deal from December 2022, has significantly increased the number of operational digital twins. In the maritime sector, we have also partnered with Höegh Autoliners to digitize their existing fleet vessels and upcoming vessels in the Aurora class using Vessel Insight.

Recurring revenues
MNOK

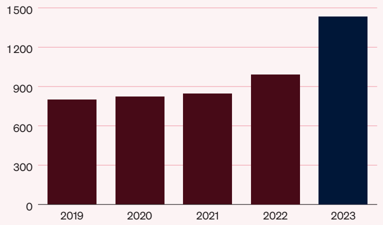


57 per cent

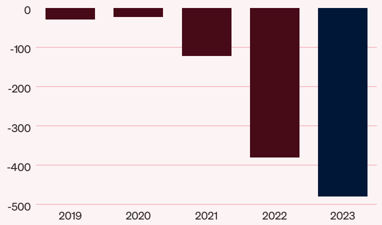
Growth of recurring revenues

We achieved a remarkable 57 per cent growth in recurring revenues in 2023. This growth was largely driven by digital twinning, with significant contributions also coming from Vessel Insight, SiteCom, and the acquisition of FutureOn.

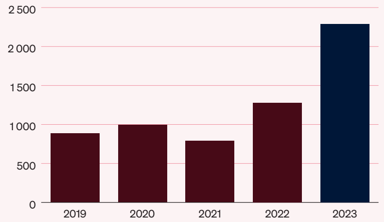
Operating revenues
MNOK

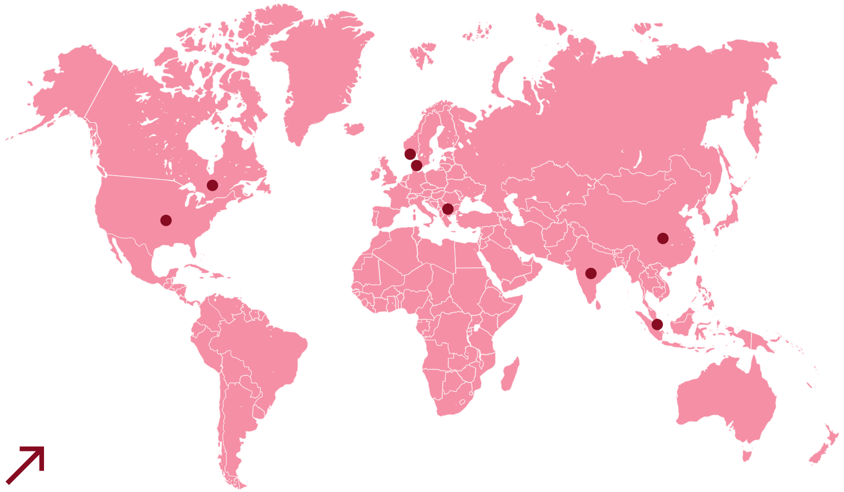


EBIT
MNOK

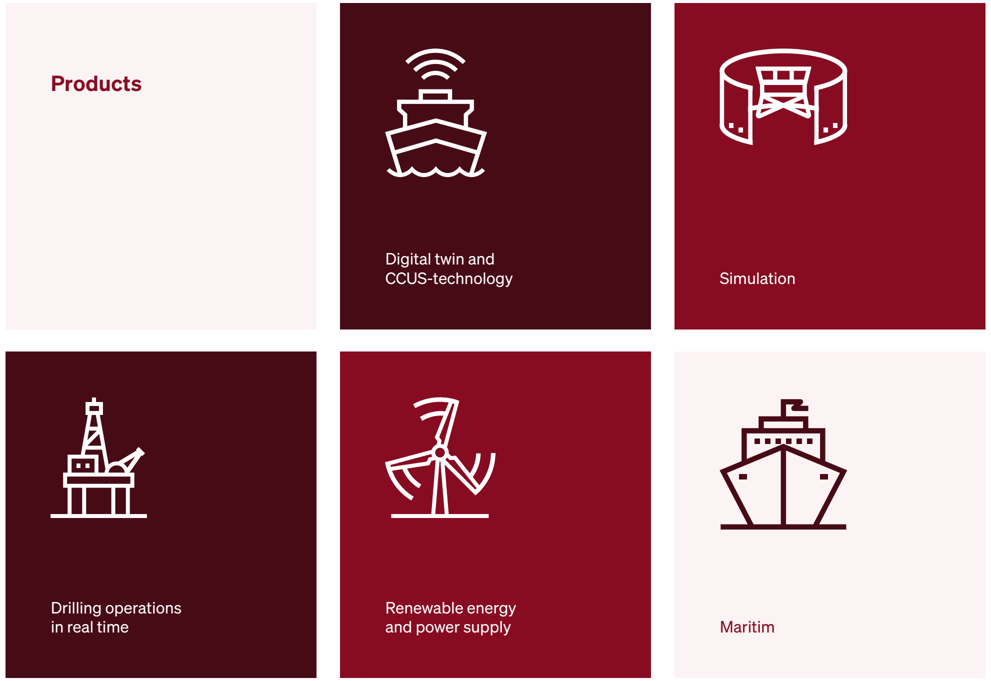


Order backlog
MNOK





Kongsberg Digital is present in Oslo, Norway, as well as in Europa, USA, Canada, China and India.



Rigged for Further Growth

Our vision is to 'Shape the future of Work' – to contribute to a safer workplace, reduce costs, and reduce the environmental footprint.

In 2023, we made significant investments to develop our technology, welcomed new customers and partners, and positioned ourselves for further growth. Our products and services cover everything from rig and drilling operations to maritime infrastructure and digital twin technology for the energy, renewable, and power grid sectors.

Organised for further growth

To meet our customers', investors', and own desires for increased scalability of our services, Kongsberg Digital conducted a reorganisation in 2023. We have established a more agile and scalable structure that strengthens our ability to meet customer needs and deliveries.

Our new organisation is structured into departments with a further focus on improving the entire value chain for our customers. Our continuous investment in flexible and innovative working methods ensures that we always put the premise of optimised user experience at the forefront of our product development. This will strengthen our competitive edge and further position us as a leading player in the market.

Directed Offering

In the second quarter of 2023, a directed offering of USD 90 million was completed, targeted at Shell Ventures and Idékapital. After the offering, Kongsberg Digital was valued at USD 540 post money.

The offering results from the previously communicated strategy where KONGSBERG has considered various options to realise the potential of Kongsberg Digital fully and will support and accelerate the future growth and development of Kongsberg Digital.

Energy: New Agreements and more Twins in Operation

In January 2023, Kongsberg Digital signed a multi-year agreement with Chevron to digitalise their installations. This agreement, alongside the contract signed with Shell in December 2022, has significantly increased the number of digital twins in operation.

The close collaboration with the joint venture project LNG Canada was also strengthened. As a critical project for Canada's capability to export liquefied natural gas, we are delivering a digital twin of the facility in Kitimat, British Columbia.

We have 41 digital twins in operation, with nearly 21,000 user licenses. Among the users are thousands of operational geologists, geophysicists, maintenance engineers, reliability engineers, inspection engineers, planners, project managers, and other operators who use our solutions daily.

Upstream: Important Partnership for increased scaling

In the upstream segment, Kongsberg Digital has over 12,000 users of our SaaS platform SiteCom®. SiteCom provides solutions for data collection and visualisation of drilling operations in real-time. The platform is designed to support operations by facilitating the use of applications that offer operational analysis and advanced decision support. This helps optimise drilling and well operations, enhance safety, cut downtime, and decrease unwanted incidents.

In the third quarter, we entered into a strategic partnership with the Norwegian technology company Exebenus to optimise and reduce costs within oil and gas operations.

Maritime: More vessels in the cloud

Vessel Insight, our 'ship to cloud' infrastructure, is represented by more than 80 shipowners. The pace of delivery has increased since autumn 2022, and growth has continued throughout 2023. In 2022, we signed a contract with the container ship company Mediterranean Shipping Company (MSC) to digitalise their fleet of nearly 500 vessels. Throughout 2023, MSC has increased their order by an additional 195 vessels.

In the second quarter, we entered into an agreement with Höegh Autoliners to digitalise their entire existing fleet of vessels with our ship-to-cloud infrastructure, Vessel Insight. The agreement also includes their Aurora class new-build vessels, expected to be delivered from 2024. Frontline, Vale, and Posidonia are among the new shipowners who ordered Vessel Insight in 2023.

Kongsberg Digital has experienced positive growth in the sales of maritime simulators, with a record-high order intake in 2023. Sales in Europe have been especially strong, with the signing of significant contracts with Equinor (Norway), Antwerp Maritime Academy (Belgium), and Tyne Coast College (UK).

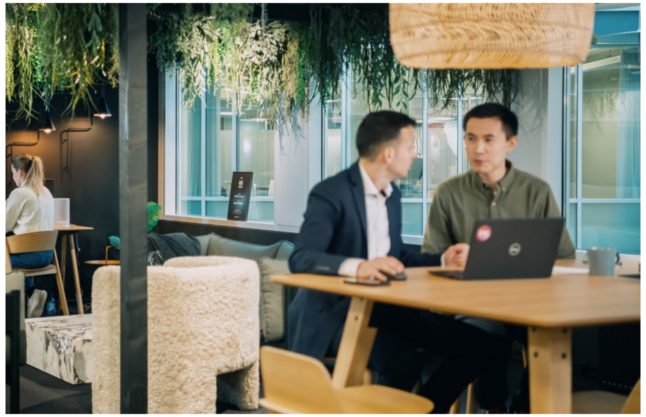
The increase is attributed to a heightened focus on competence development, safety, and sustainability in the market. The transition to alternative fuels such as LNG, methanol, hydrogen, ammonia, batteries, and hybrid solutions has increased the demand for simulation solutions for further education and research projects to address new market needs.

Renewable energy and the grid: Offshore wind and the future of the electricity grid

In 2023, we strengthened our commitment to the power grid and renewable energy industries by developing new technologies and assisting in important national projects. Our digital twin technology for the power grid, Kognitwin Grid, has been integrated into our industrial work surface, Industrial Work Surface, which has increased the capacity and performance of the twin, as well as a graphical upgrade that provides improved user functionality.

In the second quarter, we increased our investment in the technology company FutureOn. FutureOn provides twin technology for the planning and design phases. FutureOn's FieldTwin technology plays a significant role in our efforts, especially in areas such as offshore wind and other renewable energy. After the investment, Kongsberg Digital became the majority owner of FutureOn, while Bentley Systems and FutureOn remain important shareholders of the company. In collaboration with several key players, we are participating in the R&D project NextGrid. NextGrid aims to improve power companies' operations centres to handle the complex and proactive operation of the electricity grid in the future. This involves using sensor technology, active measurements in the grid, and new technologies to achieve faster and more cost-effective electricity grid operation.

In the NextGrid project, Kongsberg Digital will provide a digital twin of the electricity grids of Elvia and Fagne. The technology enables simulation of consumption for the next 24 hours, visualisation of bottlenecks in the grid, and simulations of which path the electricity should take through the grid. The project started in 2023 and will last until 2025. It is a project under the Green Platform for research- and innovation-driven green transformation in the business community. It receives support from the Research Council of Norway, Innovation Norway, and SIVA.



Interview with the CEO

Kongsberg Digital Is at the Forefront of Industrial Digitalisation

Kongsberg Digital's technological expertise and domain knowledge enable us to transform industrial data into significant value for our customers, partners, and society.

In 2023, Kongsberg Digital strengthened our collaboration with some of the biggest companies globally, including long-term agreements with energy majors Shell and Chevron. These multi-year contracts will drive greater profitability and sustainability by transforming assets for long-term agility, resilience and performance. Our close collaboration with our maritime customers and partners, such as Höegh Autoliners, Mediterranean Shipping Company (MSC) and Frontline, is making sure that we are also increasing market share with our digital solutions in the maritime industry.

The $90 million investment from Idékapital and Shell Venture has secured a strong foundation for Kongsberg Digital's continued development and growth and is providing us with opportunities to broaden our horizons into renewable industries such as Offshore Wind and Carbon Capture and Storage (CCS) —a sector set to play a crucial role in the green transition, particularly for Norway as an energy and industrial nation. By becoming the majority owner of the technology company FutureOn, we now offer essential features in delivering efficient and effective projects, in addition to the maintenance and optimization capabilities we have gained through the acquisition of Visavi.

We are beginning to see impressive results from our infrastructure and vessel performance applications within the maritime sector, which offers operators a new dimension in energy and trim optimization during voyages. Our maritime offerings, developed in close collaboration with KM, will continue to evolve through 2024 and become a significant tool for reducing emissions in shipping.

While the energy, maritime and renewable energy sectors present diverse challenges, they also offer incredible opportunities for innovation. For me, it is immensely exciting to be part of a company at the forefront of shaping the future of work across industries by leveraging the power of digitalization. Kongsberg Digital continues to deliver value to society by promoting safer, cleaner, and more responsible industrial operations.

Shane McArdle

CEO, Kongsberg Digital

Strategy and Priorities

Kongsberg Digital has experienced substantial growth and solidified its position as a global leader in industrial software during 2023. As we move into 2024, our goal is to build upon this momentum and realise our vision of shaping the future of work for a better tomorrow. Together with our customers and partners, our solutions offer a safer, more innovative, and more sustainable way to work. Our technology focuses on people, assisting them with insights and decisions through data.

In response to market demand, Kongsberg Digital will intensify the development of our core products, mainly focusing on digital twin technology. We aim to drive innovation, incorporating user feedback and adapting to evolving customer needs. Since our inception, scalability has been a priority, and we continue to create software that transcends industry boundaries. We plan to expand our market presence within existing sectors and explore new opportunities. Strategic partnerships and alliances will accelerate our global growth and enhance our offerings.

To support our ambitions, we will continue to invest in our products to strengthen the value proposition for our customers while also investing to build our organisation and ensure employee development and competence. This will maintain our innovative culture and ensure we attract and retain the necessary talent to meet future challenges.

This holistic approach reflects our commitment to being a dynamic force in digitalisation and industrial software, leading the transformation of global and complex industries. We look forward to a year of meaningful growth, innovation, and positive impact.

Priorities for 2024

Kongsberg Digital has crafted a strategic plan for 2024 to develop the company further and solidify our position as a leading industrial software provider.

Enhancing Customer Value

We will continue to invest in and develop our products, emphasising core capabilities within the data platform, infrastructure, and value-creating applications. Key technological drivers include artificial intelligence, security, and visualisation technology.

Ensuring Profitable Growth

To secure our position, we will focus on sales to newly integrated energy companies with asset portfolios similar to those of our existing customers (such as Shell and Chevron). Additionally, we aim to expand our customer base by applying our products in new industries with coinciding opportunities and complexity. These sectors include the broader process industry, renewable energy, network companies, and carbon capture and storage.

Scalable, High-Quality Deliveries

We are committed to industrialising our delivery process, ensuring high quality and efficient rollout of our products. Our focus will be on efficient teams, streamlined processes, and increased maturity in the product portfolio.

Building a World-Leading Organisation

Our priority is to attract, develop, and retain world-class expertise. This involves investing in competence development programs, fostering a stimulating work culture, and offering attractive working conditions to retain and attract top talent.

Chapter 3

Sustainability at KONGSBERG

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

Scope
The report covers 2023 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 audited with limited assurance by EY.
See Auditor's Assurance Report for 2023.

2023 Performance Highlights

We have updated our materiality assessment based on principle of double materiality and new European legislation on sustainability reporting (ESRS).

We have established our first transition plan for a net zero-emission society as an important contribution to bring sustainability closer to our strategy processes.

We have reduced abosIute GHG emissions by 54% (scope 1) and 42% (scope 2) from last year.

We achieved a 40% share of women recruited to managerial positions and have increased the share of women in the organisation in line with our longer term target to improve gender balance.

We received improved ratings from several external analysis providers and was once again recognised as an ESG industry Top Rated company by Sustainalytics.

We have established a complete GHG account in accordance with the GHG protocol, including all relevant scope 3 categories.

Our science based climate targets were approved by the Science Based Targets initiative.

We have improved the performance related to safety (TRI) and sick-leave, and our new tool for reporting of HSE incidents has contributed to improved reporting. No major environmental incidents or breaches.

We have started the work to approach biodiveristy and nature more systematically, and have completed a high-level analysis to map nature risks according to the LEAP framework.

We have published our first report on human rights in accordance with the Norwegian Transparancy Act.

We have executed a campaign to increase the awareness and expectations of employees to speak up and report concerns, as an effort to strenghten our culture and working environment.

Driving Sustainable Change

KONGSBERG is committed to taking an active role in the transition to a more sustainable society. Our intention is clearly expressed through our purpose, to protect people and planet by innovating technology today, for a better tomorrow. As a company, we are dependent on both safe and stable societies and a flourishing environment to succeed. Our purpose motivates us to innovate and develop our technology portfolio, which we believe will be critical to solving the global challenges we face.

Our ambition to be a driving force for sustainable results is firmly established in our corporate strategy, which sets the direction for the entire Group. This is a key element in achieving our overall strategic ambition to have a portfolio of world-class industrial-scale technology companies delivering the smartest, safest, and most sustainable solutions for our customers. We are committed to balance value creation and sustainable development, and we believe this delivers the best long-term results for us and the society we are part of.

Due to our broad product and technology portfolio, macro drivers such as sustainability, and climate change in particular, can provide significant business opportunities, but also risk. We continuously assess developments in society and what this may mean for our business, both in the short and long term. The UN Sustainable Development Goals and global ambitions outlined in the climate and nature agreements represent expectations for business and industry and informs our strategic choices. It also gives us direction, reason for optimism and the confidence to invest and take business decisions that support a sustainable society. Despite demanding geopolitical and macroeconomic conditions and increased climate change and risk to nature, we are also seeing positive signals of sustainable change. The strengthening of the International Maritime Organization's climate strategy in 2023 is one example of progress critical to ensuring a common global direction and to keep up the pace of the maritime transition.

In Europe, powerful regulatory instruments are also used to achieve the EU's climate targets and promote green competitiveness. This impacts KONGSBERG, and it is critical to take measures to ensure that we can work efficiently with the implementation in the future. Many of the directives and regulations are beginning to take shape, while others are still unclear. One of many areas addressed is the implementation of CSRD[1] and associated reporting requirements and standards. We have updated our materiality analysis based on ESRS[2] and the established principles, read more in the chapter on materiality. We are working with business partners and other experts on how to translate this into good practice, in line with the intent of the European Green Deal, a strategy for green growth to ensure a more sustainable and competitive Europe.

We believe that CSRD, as a better and standardised methodology, will increase the quality and comparability of sustainability-related information and data. At the same time, we have identified some dilemmas associated the level of detail in strategic information and financial planning; not least, relating to transition planning and expectations of long-term objectives. This must be balanced against competitive considerations, strategic flexibility, and robustness, as well as a degree of realism, and any uncertainty associated with long-term financial and commercial objectives.

Expectations and requirements for companies' responsibilities will, to a greater extent, encompass the entire value chain. This will influence both our short- and long-term priorities. We support greater transparency on risks, impacts and opportunities to achieve responsible practices and traceability across global value chains. We look forward to further developing our cooperation with suppliers and customers to be a driving force for positive change and sustainable value creation.

Our corporate strategy has been reviewed and approved by management and The Board. Through our strategy process, we translate our ambitions into priorities and action plans. To deliver sustainable results and long-term value, we must be targeted and proactive. In 2023, we progressed in our work on climate solutions, and our near-term climate targets were approved by the Science Based Targets Initiative. In parallel, we have developed a transition plan that demonstrates how we will achieve our climate goals, and work strategically to contribute to the transition to a more sustainable society. We report transparently on climate-related risks and opportunities. A number of stakeholders and sectors are engaged in the green transition. For us to achieve our goals we need to collaborate across the value chain. Predictable and successful global climate policy will pave the way for a change of pace. No company or nation can succeed alone. We will be a driving force and partner, actively promoting competitive, low- and zero-emission solutions without compromising performance and safety.

The speed and scale of this transition requires extensive cooperation and change in the time to come. We will continue to engage with customers and business partners and in initiatives such as the United Nations Global Compact (UNGC). We stand behind and support the UNGC's principles of responsible business conduct and commitment to minimising negative impact, while evolving our business model to reinforce positive contributions

All employees have a role to play in achieving sustainable change. To create awareness and increase knowledge, employees at KONGSBERG must complete annual mandatory training in our Code of ethics and Business Conduct. In addition, we arrange targeted further education and voluntary courses. Details of KONGSBERG's corporate governance related to sustainability are available in the chapter Organisation and Management Systems.

1) Corporate Sustainability Reporting Directive
2) European Sustainability Reporting Standards

Targets and strategic priorities

We work diligently to improve our performance across the environmental, social and governance (ESG) agenda. Our priorities are determined by our materiality assessment and stakeholder dialogue, business positions, risk assessments, our commitment to responsible business conduct and the UN Sustainable Development Goals.

Sustainability is included in our business strategies and processes, and in the decisions we make to further develop KONGSBERG. This is a business-critical area for the Group and is reflected in our corporate governance, organisation, and governing documentation. Read more in the chapter on Corporate Governance.

We evaluate sustainability to be a business imperative and a criteria to remain a successful and robust company. Our strategic priorities related to environmental sustainability are in areas we believe represents the largest opportunity for change. This includes includes to make a positive impact to people and planet, while at the same time strenghtening our competitiveness, determined by our positions and partnerships, our capabilities and value chains.

We have made significant progress in our engagement within decarbonisation and the energy transition, and have a structured plan to deliver on our commitments and strategy. We aim to integrate circular encomomy and nature as we mature our transition plan in the future to contribute to a sustainable economy and a net zero emission future.

We recognise our role in contributing to safe and stable societies, and their sustainable development. Our commitment to responsible business conduct means that we never compromise on safety, business ethics and integrity in our operations and value chain. This is clearly anchored in the board and managed through our comprehensive ethics and compliance program. We cooperate with suppliers and other partners and stipulate clear requirements and expectations through our principles for supplier conduct. We have a continuous focus on the health, safety and welfare of our employees and business partners, work to promote human rights and have zero tolerance for corruption throughout the value chain. When selecting partners, we conduct thorough due diligence

Category	Targets	Performance 2023	Targets
Environment	Net zero emissions from our value chain by 2050	15% increase in emissions from use of fossil fuel from base year.	Reduce absolute scope 1 GHG emissions from the use of fossil fuels. Target for 2030: 55% reduction from 2019.
		11% reduction in energy consumption per employee from base year.	Reduction in energy consumption through energy efficiency (per employee). Target for 2030: 25% reduction from 2019.
		56% of purchased electricity from certified renewable sources.	Increase share of purchased electricity from renewable sources anually. Target for 2030: 100% share from renewable sources.
		15% of suppliers (by spend) have established science-based targets.	Engage 67% of suppliers (based on spend) to set science-based targets by 2027. Target for 2024: 22%.
		32% increase in emissions from the use of sold products from base year.	Reduction of emissions from the use of sold products (absolute): Target for 2030: 25% reduction from 2021.
		60% reduction in business travel per employee from base year.	Reduction in emissions from non-chargeable business travel by plane (per employee). Target for 2030: 30% reduction from 2019.
			Reduction in GHG emissions from transport and distribution (CO2e per tonkm). Target for 2030: 25% reduction from 2019.
Social	A safe, inclusive, and responsible workplace and business partner	TRI[1] reduced to 1.92 for 2023, from 2.01 in 2022.	Total recordable injuries frequency (TRI). Target for 2024: 1.82.
		40% share of women recruited to managerial positions in 2023.	Maintain share of women recruited to managerial positions stable. Target for 2024: 35%
		89% of employees globally completed performance appraisals in 2023.	All employees must have at least one formal performance appraisal dialogue each year with their immediate manager. Target for 2024: 91%
Governance	We are committed to responsible business conduct throughout our business and value chain.	80% of suppliers registered for self assessment of social and environmental criteria.	Suppliers to complete self assessment of social and environmental criteria. Target for 2024: 70% [2].
		Audit of 13 business partners evaluated to be potentially high-risk.	Increase the number of audits of business partners based on risk based assessments. Target for 2024: 16 audits.
		85% of employees completed compliance training.	Completion of compliance training. Target for 2024: 90% of employees

Note: A more comprehensive presentation of our performance and ambitions on all material topics is included in their respective chapters.

1) TRI - Total recordable injuries: A measure that encompasses all fatalities, lost time injuries, cases restricted for work, cases of substitute work due to injury, and medical treatment cases by medical professionals.

2) Valid for Kongsberg Maritime and Kongsberg Discovery

assessments, and we have a regular dialogue with the Board about the risks and risk management.

During 2024, we will update our sustainability reporting in line with CSRD, including establishing relevant data, policies, targets and KPIs for the significant topics.

Our performance and targets for 2023 across the ESG agenda are presented in the table on the previous page.

Value Creation

Socio-economic value creation

Through our activities, we create jobs, both directly through our own operations and indirectly through our supply chain. This helps to promote economic growth, welfare and the development of people and society. In 2023, we had 13,341 employees globally, of which 81 per cent were in Europe (10,785).

Tax contributions are fundamental to public funding and economic development. Through our tax contributions, we improve welfare in the communities in which we operate. In 2023, KONGSBERG's total global tax contribution from paid income and withholding taxes was MNOK 1,049. The largest share, 79 per cent of our global corporate tax, was paid in Europe, including Norway. There will normally be a difference between income and withholding taxes paid and the accounting tax cost for the financial year.

A significant contribution to economic development is made through purchases from 9,750 suppliers worldwide. In 2023, total global procurement costs amounted to MNOK 21,190, of which 81 per cent was in Europe.

As a global technology company, we aim to stimulate young people to learn more about science, technology, engineering, and mathematics (STEM). We believe these disciplines are crucial to creating an innovative and sustainable future. That is why we support various education initiatives that can help develop the skills we need both today and tomorrow.

KONGSBERG's socio-economic value creation in 2023 in our most important operating sites by region

	Number of employees[1]	Number of suppliers	Total spend on supply chain	Value added [2] (revenues)	Tax contributions[3]
Total (globally) in MNOK	**13 341**	**9 750**	**21 190**	**40 617**	**1 049**
Europe	10 785	82.0%	80.9%	50.8%	78.7%
Asia	1 509	6.7%	7.7%	17.3%	11.1%
North America	664	4.7%	10.3%	23.9%	6.0%
South America	205	5.4%	0.6%	1.8%	2.7%
Oceania (including New Zealand)	89	0.2%	0.3%	3.7%	1.2%
Africa	28	0.6%	0.1%	0.9%	0.4%
Middle East	61	0.3%	0.2%	1.5%	0.0%

1) Permanent employees globally
2) Value added is defined as revenues created out of the country/region
3) Paid taxes in the region

Local communities

For over 200 years, local communities have been important to us and our activities, and we continue to contribute to the development of local communities and citizens.

We have a presence in 39 countries, but a large part of our business is established in smaller communities across the Nordic region and is a significant employer with a large presence.

As a cornerstone company, it is important for us to promote innovation, skills development, and economic prosperity. Local communities also represent an important part of our supply chain and are one of our most valuable talent bases.

Regular dialogue and long-term mutual support are important to meet the expectations of our neighbours, partners', and employees.

We aim to build positive relationships and invest in the communities in which we operate by supporting local activities.

Our approach is rooted in our Sponsorships and Charitable Donations Directive and guided by our Code of Conduct, strategy, and values.

Our focus is on:

- Activities and projects both nationally and internationally with local charities and community groups
- Non-profit organisations that are considered to have a social purpose
- Sports, and in particular, local activities for children and young people, in places where we have a greater presence
- Culture, art, and cultural heritage
- Social investment
- Humanitarian, environmental, or sustainable activities
- Education and competence

At several of our locations worldwide, our employees engage in voluntary relief work related to local initiatives and fundraising with support from their employer. We do not make donations to promote religious organisations (except for those for humanitarian purposes only), or to political parties or candidates.

Innovation and product development

Innovation for climate and environment

Every year we devote considerable resources to innovation and product development. In 2023, this amounted to a total of MNOK 2,423, of which MNOK 2,082 was expensed and MNOK 340 was recognised in the balance sheet (MNOK 1,980, of which MNOK 1,675 was expensed and MNOK 305 recognised in the balance sheet). A significant share of investments in the defence sector is customer-financed and not part of these figures.

Kongsberg Maritime accounts for the largest share of investments. Almost 20 per cent of investments have been identified as contributing to sustainable solutions, with most of the investment in digital products for operational efficiency and solutions related to the transition in progress towards lower greenhouse gas emissions such as energy management systems.

We define sustainable activities according to these main criteria:

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

In 2023, we are also expanding our report on EU taxonomy to include KPIs for CAPEX and OPEX related to environmental objective on Climate change mitigation and Climate change adaptation. We also report the KPI for revenue on the last four environmental targets from the taxonomy on a voluntary basis. During 2024, we will implement a complete taxonomy reporting that will provide insight into CAPEX and OPEX that are covered and consistent with the requirements established in the taxonomy across all environmental objectives. See the summary from our EU taxonomy report in a separate chapter.

Large parts of our business currently fall outside the activities in the taxonomy. That is why we are working towards a broader mapping of our investments and revenues related to sustainability as part of our climate strategy, read more about financial planning in the chapter Transition to a zero-emission society.

A committed partner in research and development

As a leading system and equipment supplier, we have clear commitment and vested interests in active participation in national and international research and innovation programmes. We aim to contribute to more sustainable solutions in the development of existing and innovative technologies.

We act as a driving force in research and development across multiple industries, such as energy solutions, advanced sensors, autonomy, and material circularity and material technology.

In 2023, we participated in several national programmes through the Centre for Research-based Innovation (SFI), the Centre of Excellence (SFF) and the Centre for Environment-friendly Energy Research (FME). The SFI Smart Maritime program ended in 2023 and focused on research and innovation related to energy efficiency and reduced emissions from ships. Efforts are being made to continue this important work in a new research centre.

The EU-funded Autoship project, for the development of autonomous shipping for the reduction of land-based transport, concluded in 2023 with full-scale demonstrations of two vessels, one on the canals in Belgium and one on the Norwegian coast. The autonomy programme is followed by several new projects, such as the EU-funded SEAMLESS project where a fleet of autonomous ships is put into a holistic logistics chain. Another EU-funded project using technology and solutions from Autoship is OCEAN, which focuses on increased maritime safety.

We received approval for the EUROGUARD development project in 2023 together with several European partners financed through the European Defence Fund (EDF). The project will develop medium-sized remotely operated and autonomous vessels for monitoring coastal areas over the next four years.

The European Space Agency (ESA) is funding a project where we intend to establish alternatives to leaded solder for aerospace electronics.

Partnerships with academia and research institutions

During 2023, we have further developed our strategic partnerships with leading universities and research institutions such as the Norwegian University of Science and Technology (NTNU), the University of Southeast Norway (USN), the Massachusetts Institute of Technology (MIT) and SINTEF. This is to increase the development of knowledge, technology and expertise for the energy transition and sustainable development. The aim of these agreements is to bridge the gap between industry needs and development, and academic development.

External ESG Assessments and Ratings

KONGSBERG's ESG performance and work are regularly assessed by third-party companies that provide analyses and rankings in this area. In 2024, we were once again recognised by the analysis provider Sustainalytics[1] and received the Industry Top Rated award.

Over the course of 2023, we have improved scores on several of the rankings, last year's ranking is listed in parentheses under this year's ranking. Below is an overview of the evaluations which we prioritise and actively engage in.

MORNINGSTAR | SUSTAINALYTICS
ESG 2024
INDUSTRY
TOP RATED

CDP DISCLOSURE INSIGHT ACTION	**Score: A-** (Score: B)	A-	Read more on our website
MORNINGSTAR SUSTAINALYTICS	**ESG risk rating:** **23.2 Medium Risk** (Score: 24.0 Medium Risk)	23.2 Medium Risk	Read more on Sustainalytics website
ESG100 POSITION GREEN | 2023	**Score: A** (Score: A)	A	Read more on Position Green website
MSCI	**Score: AAA** (Score: AA)	MSCI ESG RATINGS AAA	Read more on MSCI website

EU Taxonomy

The taxonomy is a classification system that defines criteria for economic activities that are aligned with a net zero trajectory by 2050 and broader environmental goals other than climate. The EU Taxonomy is a key element of the Sustainable Finance Action Plan established by the European Commission and an important tool for increased transparency and standardisation. It should contribute to steering investments to the economic activities with the greatest potential to reach the objectives of the European Green Deal.

Our approach

We published our first, voluntary, EU Taxonomy report in connection with the Annual- and Sustainability Report for 2022. The report was established on the economic activities covered by the first two environmental objectives available at the time of reporting; Climate change mitigation, and Climate change adaptation. Our report covered the KPI related to Revenue[1].

During 2023 the EU has published the final four environmental objectives, as well as additional activities under the first two environmental objectives. The introduction of these activities contribute to increase the share of eligible activities for KONGSBERG. At the same time, the EU has launched a stakeholder request mechanism to invite stakeholders to suggest new, and amendments to existing, economic activities. Activities that are not yet prioritised are non-eligible and not synonymous with unsustainable activities.

The Norwegian government has an ambition to follow a similar implementation timeline as the EU. However, on 16 November 2023 the Norwegian Ministry of Finance communicated that it did not expect the delegated acts to be implemented in the EEA agreement during 2023. The implication is that Norwegian entities are only required to report on eligibility and alignment for the first set of activities published by the Climate delegated act for financial year 2023. Regardless, we have chosen to report on eligibility on voluntary basis for the Revenue[1] KPI for the activities covered by the latest activities introduced by the EU.

	Revenue (Turnover)	OPEX	CAPEX
Climate change mitigation	●	●	●
Climate change adaptation	●	●	●
Sustainable use and protection of water and marine resources	◑		
Transition to a circular economy	◑		
Pollution prevention and control	◑		
Protection and restoration of biodiversity and ecosystems	◑		

● Mandatory reporting
● Voluntary reporting
● Eligible, and aligned
◑ Eligible

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

Performance commentary

The focus during 2023 has been on building competence on the existing framework of the taxonomy, as well as preparing the organisation for future economic activities and reporting requirements.

An overview of already established and new activities that are relevant for KONGSBERG is presented in the tables below.

We share a summary of performance against the KPIs for Revenue, OPEX, and CAPEX in this report. For a complete EU Taxonomy report, please refer to our separate EU Taxonomy report available on our web page.

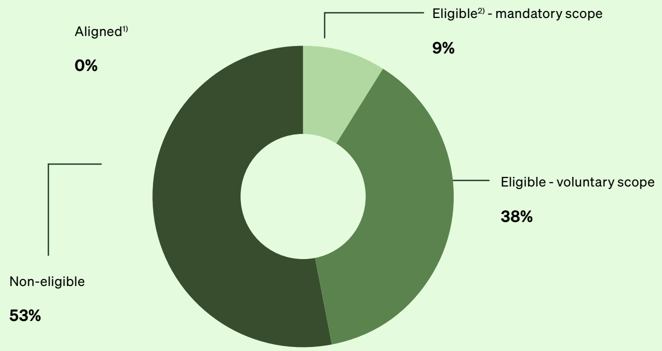
Forward focus

The EU Taxonomy remains relatively new and is still under development. During 2024 we will continue to develop and mature our understanding of the reporting requirements, engage in the development of practices and monitor the adaptation by the market. Particular emphasis will be to secure good process to meet future audit requirements of our reporting of KPIs and economic activities. Insight from the taxonomy reporting informs our strategic evaluations.

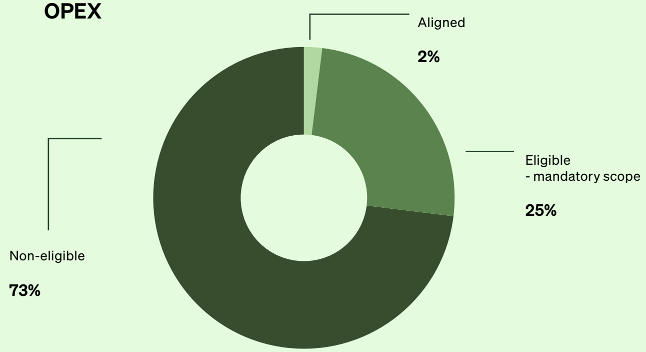
Established activities
Production of heat/cool using waste heat (Climate change mitigation - 4.25)
Retrofitting of sea and coastal freight and passenger water transport (Climate change mitigation - 6.12)
Construction of new buildings (Climate change mitigation - 7.1)
Renovation of existing buildings (Climate change mitigation - 7.2)
Installation, maintenance and repair of energy efficiency equipment (Climate change mitigation - 7.3)
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) (Climate change mitigation - 7.4)
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings (Climate change mitigation - 7.5)
Acquisition and ownership of buildings (Climate change mitigation - 7.7)
Data-driven solutions for GHG emissions reductions (Climate change mitigation - 8.2)

New activities
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation (Climate change mitigation - 3.20)
Manufacturing of aircraft (Climate change mitigation - 3.21)
Manufacture of electrical and electronic equipment (Transition to a circular economy - 1.2)
Provision of IT/OT data-driven solutions (Transition to a circular economy - 4.1)
Repair, refurbishment and remanufacturing (Transition to a circular economy - 5.1)
Sale of spare parts (Transition to a circular economy - 5.2)

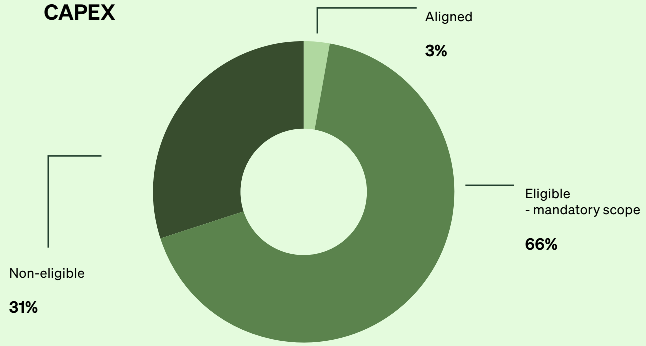
Revenue



OPEX



CAPEX



1) Eligible, aligned

2) Eligible, not aligned

Engagement With Stakeholders and Material Topics

Engagement with stakeholders

Feedback from our internal and external stakeholders plays an important role in forming our actions and ambitions to create sustainable value. The views of our stakeholders are important to determine our material topics. We have regular dialogue with stakeholder groups which include employees, investors, Governments, customers, local communities, suppliers, academia, research institutions and civil society. This ongoing dialogue gives us valuable insight into our stakeholders' interests and expectations and makes it possible to establish relationships built on respect and trust, which are essential to realise our ambitions and deliver our strategy effectively.

Stakeholders	Why we engage	How we engage	Prioritised topics
Employees	To create an understanding of our employees' needs and expectations, to ensure that their interests are taken care of. To inform employees about the strategic goals of the organisation, facilitate for high performance and wellbeing. Nurture a value-based culture.	Regular performance dialogues, employee surveys, townhalls, team building events, development initiatives, collaboration in various arenas.	Work-life balance, purpose-driven company culture, flexible working possibilities, health and well-being, diversity & inclusion, equal opportunities, and responsible business conduct.
Shareholders/investors	To communicate specific, regular, and consistent information on our company's activities supporting our shareholders/investors in taking informed decisions.	Dialogue through stock exchange disclosures, press releases, general assemblies, presentations and one-to-one meetings with both investors and analysts. External information on our website, such as annual reports, quarterly reports, and company presentations.	Climate and environment, supply chain, cyber security, governance.
Governments	To understand and impact regulatory frameworks affecting KONGSBERG.	Direct dialogue through meetings and other arenas, public hearings, and public discussion at events and in media.	Regulations and framework conditions, including technology development, market access, education, energy transition, and others.
Customers	To create a good understanding of our products and services, capabilities, and deliveries, and to build good relationships, partnerships, and trust.	Regular live and digital meetings with customers. Exhibitions, conferences, and other industry-specific arenas.	Technology, system integration and product offerings. Look after customer needs and deliveries.
Local communities	To build trust, understand local needs and expectations and ensure our license to operate.	Dialogue with local politicians, other businesses in our communities, NGOs working with local communities or business issues. Direct dialogue through meetings and other arenas, common events, and joint statements, press releases.	Local issues such as ensuring an attractive local community for potential employees and their families, business issues for local suppliers, education, and supporting local events.
Suppliers	We engage with our suppliers through daily business interface and strategic relationships to ensure good and productive collaboration, working towards responsible supply chain.	Direct engagement through meetings, webinars, site visits, and conferences.	Responsible supply chain, environmental and social issues.
Academia and research institutions	To ensure knowledge exchange, promote research, influence new areas of study, and motivate students.	Direct dialogue, collaboration initiatives, research programs.	Climate change, innovative technologies, research and development, collaboration.
Civil society	To inform, enhance and challenge our sustainability priorities. We exchange views and knowledge on relevant climate and environmental policies to align with the goals of the Paris Climate Agreement and promote sustainable ocean management.	Regular dialogue in meetings, locally and internationally. We engage in several arenas, including labour unions, industry associations, NGOs, and the UN system.	Sustainability related themes where we have a significant opportunity for positive impact such as climate change and threats to the environment and ecosystems. Topics across the ESG agenda such as responsible business conduct, employee relations and human rights.

Material topics

In 2022, we conducted our first materiality analysis based on an assessment of double materiality. This was a crucial step in preparing the organisation for the implementation of the EU Corporate Sustainability Reporting Directive (CSRD) which will impose requirements on the disclosure of material ESG information. The proposed new European Sustainability Reporting Standards (ESRS) require reporting entities to take a double materiality approach. This approach involves an assessment of how our company is affected by the environment and society around us, as well as how the environment and society impact our risks and opportunities.

The reporting requirement will take effect from fiscal year 2024 and the materiality analysis defines the scope of reporting. In 2023, we have updated our double materiality analyses based on the principles and guidance of the ESRS. The result is illustrated in the table on the next page. The recommended material ESG topics for reporting were reviewed by management and discussed and approved by the board.

Materiality is assessed according to the degree of severity, i.e. the extent to which we can influence or be affected, in line with requirements and guidance from ESRS. This entails the establishment of scale and threshold values for assessing materiality. Risks are assessed based on inherent risk, i.e. before mitigating measures are identified and established. Topics such as Pollution (ESRS E2), Water and Marine Resources (ESRS E3) and Affected Communities (ESRS S3) are topics that are relevant and considered in our global operations, but which were considered below the threshold for materiality in our assessment. When assessing financial materiality, we have used threshold values established in our Enterprise Risk Management system. Biodiversity and ecosystems (ESRS E4) is currently considered to be below the threshold for financial materiality, but we pay particular attention to this as this is expected to change as regulatory changes may contribute to increased demand for biodiversity monitoring and mapping solutions, predominantly related to marine ecosystems. This is marked by a magnifying glass in the table.

In 2023, we have developed a good materiality assessment process and methodology in line with the new framework, while simultaneously building expertise widely within the organisation.

The process for deciding on material topics was established through a series of internal workshops, with contributions from different levels and functions across business areas and corporate staff. It was important to carry out the analyses based on a common framework and assumptions to ensure consistency in the assessments, especially at the consolidated level. Insight into our stakeholders' opinions and interests, as well as value chain and market information were assessed in order to identify our most important topics in terms of both impact and financial risk.

We have followed GRI's materiality standard and aimed to bring the analysis in line with the ESRS standard. At the same time, we recognise that the practice and methodology are under development, and there is a need to improve our approach and the level of detail in our future work. The aim of our analysis is to focus our priorities on an approach to improving both society and the environment, and on our risk management, while providing sound, decision relevant information to our stakeholders.

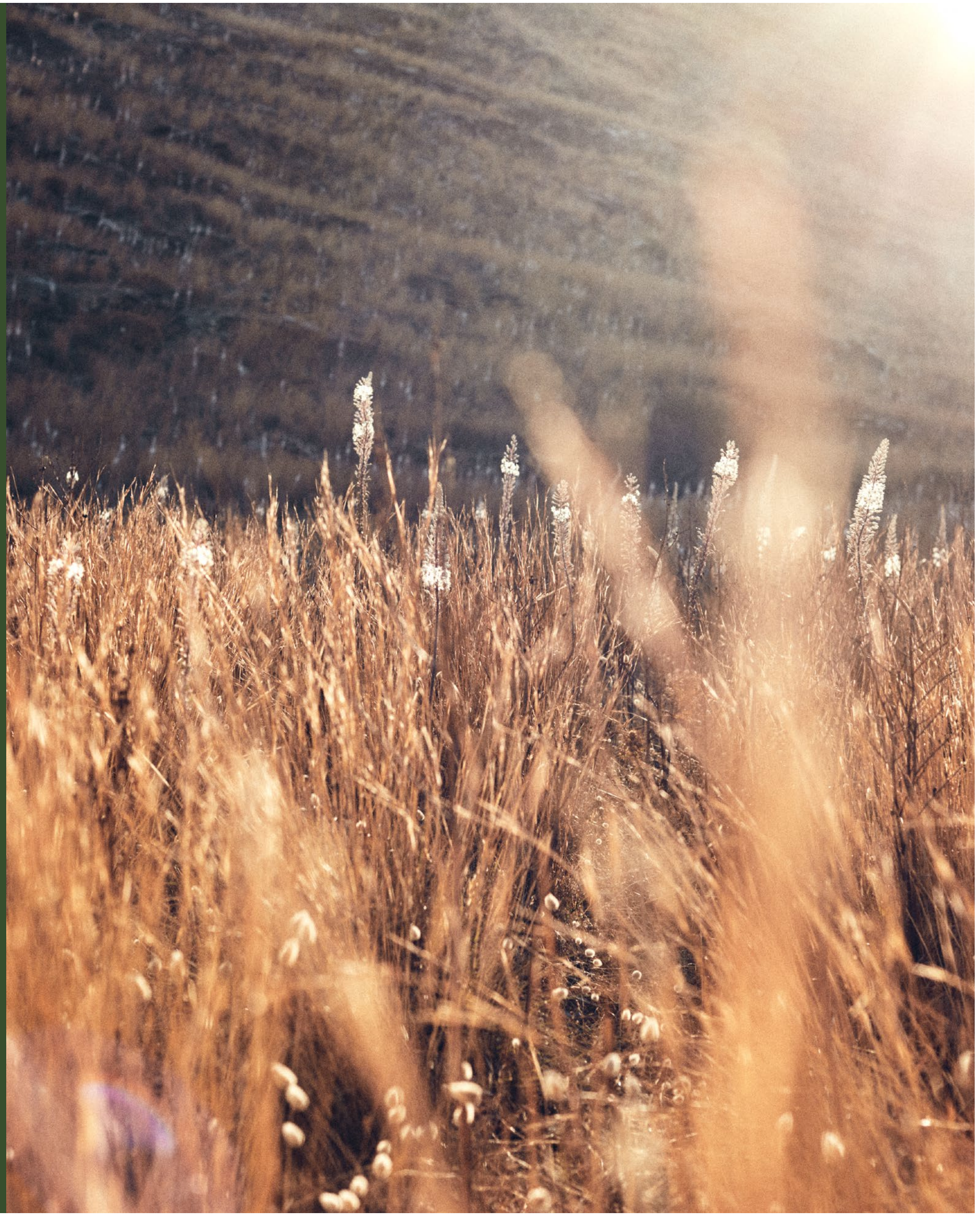
The table on the next page provides an overview of the important topics.

Double materiality analysis

	Financial materiality	Impact on the environment and society	Overview of topics	ESRS ref.	Description
Environment	✓	✓	**Climate change** *GHG emissions, energy consumption, adaptation*	E1	Primarily though value chain impacts with dependency to raw materials and logistics. Exposed to high emitting sectors in downstream value chain. Financial risks to adjust to "green" business model, production halt due to weather.
Environment	✓	✓	**Resource use and circular economy** *Resource input and output, (hazardous) waste*	E5	Dependency on raw materials and components, including scarce resources. Waste generation, also affected by limitations in defence sector. Financial opportunities related to reduced use of raw materials.
Environment	🔍	✓	**Biodiversity and ecosystems** *Biodiversity loss, species, ecosystem*	E4	Both negative impacts related to upstream value chain, but also positive downstream effect through our services. Financial materiality on watchlist as we learn more on financial opportunities and regulations to monitor marine ecosystems is under development. Reputational risk related to some activities.
Social	✓	✓	**Own workforce** *Working conditions (e.g. safety, human rights), equal treatment, other work-related rights*	S1	As a large employer we may affect workers both positively and negatively. Our operations involve manufacturing which is physical in nature and with exposure to chemicals etc. Some work at client sites (e.g. vessels, shipyards) which are less familiar. Industry is typically male dominated which may increase the risk of discrimination. Access to talent is critical.
Social		✓	**Workers in the value chain** *Working conditions (e.g. safety, human rights), equal treatment, other work-related rights*	S2	We rely on a large number of suppliers and sub-suppliers some of which are part of a global supply chain. Most of our suppliers are based in low-risk countries, but still involve production and extraction of nature resources that represents risks to workers in the value chain.
Governance	✓	✓	**Business ethics** *Corruption, supply chain, political engagement, tax, protection of whistle blowers*	G1	As a Norwegian organisation we can assert positive impacts to foreign operations with "export" of strong business ethics culture and sound work practices. Reliance on export control for certain areas of our operations. Financial risks related to reputation, fines and commercial opportunities.
Governance	✓		**Security & Cyber-security**		We hold information that is attractive to all markets where we operate, including national defence, and are because of this also a target. A cyber security breach can have financial consequences with business disruption, ransom, reputation, etc.

Environment

Caring for the Planet



Transition to a Net-Zero Society

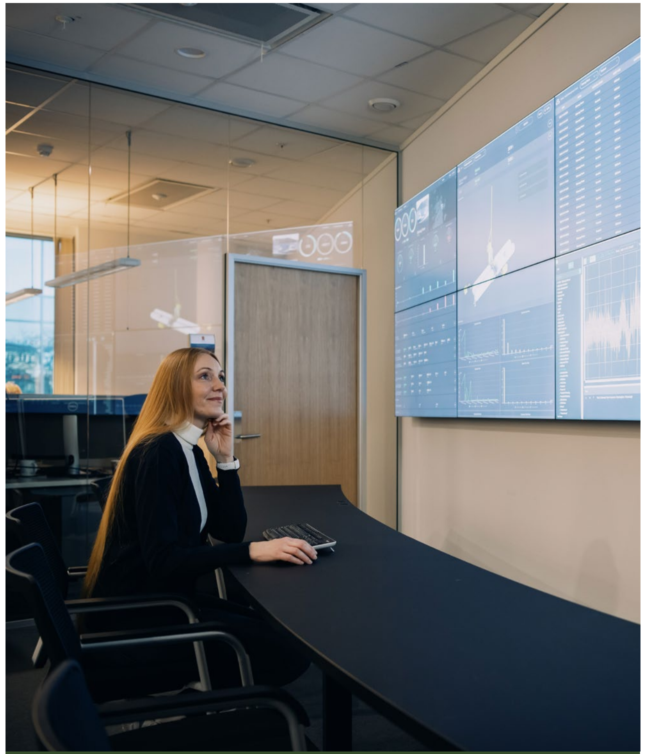
KONGSBERG recognises our responsibility and role in contributing to safe and stable societies and sustainable development. We aim to contribute to a just transition that is in line with the Paris Climate Agreement. It is imperative to reduce emissions, increase the share of renewable energy, and take care of nature. To meet the global climate goals, we must move quickly from words to actions. Our ambition is to achieve net zero emissions for our value chain by 2050. For us, it is an important priority and business opportunity. We will reduce emissions in our own operations, and work with our customers and suppliers to help them reach their climate goals.

In our first transition plan, we present how we work to contribute to a low-emission society and manage climate-related risks and opportunities associated with our operations.

The scope of opportunity and tools available to us to limit global warming will change over time, in line with developments in global markets, the sectors we are engaged in, and laws and regulations. We will develop the transition plan over time, in line with best practice, and developments in society and the industries we are part of. Our amtition is to offer competitive technologies and solutions that contribute to the green transition.

Climate change is one of the greatest global challenges of our time. The Intergovernmental Panel on Climate Change's Sixth Assessment Report (2023) confirmed that climate change is already affecting all regions of the Earth. Despite nearly 30 years of international climate negotiations, global greenhouse gas emissions continue to rise. What the world will look like in 2030 and 2050 is uncertain, but research suggests that the planet will become even warmer which will Increase the challenges associated with climate change adaptation and mitigation. This represents increased physical climate-related risk both for us directly and indirectly in our supply chain, as well as transition risks and opportunities associated with efforts to limit global warming.

Achieving the global ambitions to halve greenhouse gas emissions by 2030 and net zero emissions by 2050 requires major changes in society and this will affect the way we do business. We believe that an effective and predictable climate policy that facilitates green solutions and sets requirements for lower greenhouse gas emissions is necessary to succeed. The regulatory changes are largely taking place in the European context, where much of the legislation also impact us. During the COP28 global climate summit in Dubai, the parties reached a consensus for the first time on a "transition away from fossil fuels". This can act as a catalyst to the green transition and represents transition risks and opportunities for a technology company like us.



The ongoing transition offers great opportunities for a leading technology company like KONGSBERG, as the need for competitive, green technological solutions increases. At the same time, we must manage increased risks related to climate change and uncertainty in the speed and scale of the energy transition.

Risks and Opportunities in the Green Transition

Understanding the risk and opportunities is important in defining our strategies and plans to ensure we are robust enough to face the future and contribute to a zero-emission society. We are therefore working actively to identify and reduce climate risk across our business, at the same time as we work to strengthen our position and seize the accompanying opportunities.

Our process for identifying, assessing, and addressing climate-related risks and opportunities is carried out by the business areas on a quarterly basis. The process follows the ordinary risk management process according to ISO 14001. Both upsides and downsides are assessed, and possible economic or strategic impacts and actions identified. These assessments are raised to the relevant decision level and are evaluated on a quarterly basis by the Board of Directors.

In 2023, we have further developed our approach and made greater use of scenario analysis that informs our assessments, plans and strategies. Our approach is be based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). A complete overview of information reported in line with the TCFD framework can be found in the reference table in the Appendix on page 254.

An overview of relevant climate risks and opportunities is presented in the table on the next page.

Risk category	Climate-related risks		Climate-related opportunities	
	Description	Possible financial impact	Description	Possible financial impact
Physical	Acute risks, such as hurricanes and extreme weather events, pose physical threats related to personnel and asset operations. Acute and chronic risks, such as extreme weather events and changes in precipitation patterns and types, can cause supply chain disruptions.	Lost revenue due to production downtime. Increased costs to ensure safe working conditions. Increased costs and customer disruptions because of delays and purchases from alternative suppliers at higher costs.	More extreme weather can lead to increased demand for e.g. communication and surveillance technology and a higher demand for products adapted to extreme weather conditions.	Increased revenue from existing solutions, for example communication and surveillance technology and products adapted to extreme weather conditions.
Market	Need to establish new revenue streams, such as renewable energy, to replace decline in oil and gas revenue. Lost competitiveness in markets outside the EU that have less stringent sustainability-related requirements. Reduced supply of components and materials due to geopolitical conditions, changes in global value chains or physical risk. Reduced access to capital due to inability to meet sustainability requirements or targets.	Lost revenue from oil and gas not replaced by renewable revenue streams. Possibly lower margins from renewable revenue streams. Need for investments to adapt portfolio of product and solutions, possible need for M&A. Reduction in market share in markets with lower sustainability-related requirements due to higher production costs to meet demands by markets with higher sustainability-related requirements. This can lead to loss of revenue. Increased input costs and lost revenue related to reduced sales and reputation. Higher cost of capital due to less access to sources of funding. Reduced access to funding for suppliers increases their cost of capital, which may increase the cost of our raw materials.	May manage to benefit from early entry to new industries or technologies, such as aquaculture, offshore wind, hydrogen, digitalisation, alternative fuels, etc.	Increased revenue from new market opportunities and products.
Technology	Transition to renewable revenue streams and investment in green technology development not balanced with market demands for new technologies (too fast or too slow).	With late entry, we risk missing out on revenue, both in the short and long term. With early entry, we risk missing out on revenue related to development of established core positions. Lost revenue due to solutions that are not adapted to market demand, or costs spent on developing solutions that will not be the winners of the future. Lost income due to the inability to transition from existing mechanical, steel and casting products to sustainable products, either due to the ability of industry, availability of sustainable materials or cost of sustainable materials.	Increased demand for sustainable and circular products can make existing products and services more attractive and competitive. Disruptive technologies related to the maritime transition and low-carbon solutions can contribute to greater interest in integrated solutions and products.	Circular products can increase our attractiveness and ensure we remain regarded as a technology leader. Increased revenue from new solutions and products.
Policy & Legal	Introduction or increase of carbon tax, carbon pricing, volatile energy prices. More stringent criteria related to energy efficiency and sustainability for real estate and facilities. Reduced access to public funding for R&D due to stricter requirements for sustainable solutions/climate-related projects. Increased requirements for documentation and reporting related to climate and sustainability. Such as CSRD-ESRS reporting, the Green Claims Directive, the EU's digital product passport, the new Public Procurement Act in Norway.	Increased cost of raw materials. Higher costs related to real estate facilities due to tougher sustainability requirements. Increased cost of R&D due to lower access to funding. Increased administrative expenses to meet documentation and reporting requirements. Increased costs from suppliers.	Tougher regulatory requirements (e.g., IMO, EU ETS, Fit for 55) create demand for our solutions. Increased access to public funding for sustainable R&D due to prioritisation by governments on energy transition.	Increased revenue from existing products and solutions. Reduced costs related to relevant R&D, increased revenue from new revenue streams.
Reputation	Insufficient contribution to the green transition can make us less attractive to critical talent and other stakeholders.	Increased recruitment and retention costs if considered a less attractive employer. Miss out on revenue as the organisation is not able to meet growth expectations due to lack of skilled employees.	Transparency and commitment to sustainability, such as documentation of climate change impacts from products and ambitious climate targets.	Lower recruitment and marketing costs.

Mitigating actions

Physical risk

During 2023, we have experienced that physical climate risk increases in scope and frequency. We have conducted a pilot to gain greater insight into how this can affect us directly. The analysis has assessed the physical climate risk of our ten most important locations in Norway, with the aim of being able to take necessary measures to protect employees, property, and business operations.

The analysis has ranked the priority locations based on nine risks, such as flooding, rising sea levels and landslides.

Many of our deliveries are critical to ensuring national security and defence capability and it is therefore a high priority that we effectively identify, manage, and mitigate risks associated with our ability to deliver as agreed. Physical climate impact has been identified as a related risk factor. We have identified critical components and suppliers to establish alternative procurement strategies, qualify secondary suppliers, remediate project planning and inventory management, and adapt products for alternatives to single-source components.

Transition risks

Policy and legal

In 2023, rapidly evolving regulatory requirements and changes finally took shape which require concrete action plans. Based on the announced legal requirements, we conducted an analysis of environmental regulations in 2023. The analysis has revealed several further requirements which relevant to several functions in our business, across the business areas.

We plan to conduct a carbon pricing analysis during 2024 to gain a better understanding of the financial implications related to the Carbon Border Adjustment Mechanism (CBAM), and to gain better strategic insight into what this could mean for future resource use.

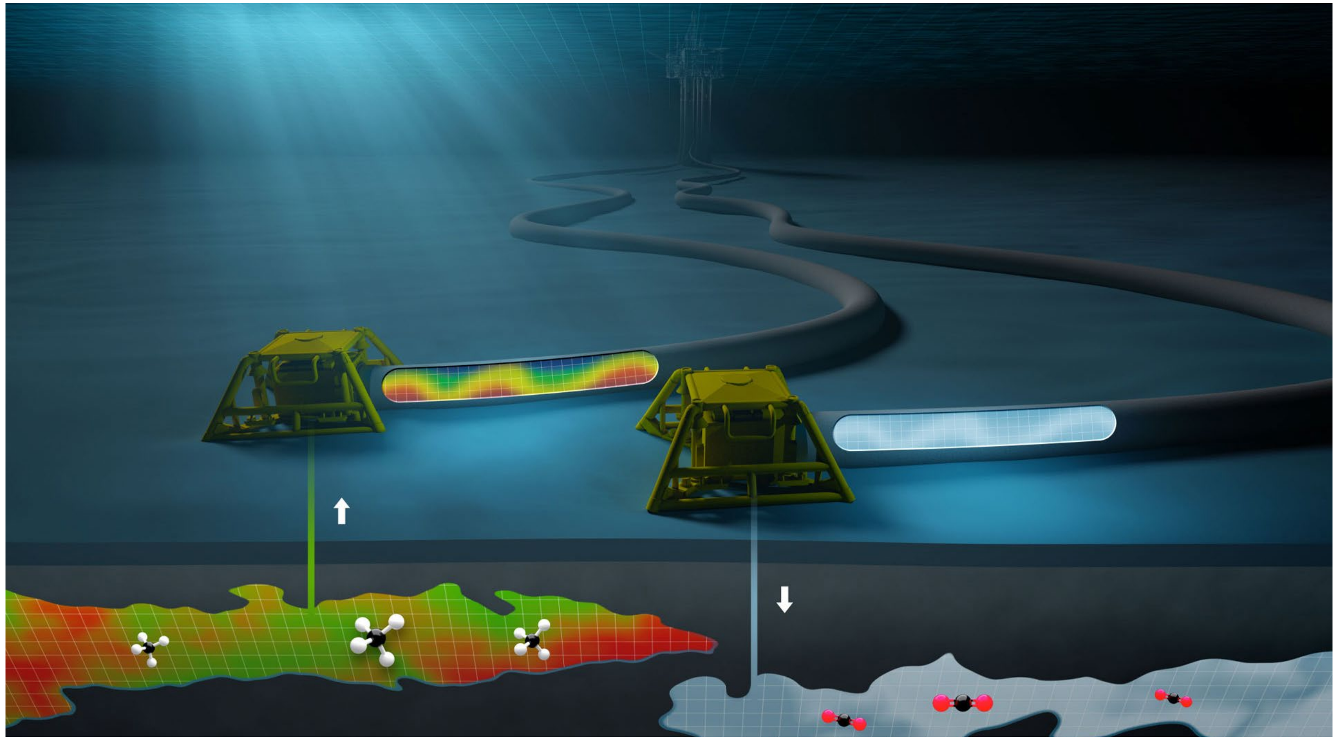
Market and technology

Parts of our operations have significant exposure to the oil and gas industry and are, therefore, particularly exposed to climate-related transition risk. Strategic projects and action plans have been established, and decarbonisation represents a central pillar in our strategy. The maritime transition is underway and there is potential in a growing market for our broad product portfolio and integrated solutions. We position ourselves as an important partner to deliver the technology which can lead to a carbon neutral ocean economy.

Our digital solutions enable the reduction of greenhouse gas emissions in industrial operations and help establish low-carbon technologies such as carbon capture and storage. The Digital Twin concept is transferable to renewable industries, such as offshore wind, and the risk related to stranded assets is considered low.

Reputational risk

Our science based climate targets were approved by the Science Based Targets initative in 2023. We take an active role to contribute to the transition to a zero-emission society with activities across the value chain.

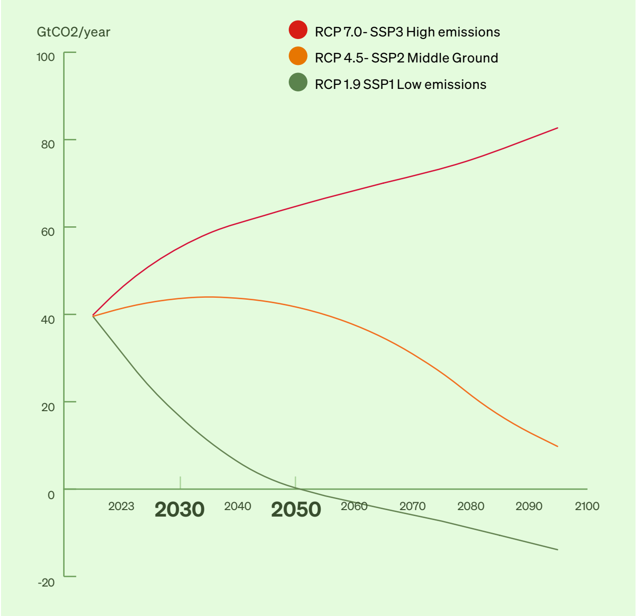


Stress testing risks against scenarios

By evaluating future scenarios, we can challenge established perceptions, inform our strategic decisions and strengthen our ability to face an uncertain future. It is the low-emissions scenario we are working towards, while at the same time being prepared for other outcomes.

In 2022, we introduced scenarios for low-emission and high-emission futures. We have now added a further 'middle ground' scenario based on current trends. The well-established global scenarios are published by the IPCC; SSP1 - RCP1.9 (low emissions), SSP2 - RCP4.5 (middle ground), and SSP3 - RCP7.0 (high emissions). Please refer to the graph below for a description of the three scenarios.

This year, we are expanding our analysis to include assessments of the selected scenarios with a long-term time frame of 2050. We have focused on the vulnerabilities and opportunities that are considered to have the highest impact on us, and those with the highest degree of uncertainty.



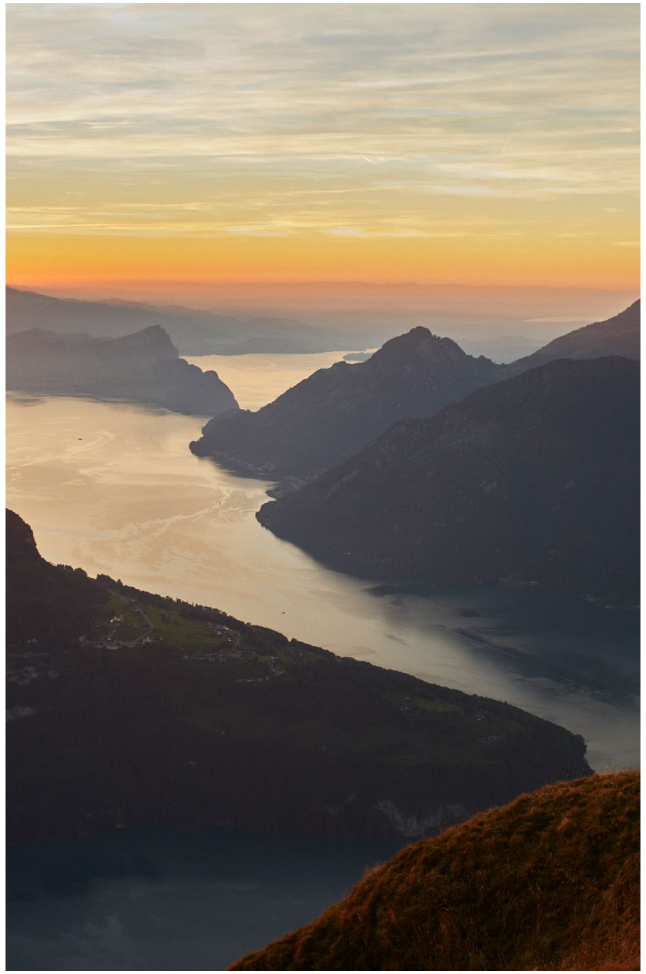
With a global presence and customers in defence, space, energy, maritime and marine resources, our business areas are exposed to climate risk to varying degrees. Key findings include:

- As a Group, we are exposed to physical climate risk in all future scenarios, but the business areas are exposed to varying degrees.
- The three scenarios highlight uncertainty about the timing and scope of the transition in the energy sector, and how changes in the energy mix will affect demand for our products and services – for example related to developments in oil and gas, renewables, and related alternative fuels for maritime transport. Low-emission technologies such as carbon capture and storage are expected to be relevant across the scenarios.
- The maritime sector is increasingly influenced by climate policies and regulations in some markets (Europe) and in a global context (IMO). The sector is changing, and decarbonisation is expected to remain amongst the key macro drivers across the three scenarios in both the 2030 and 2050 perspective.
- The defence sector expects an increased degree of climate-related regulations, which may affect customer requirements in the sector over time. In a high-emissions scenario, climate is expected to be less significant in a global context, but for Norwegian and European companies, this sector is also expected to contribute to the green transition.

Stricter climate-related legal requirements, the transition from fossil to renewable energy sources and changes in customer needs and demand could affect us both operationally and financially. In the climate-related risk scenario, we have estimated risks of NOK 0.5-1.0 billion in the medium and long term.

At the same time, we see a far greater scope for opportunities related to the energy transition, where we are committed and well positioned to take significantly larger market shares. There is a real increase in orders directly related to the transition, especially in the maritime sector. We expect increased demand for our solutions for surveillance and monitoring related to weather data due to climate change and adaptation. Overall, the scope of opportunity is estimated at more than NOK 10 billion in the medium and long term.

Our ambition is to be at the forefront of the transition to a low emission society, by offering technology and solutions that contribute to the transition and seize the opportunities to create the value it represents. We continuously assess opportunities in new industries and segments and develop existing and new products and services to contribute to the transformation our customers are facing. Our technology is largely transferable across industry verticals.



An Action-Oriented Plan Towards Net Zero Emissions by 2050

Our vision is to take a leading role in achieving global climate goals, while creating long-term value for shareholders and society. Our most important contribution is therefore to translate our technology and expertise into competitive and sustainable solutions for the market. In parallel, we will also reduce emissions directly and indirectly relating to our operations. We will be aware of our carbon footprint and energy consumption in the value chain perspective and implement the most effective measures to improve towards net zero emissions. This work involves the entire Group and motivate and strengthen our culture of innovation and improvement. It is an important part of our value proposition and a meaningful journey of change for everyone who works at KONGSBERG. To summarise, it provides strategic direction for how we respond to the opportunities and challenges related to the transition to a net zero society.

2023 was an important year for concretising our strategy and a portfolio of objectives with a clear course towards 2050. By incorporating sustainability and climate into our corporate strategy, we emphasise that the transition to a sustainable society is one of the most important macro drivers for our business. The ambition to drive sustainable change affects business development and capital allocation, as climate-related criteria and assessments are integrated into investment decisions. In the Group's technology strategy, sustainability is also among the criteria in product development, supported by guidelines for material selection and circularity in the design process.

To achieve our sustainability goals and reducing greenhouse gas emissions, corporate governance must also be aligned with this agenda. We ensure this through several measures. When electing board members, emphasis is placed on the company's need for expertise, and the board's work is organised with its own audit and sustainability committee, where qualifications in accounting and sustainability are amongst the requirements. The Board of Directors has overall responsibility for assessing and approving the corporate strategy and the Group's transition plan. Information and courses are offered to management and the board. The CEO and executive vice presidents have individual sustainability goals, which include the reduction of greenhouse gas emissions, which are linked to their compensation.

We are building knowledge and awareness in the organisation of how we can contribute to the transformation society is facing and help drive sustainable results. The biggest change for employees is related to taking sustainability and climate goals into account to a greater extent and assessing and contributing to goal attainment through each role. This is reflected today in our purpose, business ethics guidelines, values, strategy, and targets.

→ Approval of our science-based targets
- This is an important recognition of KONGSBERG's efforts to contribute to reducing both greenhouse gas emissions from our own operations, as well as emissions from our value chain, and a significant aspect of our journey towards net zero by 2050, says President and CEO Geir Håøy. The approval from SBTi represents a significant milestone, but the real work is ahead of us. Both to reduce emissions and to capture business opportunities in the transition to a sustainable society. Together with innovative colleagues, visionary customers and policy makers, we are determined to contribute to a better tomorrow, says Håøy.

→ This is SBTi
SBTi is a partnership between the World Wide Fund for Nature (WWF), the World Resources Institute (WRI), the UN Global Compact (UNGC) and CDP with the aim to "enable companies to set ambitious emissions reduction targets in line with the latest climate science". SBTi is recognised as the best international practice for validating companies' climate targets.

→ Applied SBTi-methodology
KONGSBERG has applied SBTi's general method to establish our targets. There are no defined sector specific approach for our business areas. The methodology involves to establish a baseline for GHG emissions, determine what emission pathways to include in the science based targets, define targets and monitor progress. The methodology is a strict framework for companies to comply with when they establish actions to limit climate change.

Our climate targets

It is urgent that we reduce emissions, and we have given priority to establishing targets and action plans that ensure that we work purposefully towards 2030. These are strategic choices which we consider to be right for our owners, customers, and society at large.

In December 2023 SBTi confirmed that KONGSBERG's climate targets towards 2030 are in line with climate science and the Paris Climate Agreement's goal of limiting global warming to 1.5 degrees.

The largest emissions in our greenhouse gas inventory are related to our value chain, specifically Purchase of goods and services (scope 3, category 1) and Use of sold products (scope 3, category 11).

Our science-based targets for 2030 include:

- Reduce absolute scope 1 greenhouse gas emissions[1] by 55 per cent by 2030.
- Increase annual procurement of renewable energy to 100 per cent by 2030[2].
- Engage 67 per cent of KONGSBERG's suppliers[3] to set their own science-based targets by 2027.
- Reduce absolute greenhouse gas emissions from the use of sold products by 25 per cent by 2030[4].

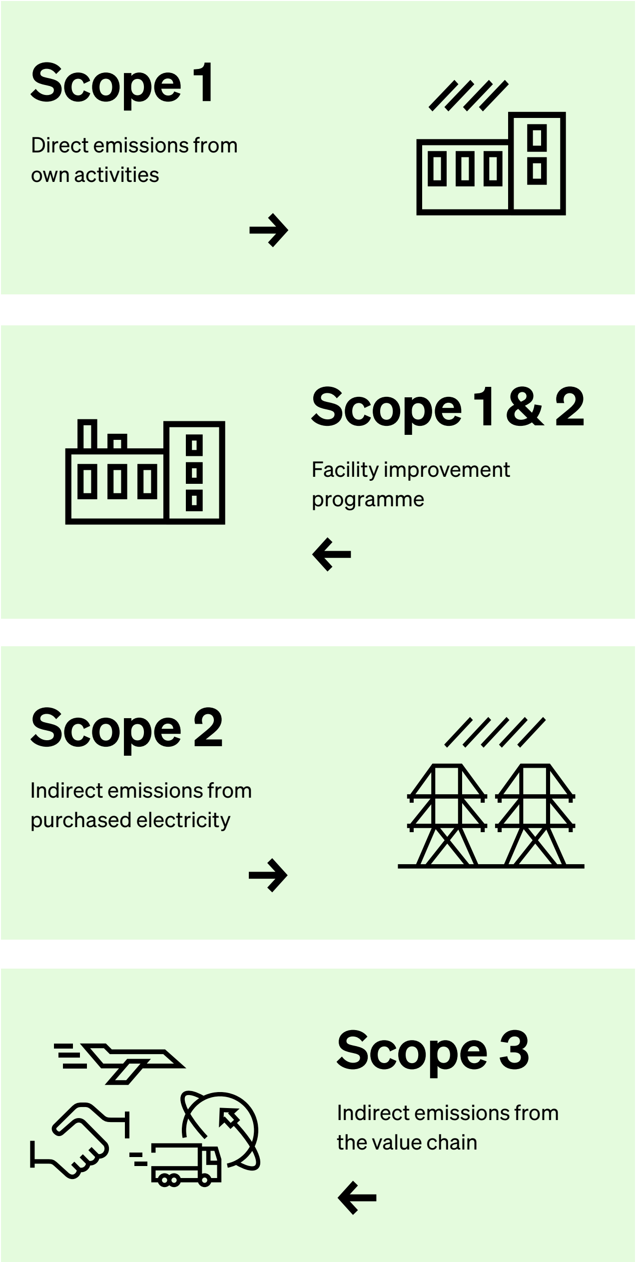
In addition, we have intensity targets which are of strategic importance given our growth ambitions. This means that our value creation will increase at the same time as we reduce our emissions.

- 25 per cent reduction in energy consumption through energy efficiency measures by 2030[5].
- 25 per cent reduction in greenhouse gas emissions from transport and distribution by 2030[6].
- 30 per cent reduction in greenhouse gas emissions from business travel by air by 2030[7].

A complete greenhouse gas accounting as the basis for science-based targets

A presentation of a complete greenhouse gas inventory has been an important prerequisite for establishing our goal, and we are therefore proud to be able to present a complete greenhouse gas accounting for the first time.

We have been reporting for several years In line with the GHG protocol. Since the base year of 2019, we have reported on the scope 1 and 2 emission sources, as well as upstream logistics and business travel in scope 3. This year, we report for the first time on all relevant categories of scope 3. Some calculations are based on estimates, when actual data is not available. For instance, scope 3, category 1, which is calculated by use of conversion factors to estimate emissions for Purchase of goods and services based on spend. This provides an an estimate of our supplier emissions, given the available data today and consists of a number of variables including product mix, sourcing location and currency. There are several categories within scope 3 which rely on assumptions and estimates and we will work to improve the accuracy over time. See the Appendix on page 250 to read our complete greenhouse gas accounting. The greenhouse gas accounting is part of our Annual and Sustainability Report and is audited with limited assurance by an external auditor.



1) Use of fossil fuels and fuels, base year 2019, includes land-based related emissions and removal from bioenergy and raw material.
2) Scope 2 - Use of electricity – market-based, base year 2019
3) Scope 3 Categories 1, 4 and 15, suppliers calculated by volume of purchases, base year 2022
4) Scope 3 - Base Year 2021
5) Base year 2019, intensity target: per m2 and/or per employee.
6) Base year 2020, intensity target: per tonnekm
7) Base year 2019, intensity target: per employee (number of heads).

Action plans to reach the climate targets

Based on the materiality principle, the analysis of the current situation and opportunities in decarbonisation, we have Introduced a number of initiatives to achieve our targets. All business areas have started to prepare local, detailed action and implementation plans.

The reduction of our own emissions will predominantly happen through the transition from fossil fuels to biofuels, increasing electrification of operations, working actively on more efficient energy management, and transitioning to more electric vehicles.

In 2023, we analysed our portfolio of Norwegian-owned buildings to map and plan climate and environmental measures. Sustainability assessment requirements were implemented relating to investments in new buildings and upgrades. As both owner and tenant, we will use our position to influence developments in the sector, while reducing emissions in our own operations through the most appropriate measures.

One example of such measures from 2023 is the establishment of Norway's largest renewable energy storage facility in Kongsberg Technology Park on behalf of Kongsberg Defence & Aerospace. The project involves the drilling of approximately 200 energy wells with a depth of 300 metres each, to exploit geothermal energy, or energy from ground source heat. This form of energy is known to be emission-free, quiet and renewable, and has minimal impact on nature. Compared to a traditional solution using purchased electricity in combination with fuel oil, consumption of electricity is reduced by approximately 17 per cent and consumption of fossil fuels by approximately 80 per cent. An overview of more measures are presented in the table.

In total, the combined scope 1 and 2 emissions will be reduced by near 100 per cent.

Climate targets	Scope	Extent	Decarbonisation measures	Performance so far
55% reduction of direct emissions from fossil fuels (absolute target).	1	All sources of fossil fuels	Reduce the use of fossil fuels by switching to environmentally friendly fuels and energy sources.	15% increase from base year.
25% reduction in energy consumption through energy efficiency (intensity target).	1 & 2	Life cycle of our buildings Manufacturing processes Services Behavioural change	Implementation of digital tools for planning, follow-up, and reporting Conduct energy analysis for existing buildings to identify and prioritise opportunities, costs, and investments for energy efficiency. This includes both maintenance and major investments such as the transition to alternative energy sources for buildings. Assessment of the most climate-friendly solutions in connection with new buildings and signing new leases. Employee training and campaigns.	11% reduction per employee from base year.
100% reduction of indirect emissions from purchased electricity and reduce emissions from district heating and district cooling (absolute target).	2	All purchased electricity, district heating and district cooling.	Procurement of certified renewable electricity will be phased in from 2023 (milestone: 80 per cent renewable energy by 2025 and 100 per cent by 2030). Engage district heating and cooling suppliers to reduce emissions by 55 per cent by 2030.	56% reduction from base year.
Engage 67% of KONGSBERG's suppliers (based on spend) to set their own science-based targets by 2027.	3	All suppliers	Program for our suppliers which includes conferences and webinars with information on how to set science-based climate targets, requirements for climate accounting. We follow up through our digital supplier system IntegrityNext. This will contribute to reduce emissions from our purchased products and services	Engaged 15% of suppliers (after costs).
25% reduction in emissions from the use of sold products (absolute target).	3	Total expected lifetime emissions from all relevant products sold in the reporting year, from the direct or indirect use phase.	Research and development of optimal solutions for, and together with, our customers. Strategic projects for (1) Increasing electrical integration, (2) A partner for the maritime transition, and (3) Digitalisation. Provide technology to reduce energy consumption, maximise energy efficiency and enable the use of clean energy sources and new, sustainable fuels.	32% increase in emissions from base year.
30% reduction in business travel (intensity target).	3	All business travel by air, excluding customer-paid travel (operating costs only).	Reduce flights per employee through use of online meetings, reduce the number of employees travelling to conferences, etc.	51% reduction in business travel from base year.
25% reduction in emissions from transport and distribution (intensity targets).	3	Transport and distribution paid for by KONGSBERG companies.	Optimise the mode of transport in cooperation with our carriers to reduce the total emissions per tonne-kilometre.	

Collaboration with suppliers and customers on climate solutions

To succeed in reducing emissions at the scale required, we depend on innovation and collaboration throughout the value chain, and we expect our suppliers and markets to develop in line with global climate goals.

Greenhouse gas emissions from our supply chain account for a large part of our total emissions. The goal of our supplier engagement program is for 67 per cent[1] of our suppliers to set their own science based targets by 2027. Improved access to data in the form of solid climate accounts is an important target in itself, in addition to delivering emission cuts.

We have a collaborative approach which is a good starting point for succeeding together with our suppliers. We will assess whether there is a need to further strengthen the requirements in our supplier agreements in respect to developments and goal attainment. For 2024, the target is to include 22 per cent of suppliers at Group level.

→ Absolute targets
Scope 1 and 2: Near 100 per cent reduction in 2030 from base year in 2019 (market-based calculation of scope 2)

Scope 3: 25 per cent reduction of emissions from the Use of products sold (category 11) in 2030 from the base year in 2019.

Dialogue for successful climate policy

To succeed in the decarbonisation of society, both private and public sector must engage with common visions and drive. Our customers, business partners and ourselves are all dependent on a predictable and stable climate policy that provides clear incentives for transition balanced with increasing regulations. As a technology supplier, our role is to develop competitive and effective solutions that reduce GHG emissions. We are open and transparent about what we believe is needed to succeed and engage constructively in several arenas. Dialogue and collaboration with customers and partners, authorities, academia and industry organisations are central. We support policies and framework conditions that help the world reach the global climate goals and believe the following areas are important from our perspective:

- Accelerate development of renewable energy sources including necessary infrastructure and value chains.
- Stimulate demand for renewable energy sources through effective and fair international and national measures. This includes efficient carbon market mechanisms and the pricing of greenhouse gas emissions as well as the use of contracts for difference to support the development of alternative fuels and renewable energy.
- Development and scaling of pre-commercial low- and zero-emission solutions at all technology readiness levels (TRL) through research and development funding, measures to reduce investment risk and investments in enabling infrastructure.

In the chapter on Political Engagement, we present our commitment and partnership to drive change in more detail.

"To succeed in the decarbonisation of society, both private and public sector must engage with common visions and drive."

→ LCA – an important tool
Reliable climate and environmental data will increasingly be required across the markets in which we operate and will provide us with important information. Life Cycle Assessments (LCA) is one of the methods that will support us in our work on the transition to a zero-emission society. Understanding our own value chain and the impact throughout the product cycle will enable us to take control of the total carbon footprint of our products, set the right priorities in our improvement work, and be a source for product innovation and emission cuts.

Currently we rely on estimates, like many other companies, but our goal over time is to base analyses and decisions on reliable and verifiable data.

Decarbonising shipping at the core of our strategy

In 2018, the International Maritime Organization (IMO) adopted the first climate strategy for reducing greenhouse gas emissions from ships. This strategy was updated and strengthened in 2023, reaffirming the IMO's commitment to reducing greenhouse gas emissions from international shipping and phasing them out as soon as possible.

In parallel, the EU has set an ambition to be climate-neutral by 2050. As part of the European Green Deal, the European Commission has presented Fit for 55, which is the EU's plan to reduce greenhouse gas emissions by at least 55 per cent by 2030 compared to 1990 levels in line with the European Climate Act.

These political ambitions and subsequent regulations are a driving force for the adaptation of new technology in the global shipping industry. Customer demand and regulatory requirements are driving a commercial pull for clean fuels. However, it is clear that the targets cannot be achieved by switching to emission-free fuel for all ships. First, there are not enough low- or zero-emission fuels available in the world to meet industry demand. Secondly, it will take time to develop the necessary infrastructure on land for ships to be able to refuel with the fuel required. Thirdly, fuel selection will vary between different ship segments, depending on

1) Spend-based

the type of ship and the operating profile. It will, therefore, require a number of technologies and solutions to transform the maritime sector in accordance with existing and forthcoming environmental regulations. It is also expected that low carbon fuels will be expensive, so reducing consumption of fuel is key to achieve an economically sustainable operation.

- Energy saving, electrification, and efficiency improvements are becoming more important.
- Knowing and understanding your own emissions data will be business critical.
- Demand for low- and zero-emission fuels increases.
- The market for shore power will grow, providing electric power for vessels hotel load while in port, and for charging batteries.

For a broad-ranged technology provider like KONGSBERG, it is essential to understand these challenges, how they will affect the operations of our customers, and to partner with them to find viable system solutions that will enable customers to meet the requirements. A wide range of offerings from our portfolio enables us to present solutions for energy saving and efficiency improvements as well as making use of new fuels and power sources (see illustration).

KONGSBERG equipment is on board more than 33,000 vessels worldwide. We see it as a duty to support customers with upgrading ships and fleets in line with long term planning of fleet and vessel upgrades to become compliant with the increasingly stringent measures of the global and local regulations. This is equally as important as supporting owners in building new and future ready ships. An important activity of the EU taxonomy related to this is the Retrofitting of sea and coastal freight and passenger water transport under the environmental objective of Climate change mitigation. This is an important activity for our taxonomy reporting and a focus area for the future where we are already experiencing growth.

Standardised navy vessels to the fleet

The maritime transformation related to climate and environmental strategy influence also the armed forces. It is expected that the Norwegian Parliament will decide the future naval surface fleet before the end of 2024.

The Norwegian Armed Forces has committed to reduce its greenhouse gas emissions by 20 per cent by 2030, in relation to 2019 levels. The Royal Norwegian Navy's vessels currently represent around 60 per cent of the Norwegian Armed Forces' total emissions. A future naval fleet may be the biggest contribution to reducing its environmental footprint. Solutions to reduce emissions, while at the same time maintaining high standards in terms of defence performance, both endurance and reliability, will gradually be introduced in the coming years.

The Norwegian Defence Research Establishment (FFI) study "The zero emission defence – a review of climate-friendly technology for the Norwegian Armed Forces"[1)], has a clear statement: "The decision concerning a new maritime surface structure is the single decision that will have the greatest impact for the defence sector's direct greenhouse gas emissions in the decades to come".

We are convinced that it will be possible to supply new vessels to the Royal Norwegian Navy with world-leading Norwegian technology for low emissions. The Norwegian maritime industry world class products and knowledge can be used to achieve value and efficient through-life support.

To summarise, decarbonisation of the maritime sector is one of the mainstays of our strategy. Our ambition is to act as a partner to our customers in order to succeed with the energy transition. This is reflected in our ambitious climate targets to reduce emissions from the value chain.

Transition in partnership with customers

→ Terntank and Kongsberg Maritime won Nor-Shipping's Next Generation Ship Award 2023
The Danish shipping company will build three 15,000 DWT hybrid tankers that can run on diesel, biofuel or methanol, and feature wind-assist technology in addition to Terntank's own battery-powered Hybrid Solution®. Kongsberg Maritime provided design, engineering and equipment for the vessels.

The new Terntank tankers will reduce the carbon footprint by using a combination of decarbonisation technologies. The wind-assist technology alone is expected to reduce emissions by up to 19 per cent. The new vessels will also have an Energy Efficiency Design Index (EEDI) which is up to 40 per cent lower than the IMO's 2025 phase 3 requirements.

→ Environmental collaboration with Solstad Offshore
Kongsberg Maritime and Solstad Offshore have entered into a collaboration agreement in which they will identify and test technology that will contribute to the decarbonisation of Solstad's fleet.

Solstad Offshore is one of the world's largest offshore shipping companies and has 40 ships that sail all around the world. All the ships have Kongsberg Maritime technology on-board from before.

The two companies will work together to identify methods and technologies that can optimise the use of fuel and reduce greenhouse gas emissions in Solstad's large fleet of ships. A crucial part of this involves the best possible use of new, digital technology for more efficient operations.

→ Upgrading and converting Italian ferries
In 2023 Kongsberg Maritime signed a major contract with the Italian shipping company Moby, an established player in the ferry market, to supply five ferries with Promas Lite/reblading for Moby's fleet of vessels. The collaboration between the two companies dates back to the 1970s when Moby first ventured into the ferry market.

The upgrade and refit of Moby's vessels will offer several advantages. The Promas system integrates the propeller, rudder, and rudder bulb into a single hydrodynamic efficient unit, optimising the vessel's propulsion efficiency. This improvement will result in reduced fuel consumption, lower operating costs and a significant reduction in greenhouse gas emissions.

→ Digitalisation enables emissions reductions
By using a digital twin of a ship's hull for an international shipping company, Kongsberg Digital has identified potential to reduce greenhouse gas emissions by more than 250 tonnes per year, per ship. If we use this as a basis for the entire world fleet, this technology alone has the potential to save up to 7 million tonnes of greenhouse gas emissions each year.

1) Forsvarets Forskningsinstitutt (FFI) 2023

Aiming to accelerate the energy transition

Technology for the energy transition[1], including production and use of renewable energy, is a strategic priority for KONGSBERG. Here we see opportunities both for new technology and strengthened market positions.

We have an ambition to increase our total revenues related to the energy transition of NOK 10 billion annually by 2030. In order to achieve this goal, we are dependent on organically scaling our existing products and services, and developing new products and solutions. In addition, we must assess inorganic opportunities through partnerships, investments and possibly M&A.

In order to strenghten and support the activity in our existing business areas, Kongsberg Renewables Technologies (KRT) was established in 2022. KRT will help identify, assess and implement inorganic growth opportunities for KONGSBERG related to the energy transition.

Kongsberg Renewables Technologies has a mandate to invest in a portfolio of energy transition companies, beyond what our business areas naturally deal with, with the goal of maturing successful investments in long-term industrial positions. The current portfolio includes: eSmart Systems AS (condition monitoring of electrical distribution networks); HydePoint AS (offshore green hydrogen production), and; Loke Marine Minerals AS (where our participation is focused on preparing solutions for resource mapping, environmental surveys and monitoring).

Financial planning

To facilitate the green transition, considerable investments are required, and climate-related risks and opportunities inform our financial planning. There is a need for investments both in existing technology to reduce emissions, and in the development of new technologies, solutions and business models that can drive the transition. The majority of our investments are linked to product development which mainly supports new sustainable solutions while the remainder supports the refinement of existing products. Read more about innovation for the climate and environment in the chapter "Driving sustainable change".

In 2023, we ensured that the investments planned to deliver on the goals related to the reduction of our own emissions were incorporated into the budget process. This includes moderate costs, just shy of MNOK 10, related to guarantees of origin (renewable energy certificates) and the marginal cost of biofuel.

We have also implemented a new directive for sustainability assessments that establishes a solid framework for assessing sustainability and climate as part of our investment decisions and business development. The main emphasis of our capital-intensive assets is associated with production facilities and other property. Establishing climate-related considerations in the decisions we take is therefore important in reducing the risk of potential locked-in GHG emissions as much as possible.

In connection with publishing the Annual and Sustainability Report for 2022, we disclosed our first voluntary EU taxonomy report and this year we are expanding the report further. Please refer to the separate chapter on EU Taxonomy on page 57 and the full report available on our website. Our experience with the taxonomy has clarified that just a small part of our business is included in the prioritised activities that are currently defined. The result of this is that the EU taxonomy is not an optimal tool to provide complete insight into and understanding of our sustainable investments and revenue. As a result, we have established a process with the aim of mapping which products and technologies contribute to the green transition.

The Road to 2050

The plan presented in this report focuses on the period up to 2030, which is an important milestone both for us and the international community. We know where we need to be in 2050, but there is uncertainty in what the road leading there will look like. In the future we will work in a targeted way to deliver on our plans, and develop measures adapted to the markets in which we are engaged, our positions and scope for opportunities. We will continue to engage the organisation and other stakeholders to build knowledge on how to develop effective solutions that drive and support the transition throughout the value chain. Transitioning to a net zero society is an iterative process, and in connection with our strategic processes, we will assess the external and internal development and adjust to maintain the most effective course possible towards the target. In the future we also want to include nature and the circular economy in our transition planning to a greater extent. These are central and important themes for the Group, which we are working to analyse and develop. We will report openly and regularly on the progress.

1) In this context, the energy transition market is considered to include technologies and solutions that are primarily intended to contribute to a low emissions future. Such technologies and solutions will include among other things production, conversion and distribution of renewable energy, as well as carbon capture, use and storage (CCUS) for industries and applications that are difficult to decarbonise.

Climate

Climate Results and Comments

In this chapter, we present results for 2023 and comment on the development of the Group's direct and indirect emissions.

We present, for the first time, a complete greenhouse gas emission inventory which includes all material categories within scope 3. This is an important prerequisite to establish targets to reduce emissions. The implication is a significant increase in the total reported greenhouse gas emissions compared to previous year's reporting. The introduction of seven new categories within scope 3 represents 18,241,918 ton CO2e of the greenhouse gas emissions for the year. Of this, 18,206,100 ton CO2e is related to the categories Use of sold products and Purchased goods and services. The change in emissions related to direct and indirect emissions from own activities is reduced by 44 per cent from 2022, to 29,979 ton CO2e for 2023. A summary of emissions over time is presented in the table on the next page. A detailed greenhouse gas emission account is available in the Appendix Climate and environmental accounts for 2023.

Our Approach and Methodology

For several years, we have presented greenhouse gas emissions from our operations in the climate accounts based on the methodology established by the Greenhouse Gas Protocol (GHG). We have used consumption as a basis for our calculations, and converted this to greenhouse gas emissions, expressed in tonnes of CO2e.

In previous years, we have presented data for selected parts of our value chain (scope 3). For 2023, we have expanded our carbon footprint to cover the entire value chain (all relevant categories in scope 3), while also improving data for previous years. The chosen consolidation method for our greenhouse gas accounting is "Operational control", which means that emissions from companies we control are included, in our case for companies where we own more than 50 per cent. Emissions from companies where we are a minority owner are reported under scope 3, category 15 Investments.

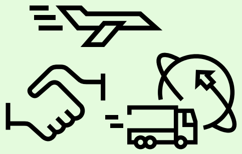
All our locations with more than 20 employees are included in the reporting. We are continuously working to improve the data quality, and have increased the number of reporting units from 44 in 2021 to 63 in 2022 and to 94 for 2023. This increase includes many smaller units, each with low emissions, which together are estimated at approximately two per cent of our total electricity consumption for 2023.

The result is a climate and environment accounting that provides an almost complete overview of our company and our value chain from 2021 onwards. The reporting covers more than 98 per cent of employees, and emissions from excluded units are estimated at less than two per cent. These accounts form the basis for measuring change in our greenhouse gas emissions. For a detailed description of the method for calculations of our greenhouse gas emissions in the Appendix "Basis for Preparation of the KONGSBERG Greenhouse Gas (GHG) Inventory".

From 2019, we have achieved a decrease in emissions from our own operations (scope 1 and 2). In 2023, we continued to reduce

	2019[1]	2020	2021	2022	2023
Scope 1 - Direct emissions	1 255	1 076	2 447	3 173	1 444
Scope 2 – Indirect emissions in own operations (market based approach)	54 974	51 034	53 056	48 890	28 535
Scope 3 – Indirect emissions in the value chain			13 873 541	18 040 748	18 280 984
Total emissions – direct and indirect			**13 929 044**	**18 092 811**	**18 310 963**
CO2e emissions relative to sales (tonnes/MNOK)	2.42	2.05	2.02	1.64	0.74
Co2e emissions relative to number of employees (tonnes/employees)	5.21	4.90	4.99	4.27	2.25

The figures for CO2 emissions relative to sales and number of employees are calculated from emissions in scope 1 and 2.



Scope 3

Represents **98.8%** of our complete greenhouse gas emissions[2)]

our greenhouse gas emissions, both in absolute numbers (total) and relative to revenue and number of employees. We have set ambitious science based targets for 2030, to reduce emissions both in our own operations and in our value chain.

For scope 1 and 2, 2019 has been chosen as the base year, as it is considered the most relevant comparable year, before the "Covid-19 years" of 2020 and 2021.

Our largest emissions category is Use of sold products. This is partly due to the fact that many of our products are linked to the consumption of fossil fuels, but also that the calculation includes all expected emissions throughout the expected lifetime of the products we have sold. For most of our products we have calculated a lifespan of 25 years.

1) Base year

2) Total scope 3 emissions are to a large degree based on estimates which affect the accuracy of the reported emissions.

Greenhouse Gas Emissions in Our Own Operations

Greenhouse gas emissions in our own operations include direct emissions (scope 1) and indirect emissions from purchased energy (scope 2).

Direct emissions from fossil energy sources (scope 1)

Our direct scope 1 emissions have increased by 15 per cent from the base year of 2019, and reduced by 55 per cent compared to 2022.

The scope 1 emissions consists of consumption of fossil fuels by the business areas, and consumption in connection with the production of district heating in Kongsberg Technology Park.

The relatively large increase in emissions from 2020 to 2021 and 2022 is mainly due to increased use of fuel oil for the production of district heating in Kongsberg Technology Park. From November 2022, we shifted from the use of fossil fuels to biofuels. Even though the use of fuel oil has been replaced by biofuel throughout 2023, there has been less use of biofuels in 2023 compared to 2022, since electricity has been the main source for heat production. Consumption of fossil fuels outside Kongsberg Technology Park, has in isolation been reduced by 13 per cent from base year 2019, and by nine per cent from 2022.

The increased in scope 1 emissions from the 2019 base year has several reasons. From 2019 to 2023 there has been an increase in the number of reporting units, and some units have reported on an increased number of sources for fossil fuel consumption. The reporting has increased in scope and quality during the past five years. During this time, the activity in the company has also increased.

See the detailed overview in the Appendix "Climate and environmental accounts for 2023".

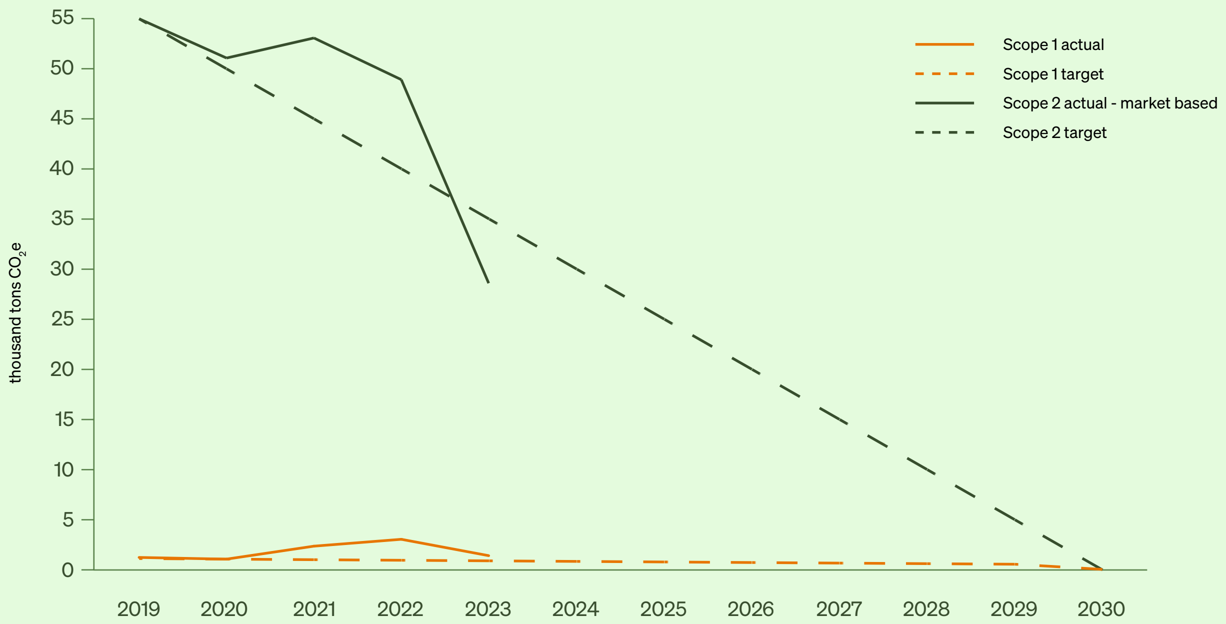
Indirect emissions from purchased energy – electricity and district heating and cooling (scope 2)

According to the GHG protocol, scope 2 emissions should be calculated in two ways; location-based and market-based.

Market-based calculation

This method includes market mechanisms in the calculation, and the amount of emissions will depend on whether electricity is bought with or without guarantees of origin (certified renewable electricity).

For 2023, we have purchased guaranteed renewable electricity for a volume of 75,078 MWh. With reference to the 2022 consumption, we have purchased 60 per cent electricity with guarantees of origin for 2023, this share will be increased to 70 per cent for 2024, 80 per cent for 2025, and 100 per cent for 2030.



Guarantees of origin is a system for tracking and guaranteeing the origin of electricity and was introduced with the EU's first Renewable Energy Directive[1] in 2001 to give consumers a choice between renewable and non-renewable power. For the share of our consumption where we have purchased such guarantees, the emissions are set at 0 grams of CO2e/kWh. This explains the large change measured for 2023 versus the previous year and base year of 2019. We have chosen guarantees of origin that are linked to Nordic wind and that include consideration for social conditions. Read more about it on the EKOenergy website.

Location-based calculation

This method calculates emissions based on where the electricity is consumed and how the electricity is produced in that geography. The increase in consumption from 2022 to 2023 when calculated using the location-based method is due to increased activity, as well as a shift from the use of fossil fuels (scope 1) to electricity (scope 2).

	2019[1]	2020	2021	2022	2023
Emissions in tCO_2e	9 582	8 297	7 948	6 954	8 699

Energy consumption (scope 1 and 2)

Our energy consumption comes in the form of electricity, district heating, district cooling, and various fossil fuels. In addition, energy is used in Kongsberg Technology Park to produce district heating, district cooling and compressed air for businesses in the technology park. Efficient technology makes it possible to recover 20 to 27 GWh at the Kongsberg Technology Park plant. A total of 25 GWh was produced in 2023. About half of the heat that was recovered is delivered to other businesses in the technology park.

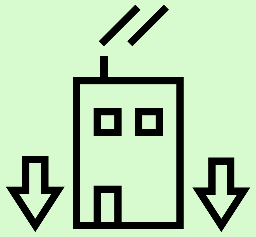
Our Energy Efficiency Program

To ensure achievement of our science-based climate targets for scope 1 and 2, we have established an energy efficiency program. The program includes measures such as the implementation of digital tools for planning, follow-up, and reporting of energy consumption in buildings and production facilities. We have conducted energy analyses for existing buildings to identify and prioritise opportunities, costs and investments for energy efficiency measures. This includes both maintenance and major investments, such as the transition to alternative energy sources for buildings. We make assessments and seek to choose climate-friendly solutions in connection with investment in new buildings and when we enter into new leasing contracts. The trend shows a reduction from the base year 2019, and compared to last year. We manage to increase revenue and the number of employees, without a comparable increase in energy consumption. The energy efficiency programme is expected to continue with good results in the coming years, as the measures in the business areas are phased in and will have an effect.

Energy intensity	2019[1]	2020	2021	2022	2023
Energy consumption relative per employee (MWh/employee	14.8	14.0	15.4	13.9	13.1

Target

25%



reduction in energy consumption through energy efficiency measures by 2030

1) Base year

Greenhouse Gas Emissions in the Value Chain (Scope 3)

During 2023 we have worked to establish a climate accounting inventory which considers all relevant scope 3 categories in our value chain, based on the GHG protocol. All relevant categories have been calculated using accurate data where available, or by estimates where data are not possible to obtain with a sufficient degree of precision. We have chosen 2021 as the base year for our scope 3 targets due to challenges in obtaining reliable and complete historical data. However, there are two exceptions to this. For business travel, we have chosen 2019 as the base year, as this was the last year of normal operations before the Covid-19 pandemic. For transport and distribution, we have chosen 2020 as the base year, as this was the first year we had comparable data. We are continuously working to improve data quality. Our calculations show that estimated emissions from the categories Purchased goods and services, and Use of sold products account for more than 90 per cent of our total greenhouse gas emissions. With this knowledge, we can prioritise and work targeted to reduce these emissions. The Appendix "Climate and environmental accounts for 2023" presents figures and comments for all the relevant categories in scope 3.

Results for our scope 3 climate targets

We have established four climate targets to contribute to reduce our scope 3 emissions. The table below summarise the targets and performance.

		Performance 2023	Target
Climate target related to Purchased goods and services	Engage our suppliers (based on spend) to set their own science-based targets (engagement target)	15%	67% by 2027
Climate target related to the Use of sold products	Reduce GHG emissions from Use of sold products (absolute target)	32% increase	25% reduction by 2030
Climate target related to Transport and distribution	Reducte GHG emissions from Transport and distribution (intensity target)	Not available	25% reduction by 2030
Climate target related to Business travel	Reduce GHG emissions from business travel by air (intensity target)	51% reduction	30% by 2030

Relevant Scope 3 categories

1. Purchased goods and services
2. Capital goods
3. Fuel and Energy related activities
4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel
7. Employee commuting
8. Upstream leased assets
9. Downstream transportation and distribution
11. Use of sold products
12. End-of-life treatment of sold products
13. Downstream leased assets
15. Investments

The categories that are not relevant are:

10. Processing of sold products
14. Franchises

Climate target related to Purchased Goods and Services

Engage 67 per cent of KONGSBERG's suppliers (based on spend) to set their own science-based targets by 2027 (engagement target)

In order to reduce emissions from purchase of goods and services, we have chosen an engagement target and contribute to have our suppliers set their own science based targets in line with the Paris Agreement. We believe this is the most efficient way to contribute to reduce emissions from the products and services we purchase, while it will also enable an improvement in data quality and contribute to a positive cross sectorial progress across different markets. In 2022, we established a program to organise the collaboration with our suppliers, to work targeted towards 2027. We host conferences and webinars for our suppliers, share information in various ways and follow up through our digital supplier system IntegrityNext.

15 per cent of our suppliers have set their own science-based climate targets by the end of 2023, which is above the target for the year at 10 per cent.

Climate target related to the Use of Sold Products

Reduce absolute greenhouse gas emissions from Use of sold products by 25 per cent by 2030

The calculation of emissions from sold products includes all expected emissions for the products sold in the reporting year, and the emissions they will generate through their entire lifetime, from direct or indirect use. See a detailed description of the calculation method for our greenhouse gas accounting in the Appendix "Basis for preparation of the KONGSBERG Greenhouse Gas (GHG) inventory".

To achieve this target, we will continue our product development to find optimal and sustainable solutions for our customers, particularly in our maritime business, which constitute the most significant part of estimated emissions in this category. We will continue to develop electrification of our products, be a partner and advisor in the transition from fossil to renewable energy sources, and enable digitalisation and value creation. We will offer technology to reduce energy consumption, maximise energy efficiency and enable the use of clean energy sources and sustainable fuels.

Achievement of this climate target will largely be influenced and dependent on external factors, such as the products our customers order and the rate at which regulations and standards evolve within the maritime industry. The type of products we sell in each year will affect the calculation of the annual emissions, and variations from year to year may occur as a result. Read more about this in the chapter "Transition to a Net-Zero Society".

We expect emissions reductions for sold products to increase towards the end of the planning period, coinciding with the implementation of stricter regulatory requirements and standards, which are expected to enter into force closer to 2030.

Climate target related to Transport and Distribution

25 per cent reduction in greenhouse gas emissions from transport and distribution by 2030 (intensity target)

Transport service providers are also included in the target related to Purhcased goods and services. In addition, we work with our suppliers to find more environmentally friendly transport methods, and we make environmental assessments when selecting transport services and suppliers. Therefore, we have a specific target for our transport and logistics partners, in addition to the engagement target for all suppliers. We will measure and reduce emissions intensity from transport and distribution (upstream) by 25 per cent by 2030, measured in emissions (gCO2e) per tonnekm (tkm), a calculation including transported weight and transported distance. The base year is 2020, which was the first year we had comparable data.

We work closely with our strategic logistics partners to improve data quality, including measuring and reporting emission intensity for different types of transport modes, such as air freight, sea, road and rail. We ensure that these intensity figures are comparable between transport types and different suppliers, and plan to start reporting comparable emission intensity figures from 2024.

Our evaluation of the results for 2023 shows that freight volumes were higher compared to 2022, but we see improvements in emissions intensity. This is due to logistic improvements and increased use of sea transport instead of air freight. Overall, the development of emission intensity for transport and distribution, is in line with our 2030 target. We expect this positive trend to continue as a result of cooperation with our suppliers, societal development and the green transition in the transport sector in general.

Climate target related to Business Travel

30 per cent reduction in greenhouse gas emissions from business travel by air by 2030 (intensity target)

We aim to reduce flights per employee by increasing the use of online meetings and reducing the number of employees attending conferences. The target covers all own funded business travels by air.

We have chosen 2019 as the base year for this category as this was the last year before Covid-19 with close to normal operations. The result for 2023 shows a significant reduction in emissions measured per employee from 2019 by more than 60 per cent. We work to keep this at a low and stable level, so that we keep within the current target.

Transition to a circular economy

Transition to a Circular Economy

The world's natural resources are under increasing pressure. The global use of resources is closely tied to negative repercussions such as greenhouse gas emissions, climate change, loss of biodiversity, waste and pollution. It is crucial for the climate, nature and the environment that we use the resources we have far more efficiently and reduce the need to extract new, scarce resources. That is why it is important that we succeed in the transition to a circular economy.

The circular economy is an economic system whereby the value of products, materials and other resources in the economy is maintained over time. For us circularity is about keeping products, materials, equipment and infrastructure in our own and others' value chains for as long as possible.

We would like to play an active role in the global transition to a circular economy. We recognise circularity as a particularly important tool to achieve the ambition of net-zero emissions in 2050, and to preserve nature. At the same time, increased circularity will strengthen our robustness in terms of our business.

At KONGSBERG we have an interest in setting ambitious and realistic goals. Reliable data is therefore absolutely essential. Our work with circularity in 2023 has identified opportunities and challenges associated with resource use. While we continue working to prioritise identified measures, there is a need to improve the data linked to resource use even further in order to establish realistic targets at both Group level and for the various business areas.

Our approach

The circular economy and resource use is a material topic for KONGSBERG, and we are committed to address the associated impacts, risk and opportunities.

Our approach to the circular economy is an integral part of our business strategy, which was revised and adopted by the board in 2023. In order to succeed in the work involving circularity, all business areas have an important role.

Expectations and requirements are implemented in the form of directives and guidelines that contain principles for circularity in product design and materials management, as well as a description of data requirements. Through strategic projects, we are seeking to identify synergies, and deal with challenges and opportunities throughout the Group.

A significant part of our product portfolio comprises resource-intensive products that require significant non-virgin materials that generate considerable amounts of waste through the value chain. Important input factors for us include metals such as steel, aluminium, copper and iron – in addition to electrical and optical equipment and machinery. The use of resources and dependency on them also represent a financial risk for our company. Geopolitical and climatic conditions create uncertainty on future access to materials, and regulatory authorities are continuously tightening the related legal requirements. At the same time, we believe there are considerable business opportunities across the sectors in which we are engaged.

"For us circularity is about keeping products, materials, equipment and infrastructure in our own and others' value chains for as long as possible."

To succeed with the circular economy work it is therefore especially important for us to work in a targeted manner with product design, material technology, use of circular solutions and products, waste management and measures that prevent products becoming waste at the end of their service life. Our approach to the circular economy is therefore based on three main pillars that are incorporated into our business models, policies and processes throughout the company:

Design for circularity:
We work to design products and services for circularity, so that they can be reused, repaired or recycled at the end of life.

Resource efficiency:
We work to use resources more efficiently in all our operations in order to reduce waste and minimise our environmental impact.

Collaboration and innovation:
We recognise that to achieve a circular economy requires collaboration and innovation across the value chain, and we will therefore work together with our customers and suppliers.

Our Impact, Risks and Opportunities

Method

In 2023 we analysed resource use and potential for circularity to identify KONGSBERG's material impact, risks and opportunities along the value chains in which we are engaged.

We have established a common definition of the circular economy throughout the Group. We have also mapped central value chains from a resource perspective, begun quantifying resource use and identified possible measures.

Results

Impact

KONGSBERG has the greatest impact through the purchase and choice of materials. This is mainly due to the large volume and generation of waste that affects the climate and environment. At the same time, we also have the potential for improvement linked to our own production, component manufacturing and waste. For a number of the years the Group has produced products to last for several decades, and would like to extend the service lives of the products even further, owing to resource-intensive materials and waste generation. The choice of packaging and product handling in the end market are also opportunities that will be investigated further.

Risks

Our resource use represents a financial risk for the company. This is due especially to three factors. Firstly, the Group is dependent on resources which, due to geopolitical and environmental conditions, may become scarce, or more expensive in the future, and may therefore lead to increased costs. Moreover, we are experiencing an increasing demand for sustainable products and services.
If we do not position ourselves to meet this demand, there may be financial risks in the form of lost market share. Finally, we are seeing that the authorities are introducing fees associated with environmental footprints. Companies will increasingly be made to design for circularity, take responsibility for reuse and recirculation of products.

Opportunities

There is also a significant upside in the form of potential business opportunities linked to circularity, which may contribute to strengthening our market position and competitiveness. This can be done through increased transparency and information on lifetime emissions for products, use of recycled materials in existing products and through the development of services that promote circularity – such as digitalisation and services such as maintenance and repair for the end market.

Thruster Support Pool: Circular business models through maintenance and reuse
Thruster Support Pool was developed to meet the customers' demand for high quality and efficiency – while at the same time accommodating circularity. The aim of Thruster Support Pool is to minimise the time the vessels spend in dry dock by offering standardised and recognised thruster models that can be connected to the vessel directly. This reduces the time in dry dock from 21 to 7 days. The used thrusters will be sent for maintenance and repair in accordance with the factory standard specifications with genuine Kongsberg Maritime parts. Spin tests are also carried out to ensure full functionality. The Support Pool thrusters have the same warranty as brand-new thrusters. The maintenance and reuse help extend the service life and streamlines resource use in shipping.

CORE™ Training Simulator and ReACT Crew Trainer: Circular business models through digital tools and technologies
CORE™ Training Simulator is an example of a circular business model that is possible through digital tools and technologies. CORE™ Training Simulator is an integral simulation function in the weapons system that provides muscle memory training, reduces the need for fuel and ammunition, and provides solutions for classroom setup. Existing customers that use the outdated PROTECTOR Training Simulator are supported in switching to CORE Training Simulator, or extending the service life of PROTECTOR Training Simulator.

KONGSBERG also delivered its first classroom setup with VR in 2023, ReACT, for ship's crew training. ReACT crew simulator provides a 360-degree experience in digital three-dimensional environments, and replaces the need for training and exercise with tools in the real world. KONGSBERG Through Life in Land Systems also provides upgrade programs to bolster defence capability.

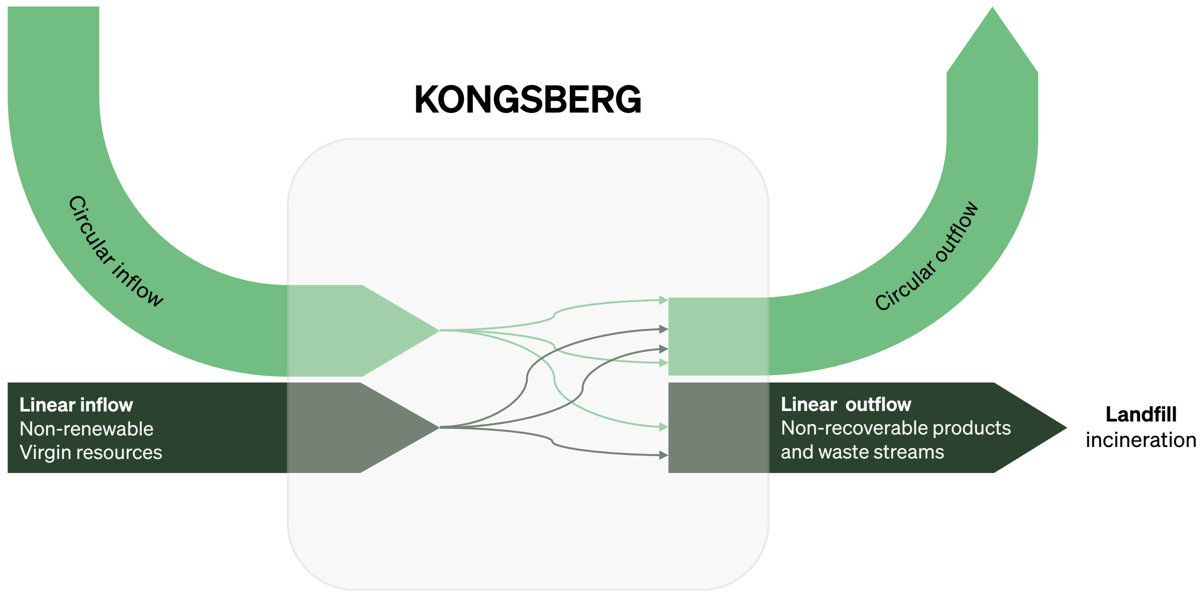
Through 2023 we gained increased understanding of which measures we can implement to contribute to the transition to a circular economy. We identified several possible measures that will be assessed according to impact (the degree to which they contribute to minimising negative environmental repercussions), urgency (to what extent they are urgent from a regulatory perspective), and feasability (whether it is possible to implement them in an effective way in the organisation). At the same time, we are getting started to improve the data linked to resource use. This is critical both with regard to stricter reporting requirements, and to gain a greater insight into the opportunities available and degree of circularity today.

Improved data

We have reported on waste-related data for several years. To prepare for forthcoming requirements on data availability and reporting, in 2024 we aim to improve data availability to be able to share more details on resource use and circularity.

During 2023 we established a framework for data collection which will play a leading role when in 2024 we will strengthen our database, and establish targets and KPIs.

There are synergies between our work with the circular economy, nature, climate and life cycle assessments (LCA). A wide selection of measures and initiatives have been established to help achieve our environmental goals. Circular solutions will be evaluated and included in our transition plan as they are matured and manifested.



Resource inflows: *Products (incl. packaging) and materials (incl. critical raw materials and rare earth elements), water, property, plant and equipment used in KONGSBERG's own operations and along the upstream value chain.*

Resource outflows: *Key products and materials that come out of KONGSBERG's production and assembly process. Total amount of waste from own operations.*

The framework is adapted from *World Business Council for Sustainable Development 's (WBCSD) Circular Transition Indicator Framework (CTI)* (2022). The framework comply with *Ellen MacArthur Foundations* (2010) principles for circular economy and is adapted to include data requirements according to European Sustainability Reporting Standard (ESRS) E5: Resource use and circular economy (2023).

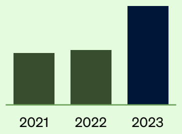
Total 6,370 tonne

(+9.8% from 2022)

Residual waste

2,633 tonne

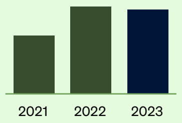
(+40.6% from 2022)



Hazardous waste

1,295 tonne

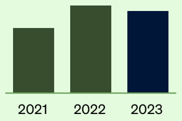
(-1.9% from 2022)



Recycled waste

2,441 tonne[3)]

(-6.4% from 2022)



Waste

The effective handling of chemical materials is very important for the Group. The business areas comply with statutory requirements such as RoHS[1)] and REACh[2)], and are certified in accordance with ISO 14001 Environmental management systems. These frameworks and requirements are important tools that establish measures for reducing volumes of waste and ensure the responsible management of the waste.

We continuously work to improve our waste management. In 2022 we updated our internal guidelines for handling and reporting waste, and established minimum requirements for waste reporting throughout KONGSBERG in accordance with the principles of the EU's Waste Framework Directive, and relevant legislation in the respective countries in which we operate. In 2023 we prepared the digital reporting of waste, both to ensure better quality and completeness in reporting, but also as a basis to be able to identify measures to reduce volumes of waste and increase the proportion of waste for reuse or recycling. In 2024 we aim to improve reporting further and ensure that we satisfy new reporting requirements through the EU Corporate Sustainability Reporting Directive (CSRD) and associated European Sustainability Reporting Standards (ESRS) from financial year 2024.

The work to improve the data quality and accurate classification of waste type, and the increase in number of reportings units for 2023, has resulted in an increase in the volume of recorded waste for 2023 compared with previous years. In 2023 we increased the number of reporting units from 63 in 2022 to 94 for 2023. The Residual waste category has been conservatively assessed for 2023, and we expect that better quality reporting will make it possible to shift a greater proportion of the waste to the Recycled category from 2024. For instance, wood waste amounts to just over 25 per cent of the total residual waste for 2023, and we expect that a significant proportion of this can be moved to the Recycled category when we achieve better data quality. This conservative approach was also used for 2021 and 2022 figures, and means that these are not comparable with figures reported in previous annual and sustainability reports. The climate effect of waste is included in our climate accounts for scope 3, category 5, Waste management. See the Appendix "Climate and environmental accounts for 2023".

1) RoHS: Restriction of Hazardous Substances in Electrical and Electronic Equipment

2) REACh: Registration, Evaluation, Authorisation and Restriction of Chemical Substances

3) Volume of recirculated waste is corrected due to an incorrect record in the 2022 annual report of just over 10,000 tonnes.

Biodiversity and nature

The Climate and Nature Crisis Are Closely Related, and We Are Dependent on Nature to Solve Climate Change

Large amounts of greenhouse gases are absorbed and stored in natural carbon sinks such as forests, wetlands and oceans. A report from 2023 shows that six out of nine of the planetary boundaries[1] have been exceeded. Climate change and loss of biodiversity have been assessed to be the most important factors for the Earth system's stability and a secure future.

The need to protect and restore nature is reflected in the growing regulatory landscape and international agreements. The Kunming-Montreal biodiversity agreement was adopted in 2022 and every country will prepare its own national action plans to follow up on this. In 2023 the UN's High Seas Treaty was also adopted; an agreement that will help protect marine ecosystems. The Corporate Sustainability Reporting Directive (CSRD) will, along with the EU's taxonomy, also set specific requirements for how companies are expected to address nature.

For us this is about taking care of nature, both to reduce our own impact on biodiversity and ecosystems, and to develop services and products that contribute to preserving nature. As an ocean technology company, protection of marine ecosystems is a constant priority, and the transition to nature-positive business models represents opportunities for us. Where we identify a negative impact on the environment, we will work to reduce this in line with recognised and science based methods.

In 2023 we started working more systematically with nature, and carried out a high-level analysis of our impacts and dependencies. Preliminary results indicate that the most material impact is related to our value chain, and we will further develop the analysis to gain more insight. Through a better understanding of our impact and dependencies, we can reduce nature-related risks, and contribute to the ambition of the Kunming-Montreal biodiversity agreement to halt and reverse biodiversity loss.

1) Earth beyond six of nine planetary boundaries, Science Advances, VOL. 9, NO. 37, 2023

Biodiversity and ecosystems is considered to be a material topic. Our starting point is that all companies of our size and scope have a direct or indirect impact, and we are dependent on natural resources in our core business. We have performed a high-level analysis of nature related risk based on the recommendations of the Task force on Nature-related Financial Disclosures (TNFD)[1].

Analysis of nature-related risks and opportunities (LEAP)
To gain an overview of our impact on nature, we performed a high-level nature risk analysis based on the LEAP method[2]. Because the impact on nature is location-specific, it is important to assess where we are present.

In the first phase of the analysis, we assessed our most important locations globally, based on size and production, to identify our direct interaction with nature in light of biome according to the global ecosystem typology, biodiversity intactness, key biodiversity areas and water risk. We use data from publicly available databases[3].

We used Science Based Targets' materiality assessment tool[4] to evaluate the most important impact drivers of biodiversity loss[5], throughout the value chain.

Results

The results indicate that our impact on biodiversity and ecosystems, and dependency on nature are most significant upstream in the value chain, linked to the materials we purchase.

> "For us this is about taking care of nature, both to reduce our own impact on biodiversity and ecosystems, and to develop services and products that contribute to preserving nature."

Step 1 Locate – mapping interaction with nature
In the first phase of the LEAP analysis, we mapped our interaction with nature. Our office and production facilities are primarily located in industrial areas and cities of low biodiversity intactness. There is little direct interaction with nature at our production premises, indicating a low risk of negative impact on biodiversity and ecosystems. Very few premises are located in areas where nature is under pressure, for example, due to water shortages. We have not performed a detailed analysis of all our locations. Where possible impact has been identified, like the case of salamanders at the Kongsberg Technology Park, measures have been taken.

Step 2 Evaluate – assess impact and dependency on nature
We used the Science Based Targets materiality assessment tool and assessed the significant drivers of biodiversity loss associated with our value chain, including the materials we purchase. The text box below summarises the results. The analysis does not account for where the materials are purchased from. Going forward we will work to identify necessary data related to geography to go into depth on the impacts.

The five most important of biodiversity loss according to IPBES.[6]

1. Climate change
KONGSBERG contributes to greenhouse gas emissions through the purchase of materials and the use of sold products.

2. Pollution
Extracting materials can contribute to pollution upstream in the value chain

3. Land use changes and deterioration of nature
Extraction of materials (upstream) and office and production premises (direct operations) involve land use

4. Natural resource use and exploitation
KONGSBERG's activities are do not contribute significantly to the overexploitation of organisms

5. Invasive species
KONGSBERG's activities do not contribute significantly to the spread of invasive species

Step 3 Assess – Analyse risks and opportunities
Through the materiality analysis, we have established an overall scope of risks and opportunities linked to nature. The results provide indications which we will follow up. We have a risk-based approach, and the findings of the analysis will help to prioritise the ongoing work towards specific targets and action plans.

Risks

We assess regulatory risk and market risk to be the most important in terms of biodiversity and ecosystems. The Kunming-Montreal agreement and the ambition to reduce the loss of nature may involve more stringent requirements, among other things, on industrial development, which may impact our ability to expand the company. There may also be an indirect impact through the supplier chain if there are restrictions on the extraction of natural resources. Downstream in the value chain we will also assess whether our products may impact nature when they are in use. Ship propellers cause noise pollution underwater which can affect migratory, reproduction and feeding patterns of marine life such as dolphins, whales and other species. Our aim is to supply the quietest and most efficient propellers and we work actively to solve this through the development of our propulsion technologies. We are also working with systems to reveal the ship's own noise level and attenuate this without sacrificing efficiency and fuel consumption. The positive devlopments within electric propulsion systems is supporting this aim.

We have a continuous focus on reducing risks by minimising our footprint and we will work to uncover more in-depth knowledge on vulnerabilities associated with resource use.

Opportunities

We see business opportunities when it comes to contributing positively and taking care of nature by using innovative technology. KONGSBERG has a number of products that contribute to more sustainable aquaculture. A prerequisite for sustainable management of the marine ecosystems is to measure environmental variables, to map the seabed and characterise seabed habitats, and not least to monitor the abundance of marine life in the water column. More and better data leads to

1) Recommendations of the Taskforce on Nature-related Financial Disclosures, September 2023
2) LEAP er is a step-by-step framework for analysing risks to nature, developed by TNFD.
3) Publicly available databases: including UN Biodiversity Lab, High level biomes (National Geographic), WRI water risk atlas, IBAT (key biodiversity areas).
4) Science Based Targets Materiality Assessment Tool is a tool that describes the impact of various activities on the five most important drivers behind the loss of nature, as defined by the Intergovernmental Science Policy Platform on Biodiversity and Ecosystem Services (IPBES).
5) Defined by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES)
6) The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

better knowledge about marine ecology and a better decision-making basis for authorities that are responsible for managing the environmental resources. We would like to develop our role in environmental monitoring at greater ocean depths, which is extremely relevant for the protection of nature and the co-existence between industries and environmental considerations.

Our fish finding sonars, high-resolution seabed mapping systems and underwater robotics are applied across markets and sectors for commercial and research purposes with the aim of contributing to a healthier ocean economy. We supply equipment for most of the world's scientific research vessels, and for projects such as fish stock estimation our market share is over 90 per cent.

Use of satellite data is also relevant for resolving challenges associated with both climate and nature. Due to climate change, there is a need for more data linked to more unstable and extreme weather conditions. There is also a need for satellite data to combat deforestation and protect biodiversity and the carbon storage that the rainforest represents.

HUGIN is an underwater vehicle that is used for high-resolution mapping of the sea floor, pipeline inspection and detection of gas leaks from shallow water to the ocean depths. The technology contributes to the sustainable management of the sea, security, energy production, marine research and not least widening our knowledge and understanding which is necessary for the beneficial co-existence between nature and aquaculture.

Kongsberg Technology Park is located in the city of Kongsberg by the banks of the Numedalslågen river. The area has been regulated for industry for many decades. This does not affect our responsibility in the interim to manage the industrial area in a considerate manner. We have a special focus on how we can accommodate insects and pollination, among other things. We do not want to introduce foreign species, but accommodate the growth of natural meadow flowers such as dandelions and white clovers. In addition, we use garden waste as a natural fertiliser and to prevent weeds. There is local animal life in Kongsberg Technology Park and in the Arsenal area, several measures have been implemented in the past year to improve the living conditions for the salamanders that reside in the Arsenal dam. A salamander hotel has been constructed and their summer habitat has been restored. The effect of measures taken are assessed over time.

NICFI Satellite Data Program is financed by the Norwegian government and is managed by KSAT in collaboration with the partners Planet and Airbus. The programme downloads high-resolution satellite images from the world's rainforests. The aim is to reduce and reverse deforestation in the fight against climate change. By the end of 2023, 25,000 users from 158 different countries had registered. The programme is available on public platforms such as Global Forest Watch. The data is not just used by authorities in countries that have rainforests to support their UNFCCC reporting and MRV activities, but also by the media, private sector and society in general.

Step 4 Prepare – Preparatory measures

In parallel with developing products and services that contribute to the sustainable management of nature, we want to reduce our own impact. This includes our own operations, at our own office and production premises, as well as in the value chain.

We have a limited direct footprint, and we mainly have a presence in areas that have already been developed. When expanding into new areas, where there is a risk of a negative impact on nature, we will assess and implement measures to avoid and reduce any impact. We will ensure that we operate in a responsible manner and include requirements to take into account biodiversity and ecosystems in our HSE policy that will be published in 2024.

Through the work in preparing us for the EU's Carbon Border Adjustment Mechanism (CBAM), among others, we aim to establish data that is also relevant for nature.

Forward focus

We recognise that biodiversity and ecosystems encompass wide-ranging professional fields that require the development of skills and practice to understand the extent of our impact and risks, and identify effective measures, targets and KPIs. We will prioritise systematising our work with nature so that we have a good basis for reporting in line with leading standards and to help preserve nature.

The impact we have on nature is currently assessed to be greatest in the supply chain, and it will therefore be especially important to map the nature related risks associated with resource use and climate change. This coincides with our priorities to help tackle climate change and transition to a more circular society.

> "We will prioritise systematising our work with nature so that we have a good basis for reporting in line with leading standards and to help preserve nature."

Social Conditions

Caring for People

Own workforce

An Attractive and Caring Employer

We are a global company with a unique and strong culture that helps us attract and retain the right people to solve the challenges of the future.

Dedicated people and agile culture

We have a unique and strong corporate culture that has been developed over many years. It is based on our common values that we share and live by in everyday life. Our values are our strength and our competitive advantage, and make us an attractive employer. We value diversity and inclusion, to foster a culture that creates belonging, innovation and growth. This makes us more agile and competitive.

To fully benefit from the vast knowledge possessed by our employees, we offer a safe and attractive workplace with a strong focus on diversity, inclusion and belonging. We believe this creates an environment where all employees can perform and deliver at their best.

We have good systems for following up employees' needs and expectations, including regular performance dialogues and employee satisfaction surveys.

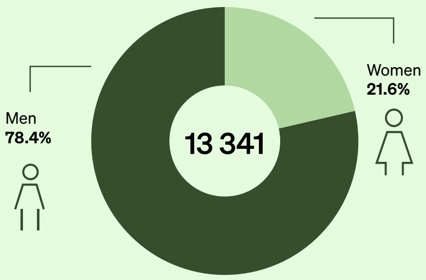
The performance dialogues are an important tool to better understand the life phase of each individual employee.

We measure employee satisfaction globally to identify strengths and areas for improvement. We spent 2023 evaluating providers of tools to measure employee satisfaction. We will start with implementation, and the next survey will be conducted in 2024.

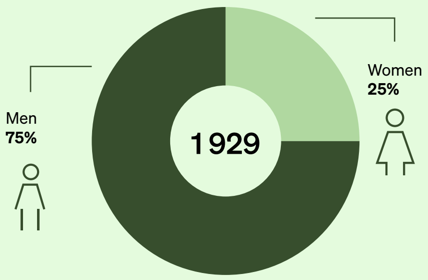
We are committed to promoting gender equality and preventing differential treatment in violation of the Norwegian Gender Equality Act. Short- and long-term targets have been established to help increase the share of women, with regards to recruitment and management positions. The share of women employed increased to 21.6 per cent, from 21.1 per cent in 2023. For recruitment of managers at levels 1-3, the share of women was 39.7 per cent in 2023.

We maintain an internal age limit of 72 years in most parts of our business. We regularly perform orientations on our insurance- and pension schemes for our employees.

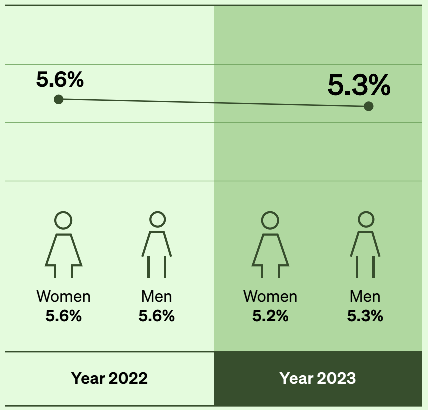
Total number of employees



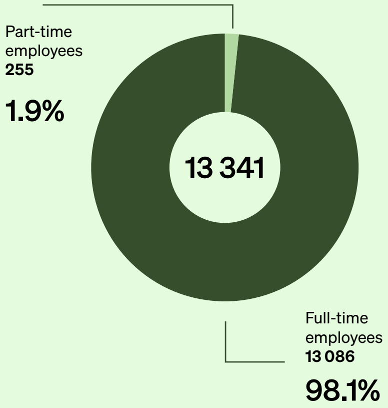
Total number of new employees



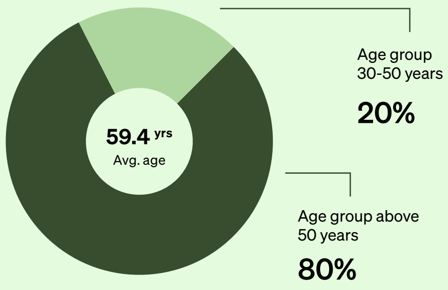
Total turnover

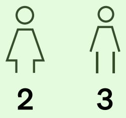


Number of employees



The Board





Number of employees

	2023	2022	2021
Total number of employees	13 341	12 187	11 122
Number of full-time equivalents	13 226	12 081	10 940
Number of full-time employees	13 086	11 956	10 810
Number of part-time employees	255	231	312

Age diversity

Share of employees under 30 years of age	17%
Share of employees between 30 and 50 years	54%
Share of employees over 50 years of age	29%

42.5 yrs

Average age

Level	
Master	27%
Bachelor	43%
Technicians	11%
Production workers	9%
Other	9%

Forward focus

Our ambition remains to be one of the greatest workplaces, both in Norway and globally. To deliver on our growth ambitions, we are preparing for an increasingly diverse workforce with varied demands and needs. We continuously evaluate and define appropriate measures and KPIs to support our efforts in recruitment, development and employee well-being. Diversity, inclusion and belonging will continue to be priorities going forward.

Leadership

Leadership with us is about creating value and achieving results through others. The key to success lies in the combination of good leadership and dedicated employees. Our managers are important role models, and their good leadership will have great significance for our further development.

Managers are expected to exercise their leadership based on our values, ethical guidelines and leadership principles. To ensure this, we offer a range of leadership development programmes. In 2023, 11 per cent of our managers participated in internal leadership development programmes where the focus is on our values and defined leadership principles.

We want to have managers who can inspire and motivate our employees to perform at their best and achieve their goals. We believe that a good working environment is the key to achieving strategic priorities, customer satisfaction, and innovation.

Based on this, we have established People@KONGSBERG, which will help to clarify and secure quality in our processes for goal setting, follow-up and evaluation for all our employees.

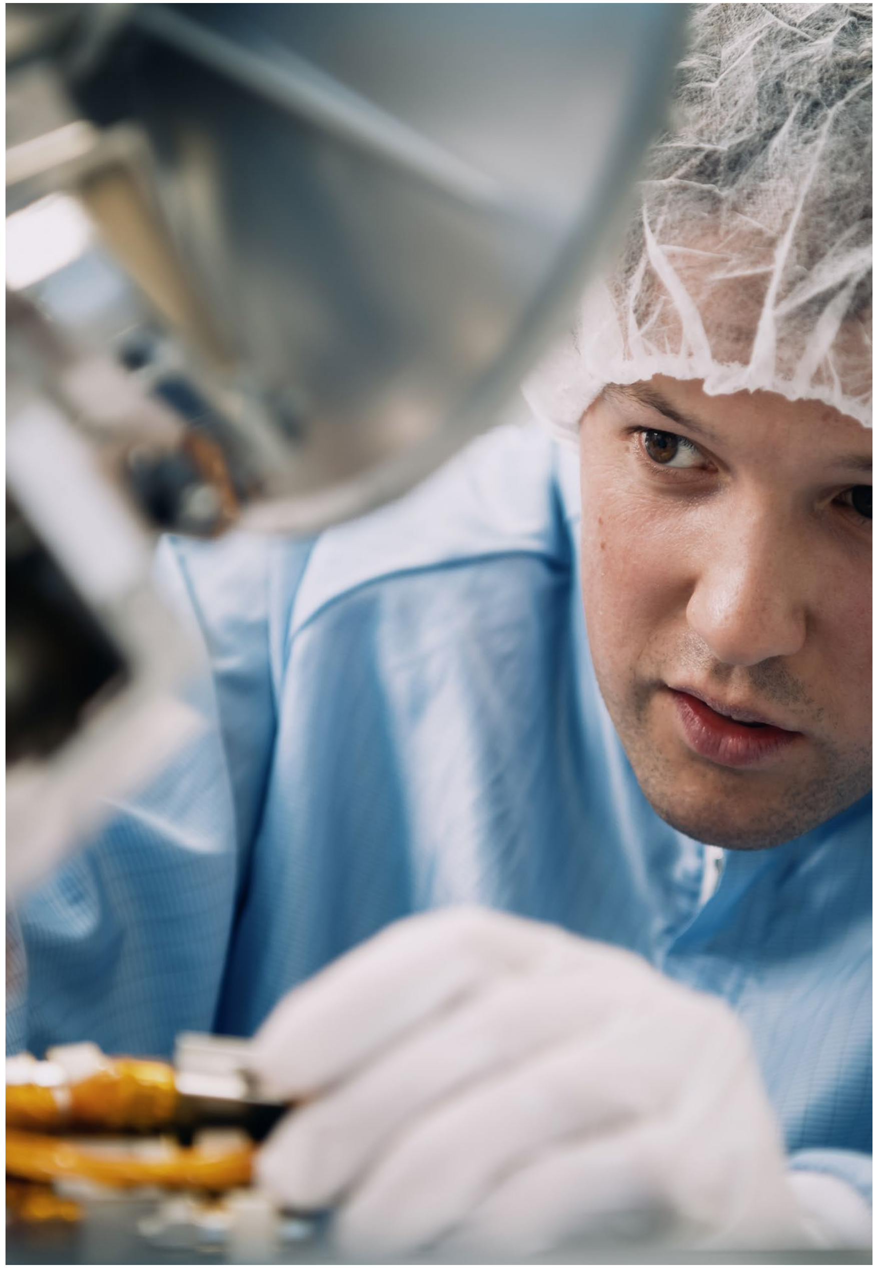
Cooperation

We have established well-founded forums for cooperation with trade unions and organisations. These make valuable contributions to meet our challenges in a constructive manner. 47 per cent of our employees are unionised. In some countries, employers do not have the right to ask employees for this type of information.

Performance commentary

2023 was another year of strong growth, which is reflected in a significant increase (nine per cent) in headcount compared to 2022. It is motivating to see that our systematic efforts to attract talent, as well as focus on diversity, brings desired results. We are pleased to see that our continued efforts to be an attractive employer are reflected in a decline in total turnover compared to 2022. Our work with diversity is satisfactory, and in 2023 we reached our goal of increasing the share of women in the company (21.6 per cent). At the same time, we recognise that there is still room for improvement, such as gender distribution in recruitment.

The target for 2023 was to accept 60 people whom, for various reasons, had fallen outside of work for on-the-job-training. During the year we have had 80 people for on-the-job-training.



Own workforce

Knowledge and Expertise

We are an organisation built on knowledge and expertise, where our employees are our most important resource to deliver on our strategy and purpose.

We value our employees highly, they are the foundation of our success. Without their commitment, expertise and cooperation, we would not be able to deliver the best solutions to our customers. That's why we invest in their development, well-being and career path. We want to be an employer that gives our employees opportunities, challenges and recognition.

Employee development and well-being

It is important that all our employees have clear performance and development goals and a good understanding of our policies and procedures. We believe that a systematic approach facilitates successful development, including identifying training opportunities and internal relocation opportunities. Good development opportunities are important incentives for both recruiting and retaining valuable employees. We invest in knowledge and competence sharing through internal and external training programs as well as on-the-job development.

Vocational training

We have a strong focus on vocational education and together with other companies in Kongsberg we offer a unique training program for apprentices through the K-Tech training centre. During 2023, we had a total of 159 apprentices.

Student initiatives

One of our initiatives to motivate students to complete their education is YOUR EXTREME. It is a competition for students that has been running since 2013. Students at the University of Southeast Norway and NTNU are invited to participate. YOUR EXTREME is a 48-hour case competition where groups of students solve a scenario where sustainability and technology are at the core of the challenge. The purpose of the competition is to demonstrate the connection between theory and practice.

Every year we welcome students to work on different projects. In the summer of 2023, we had 146 summer students. These summer jobs provide students an opportunity to gain valuable experience and an idea of the opportunities after graduation, as well as a motivation to perform in their studies. The summer program is also an important recruitment arena in our search for young talents. We place particular emphasis on gender diversity in our recruitment. We will continue to evolve our efforts and initiatives to deliver on our mission as a company, while supporting women's employment in technology at the societal level.

"We have a strong focus on vocational education and together with other companies in Kongsberg we offer a unique training program for apprentices through the K-Tech training centre."

We work closely with relevant academic institutions, both in Norway and internationally, to help recruit new and retain existing employees. Read more about how we promote future competence development and partnerships with educational institutions in the chapter "Driving sustainable change".

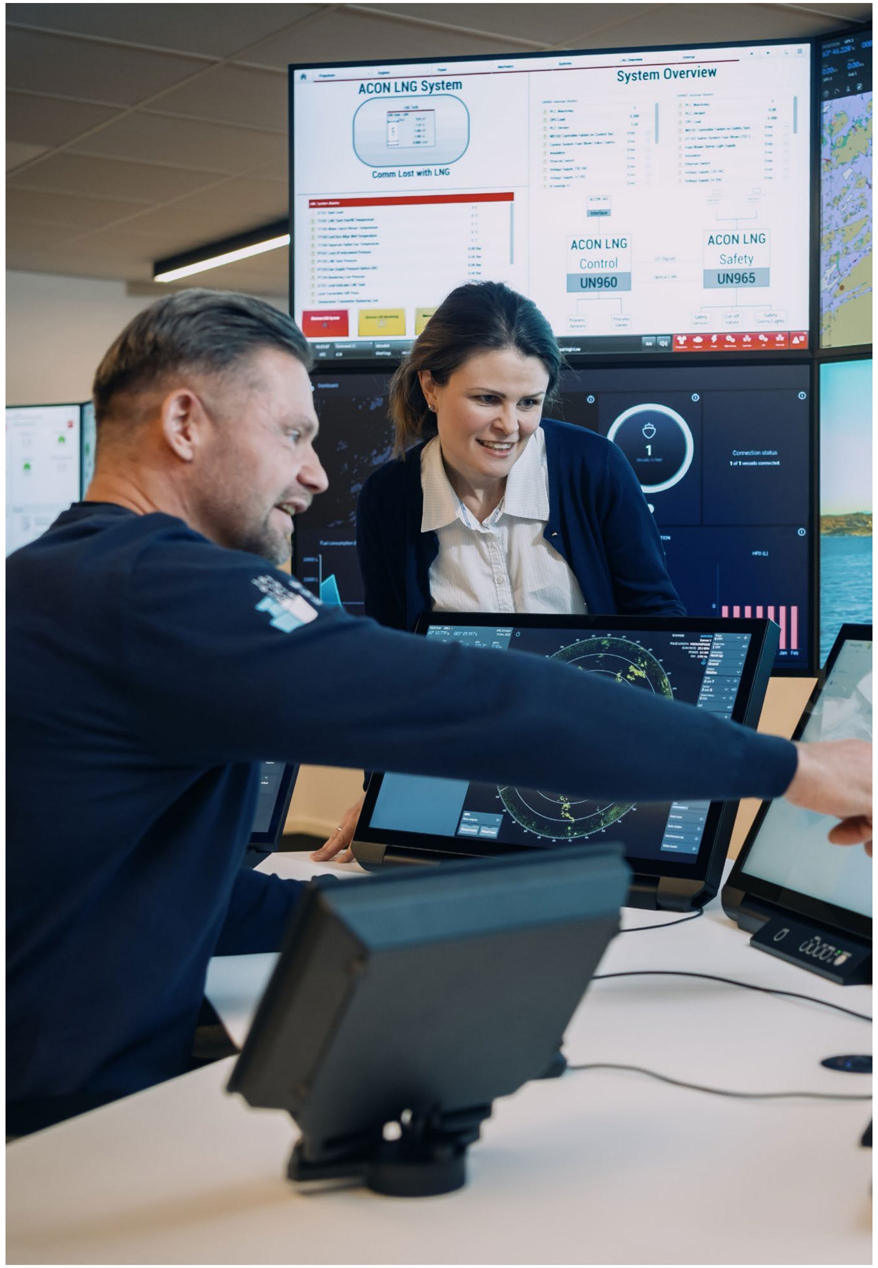
Performance commentary

The Learning Management System, with a focus on training, has been rolled out in all business areas in 2023. We have digitalised many of our training programs, especially towards the introduction of new employees and managers. We have also implemented game-based training, especially towards training in processes and IT systems.

Forward focus

Training and developing our people is a focus area for 2024. The competence module in the Learning Management System will be rolled out in this connection.

All our employees shall have at least one formal performance dialogue per year with their line manager. In 2023, **89 per cent** of employees globally completed this review.



Own workforce

Salary and Compensation

We offer our employees market competitive, but not marked leading compensation. Regardless of where we are, we will ensure that wages and working conditions comply with local laws and regulations.

We remunerate our employees both according to achieved results and according to desired behavior. We have a global compensation policy in place to maintain a fair, competitive and financially responsible remuneration structure across the organisation.

Gender-neutral pay system

We strive to have a gender-neutral pay system. The ambition is stipulated in our global compensation guideline, which sets a goal of equal pay for women and men in equal positions, and with comparable competence and experience. For 2023, the average salary of female employees was 92 per cent of male salaries.

The ratio represents our employees in Norway, but are representative given that Norway make up 60 per cent of all our employees globally. In 2022, we implemented a global career system, allowing for more detailed analysis of gender differences within the organisation.

Career-level grouping

Clerical / Operational

Number of women

160

Number of men

260

Supervisory / Junior Professionals

Number of women

949

Number of men

3,038

Middle Management / Seasoned Professionals

Number of women

372

Number of men

1,824

Executives / Senior Management

Number of women

32

Number of men

106

The principles and systems for the remuneration of executive management are determined by the Board of Directors. The Board has its own Compensation Committee that prepares matters related to remuneration, succession planning and diversity for consideration by the Board. You can read more about the remuneration system in our Corporate Governance Report and "KONGSBERG's report on salary and other remuneration" on our website.

Female earnings as a percentage of male salaries

Average pay of female employees

92%

of male employees salary

We have expanded our reporting to show the pay ratio between women and men at different levels. Where we see inequalities, action is taken to close identified gaps.

Health, Safety and Well-being

We Never Compromise on Health and Safety

As an international organisation, safety is our top priority. KONGSBERG has 13,341 employees in 39 countries, and we believe it is our responsibility to ensure a safe and healthy work environment for all employees, as well as to safeguard our values and protect the environment.

Safety first

We will never compromise on health and safety, neither for our employees, customers, nor partners in our global operations. To achieve this goal, we work continuously, openly, and proactively to build a robust HSE (Health, Safety, and Environment) culture at all levels of the organisation. Placing safety first means that our employees and collaborators are fully authorised and expected to stop any work that poses a threat to life and health.

We believe in collaboration where all employees contribute to the HSE work, making KONGSBERG a safe and sound workplace at all levels and in all business areas. Everyone is expected to contribute to improving our HSE results, but the overall responsibility always lies with our leaders.

Governance

The overarching HSE goals and strategic work of the Group are based on risk assessments and collaboration with business areas, led by the Group HSE Committee. The Corporate Management Team (CMT) has the ultimate responsibility for HSE across the Group, including subsidiaries. This involves setting overall targets and priorities, as well as following up on actual results, challenges, opportunities, injuries, and high-risk incidents. The HSE reports and strategic work are prepared, quality-assured, and distributed to CMT and the Board by Group Director HSE.

The business areas have established HSE management processes and guidelines to reduce risks and leverage opportunities. The HSE management systems are based on the principles and requirements of the ISO 45001 standard for occupational health and safety management. Selected business areas have also implemented the ISO 14001 standard related to the environment.

In 2023, we revised the occupational health and safety directive where best practices, Group KPIs, and HSE management are defined to support our vision zero goals. All employees are covered by the Group HSE standards implemented in the business areas' HSE systems.

The business areas conduct regular internal HSE audits and inspections to assess risks, compliance status, and further improvement opportunities. The Group HSE function also conducted overarching HSE audits in the business areas Kongsberg Digital and Kongsberg Maritime, as well as at a selected subcontractor as part of the internal control for the Group. The results from all audits have contributed to further improving the overall HSE processes and sharing best practices across the Group.

Being proactive

We believe that HSE reporting of near misses, observations, and accidents contributes to a safe, efficient, and healthy workplace. We proactively work to identify risks and potential areas for improvement, and increasing the number of proactive HSE reports.

KONGSBERG adopted a new reporting system for HSE in 2023, and we can already observe better data quality, in addition to a record number of proactive improvement reports.

Everyone working for KONGSBERG is encouraged to report hazardous conditions, near misses, observations, and accidents.

Learning

All injuries and high-risk incidents are thoroughly investigated to find the underlying causes and share "lessons learned" within the organisation. We must understand the conditions and assumptions triggering an incident to prevent similar events in the future.

Training

All employees and suppliers shall receive relevant HSE training, providing information about risks, rules, and requirements before commencing work. HSE training is mandatory for all employees and can be conducted as e-learning, classroom learning, or role-playing, depending on the scope and location of the work.

In 2023, approximately 200 of our subcontractors gathered for a conference, where selected HSE events were presented, best practices were shared, and our requirements and expectations for HSE were highlighted.

Well-being and health

We aim to continue preventing work-related illness by identifying and addressing areas where we have increased absenteeism. We also seek experiences and best practices outside our own organisation, were we participate in proactive work groups.

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

Well-being and health are very important to us, and therefore, we continue our efforts to focus on mental health and well-being. We are attentive and conscious of the importance of this work, and we work to create a safe and supportive working environment.

Our CEO Geir Håøy summarised our focus in his message about caring, asking, listening, and opening up to all employees on the World Mental Health Day, 10 October, 2023.

All colleagues are equally important to our success; we are one team, and we take care of, respect, and include each other.

Environment

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

Our internal reporting and control of environmental performance show that we have not had any major environmental incidents, conflicts, or accidents in 2023. You can find more information about our environmental work and commitments in the chapter "Environment".

"On World Mental Health Day, we want to encourage initiatives that contribute to a more inclusive workplace for everyone in KONGSBERG. We live in a busy world with a lot of changes, and this may affect us personally. We are humans after all.

For me, it is important to convey that it is normal to have both good and bad days - and that it is okay not to be okay. However, if you struggle with negative thoughts or have a bad time, don't suffer in silence – talk to someone you trust at work or at home, or call for support."

- Geir Håøy

Performance commentary

The organisation has generated a record number of HSE observations and improvement suggestions in 2023. We are very proud of this as we know it contributes to a safe and secure workplace.

Increased focus on training, collaboration, and experience sharing across the organisation contributed to reducing the frequency of all injuries beyond first aid (TRI/H2)[1].

The majority of lost time injuries (LTI/H1)[2] are less severe, with six injuries classified as serious. No injuries resulted in fatalities for employees or suppliers. Our underlying lost time injury statistics show a slight upward trend over the past five years. We have identified potential root causes and improvement suggestions to reverse this trend.

We proactively work to identify and increase the number of reports of near misses and improvement reports with high risk and damage potential (HRI)[3]. We view positively the organisation's sharing of best practices and lessons learned from these incidents. In 2023, 12 HRI incidents were reported and followed up in accordance with our procedures, including the implementation of risk-reducing measures. All HRI incidents are reported to the Group management and the Board.

The sick leave rate has shown an increasing trend after the pandemic. This trend continued throughout 2021 and 2022, with a positive development seen in 2023 for both the Norwegian and global operations. Sick leave is higher than the target but still better than 2022 and our Norwegian industry benchmark; The Federation of Norwegian Industries.

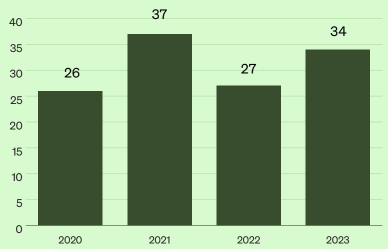
1) Total recordable injuries (TRI) – Work related personnel injuries with and without absence, exlcluding first aid injuries.

2) Lost Time Injuries (LTI) – Work related personnel injuries with a minimum of one day absence from work.

3) Risk Incidents (HRI) – Work related personnel injury, incident or near-miss with high risk impact.

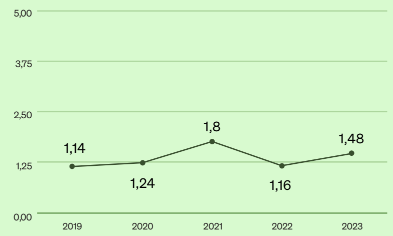
LTI-incidents

Totalt number of Lost-time-injuries per year



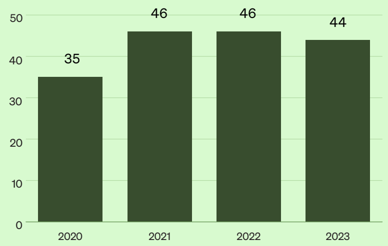
LTI-rate

Injuries per 1,000,000 hours worked



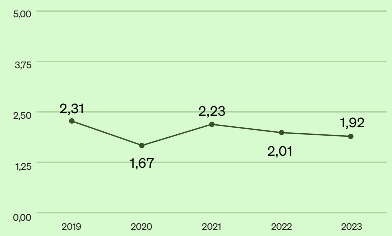
TRI-incidents

Totalt number of injuries per year



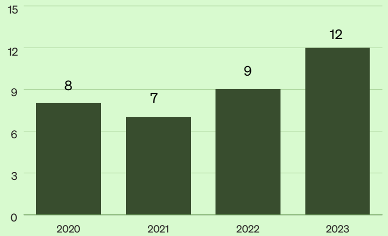
TRI-rate

Injuries per 1,000,000 hours worked



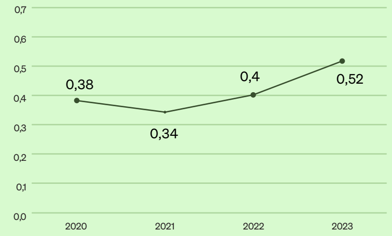
HRI-incidents

Totalt number of incidents per year

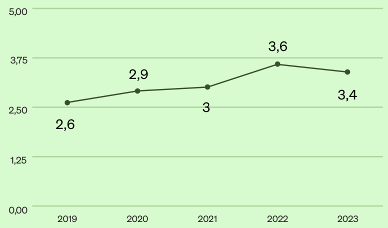


HRI-rate

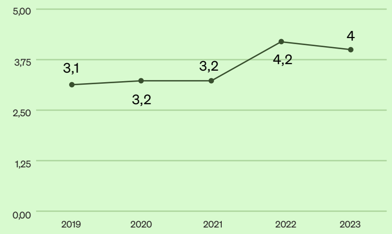
Injuries per 1,000,000 hours worked



Sick leave Global



Sick leave Norway



Forward focus

Proactivity and collaboration are crucial for achieving our desired results. We have strengthened our collaboration with the business areas and agreed on common HSE initiatives for 2024.

Selected focus areas defined by the KONGSBERG's HSE committee include:

1. **Culture:** We aim to implement the principles defined in HOP ("Human and Organisational Performance", developed by The Federation of Norwegian Industries). HOP emphasises the interaction between people, technology, tasks, and organisational conditions to achieve safe and efficient work.
2. **Risik and competence:** Continue sharing High-Risk Incidents (HRI) and best practices, review risk strategy, and revise the risk profile at Group and business levels.
3. **Governance:** Review selected governance documents, policies, and ISO requirements. Ensure compliance with current laws and regulations.
4. **HSE reporting:** Fully utilise the new HSE reporting tool.
5. **Reduce work-related illness:** Increase leadership competence, revise reporting and learning processes, learn from other companies and organisations.

We will also continue to optimise our management processes for environment and chemicals, as well as strategies across the Group.

Human Rights

Respect for Human Rights Is at the Heart of Sustainable Development

Respecting human rights is a fundamental value for KONGSBERG and actively contributes to our targets related to the UN Sustainable Development Goals. Respecting human rights forms an integral part of our Code of Ethics and Business Conduct and is essential to our business.

We strives to respect and promote all internationally recognised human rights, including but not limited to forced labour, child labour as set out in the International Bill of Human Rights, the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, and applicable standards of international humanitarian law.

Our approach

We commit to identify, prevent, cease, and mitigate any adverse impact of our business activities to the people we employ, in our supply chain, with our business partners and in local communities and society at large. We assess country risk both in terms of our operations and value chain using a cumulative risk ratings based on the 2021 ITUC index, US. Dept. of Child Labour and Forced Labour lists, Corruption Perception Index ratings, and the Global Gender Gap Report (WEF) country ratings. This assessment demonstrates that over 80 per cent of our suppliers are situated in low or medium risk countries.

Performance commentary

In July 2023 we published our first human rights report in line with the Norwegian Transparency Act, and we will be updating this report in Q2 2024. We have continued to progress high-level human rights impact assessments which have now been performed in Kongsberg Maritime, Kongsberg Defence & Aerospace and Kongsberg Digital.

Salient issues

To determine our salient issues, we have considered both internal and external factors which may give rise to human rights impacts in terms of our operations and value chain. We continually review our salient issues alongside due diligence and risk assessments.

Whilst assessments are ongoing the following salient issues are regarded as our Group salient issues:

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

Forward focus

Our human rights impact assessments form part of our annual program and as such we will continue to review and assess the risks and develop action plans focused on our salient risks. Impact studies will focus on developing a clear understanding of each issue, which includes who is impacted and how, how many people and where they are, and the main root causes of the issue. We will define our understanding of each issue with a vision of the outcome we want to achieve. We will then define appropriate actions based on the strategic priorities with clear segmentation on where we will have the biggest impact on people.

Our action plans will outline what we need to do to achieve these priorities, how we will do this, and the internal and external stakeholders with whom we need to work to achieve our vision. By taking a structured approach to addressing our salient issues we aim to ensure that our approach to each salient issue follows a similar model across the Group. Where appropriate, we will develop a global framework for each issue from which local approaches can be adapted. This enables us to address issues in a consistent manner and prioritise action and resources. Salient issues will be embedded into our enterprise risk management procedures and where appropriate KPIs.

Governance

Responsible Business Conduct

Responsible business conduct

Integrity Is at the Heart of Our Values and Business

We are dedicated to ensuring responsible business conduct throughout our operations and value chain. Our values are embedded in our Code of Ethics and Business Conduct which provides the foundation and principles that underpin everything we do. We expect everyone at KONGSBERG and our business partners to demonstrate integrity.

Our Ethics and Compliance Program ensures that how we do business is fully aligned with our values and applicable laws and regulations in the countries where we operate. We focus on three pillars:

1. Prevention
We seek to embed a culture of integrity and ethics across the Group and with the business partners in our value chain

2. Detection
We encourage and support employees and third parties to speak up and raise concerns. We perform control and monitoring to measure compliance and to provide assurance

3. Response
We have tools to investigate and perform due diligence. We take a risk based approach and where appropriate, sanction confirmed breaches of our Code or governance. We also use concerns and due diligence to manage risk and improve our program.

We continuously review and monitor our program to align with good practice and legal and legislative requirements

Responsible business conduct

Governance and Ethics

Integrity defines how we behave and operate, wherever we are.

Our approach

We align our processes with the UN Global Compact and the OECD's Guidelines for Multinational Enterprises. We are members of Transparency International and the International Forum on Business Ethical Conduct (IFBEC). CEO, Geir Håøy, signed in December a declaration to confirm that we are not involved in any research, design, production, storage, trade or sale of controversial weapons, as defined by the declaration. The declaration is available on our website.

Our Code applies at all levels of our organisation, to all employees and companies within the KONGSBERG that are wholly, or majority owned. We require minority owned companies and business partners to adopt our supplier conduct principles or align with our Code in their governance. We require all employees to attest to our Code periodically.

We set requirements at a corporate level through directives which reflect both our values and legal requirements. Our Code and directives are reviewed and approved at board level. We periodically review our governance to ensure we are aligned with good practice and evolving laws and regulations.

Our business areas are required to develop processes and procedures to implement the requirements set in our corporate governance. Business areas implement requirements through local process established in their respective business management systems. Our compliance program is supported by various tools, including but not limited to, our compliance management system and screening tools. The compliance management system automates some of our key compliance processes and provides us with data analytics to support the identification of trends, risks and the ability to assess compliance to process.

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

All employees are required to attest to our Code every second year. We have established a training matrix at the Group level which requires our business areas to deliver a rolling three-year plan of training covering a range of topics and target groups.

Our policies require all employees to make an annual declaration related to any actual or potential conflicts in our compliance management system.

We report on key compliance measures through a compliance dashboard which is presented to the board, and audit and sustainability committee on a quarterly basis.

Performance commentary

We track key compliance metrics through our compliance dashboard.

There were no cases of significant instances of non-compliance with laws and regulations during the reporting period.

Forward focus

In 2024 we will launch a new Code attestation which will also be supported by a new training module.

Responsible business conduct

Raising Concerns

KONGSBERG encourages all employees and stakeholders to inform us regarding any potential ethical concerns or misconduct.

Our approach

At KONGSBERG, we believe that creating an environment where employees are comfortable raising issues and concerns without fear of retaliation enables openness which can lead to improved business performance and supports demonstrating our values.

We reference our approach to raising concerns in our Code which is supported by directives that outline both how to raise concerns and our internal procedure related to the investigation of concerns. We log and monitor all concerns in our case management system. We use the system to track the progress of cases across the Group, monitor for consistency, identify root cases and trends, and track remedial actions.

Details related to our cases are provided on a quarterly basis to the board, and audit and sustainability committee. We also use high level details of our cases for training purposes and communications to promote an ethical culture.

Performance commentary

We received 47 concerns in 2023 which is an increase of 47 per cent. We attribute this increase to our speak up campaign which was run throughout 2023 to raise awareness and expectations regarding speaking up. Of the cases raised 13 were substantiated, four were partially substantiated, 14 were unsubstantiated and seven were under the threshold for investigation.

26 per cent of the concerns raised in 2023 related to reports of harassment, the remaining substantiated cases related to issues with trade regulations, human rights, data privacy, fraud and ethics related issues.

We identify root causes and establish appropriate actions for substantiated cases. Actions for 2023 included training, disciplinary actions, and improvements of processes.

In 2023 we developed an investigation protocol to further develop our approach to dealing with concerns and maintain a consistent and professional approach which seeks to protect whistleblowers and investigate concerns fully. We have also implemented training for our nominated investigators.

Forward focus

The majority of cases featured both environmental and behaviour issues. Typically, the environmental factors tended to be a result of lack of processes awareness or understanding, as a consequence we have improved training and communications in these areas.

Our channels

E-mail: ethics@kongsberg.com

Employees can use our compliance management system

Our ombudsmen who can provide advice and receive alerts from employees

Employees and third parties can use the whistleblowing page on our website

QR Codes circulated throughout the business on e-mails and communications

Responsible business conduct

Due Diligence and Risk Management

KONGSBERG has a global zero tolerance approach to all forms of corruption.

Our approach

We operate in industries and countries that inherently involve different types of risks and as such we tailor our program accordingly. We conduct risk-based assessments across all aspects of our business to ensure that we identify, manage and mitigate risks across all key compliance topics. This includes, but is not limited to, bribery and corruption, trade regulations, human rights, legal and enforcement matters. We have incorporated the OECD responsible business conduct framework into our processes and use a variety of due diligence methods to develop risk assessments. Our risk management activities involve both internal assessments and the business partners that we engage with.

Internal Controls

We utilise our Compliance Management System (CMS) to track compliance to key processes such as the management of high-risk business partners, the giving of sponsorships and donations and conflict of interest declarations.

We conduct an annual compliance and risk assessment across the entire Group, including all subsidiaries and part-owned companies and partners. Our assessments and audits cover all compliance topics including but not limited to anti-corruption, data privacy export control and sanctions, and human rights. Our business areas are responsible for implementing a program of audits to review compliance to governance. The corporate ethics and compliance team perform periodic quality assurance activities in addition to engaging a law firm to audit the program every three years.

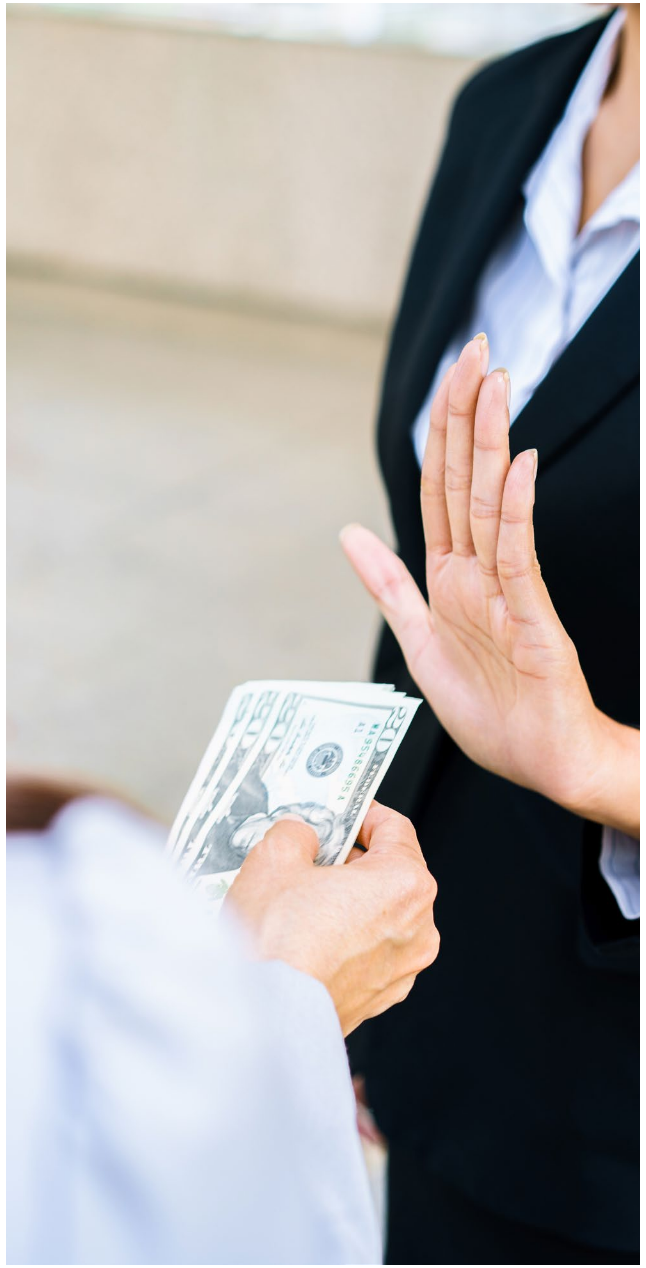
Performance commentary

Our program was subject to an audit during 2023 which was performed by a US law firm. Auditors found the program to be adequate and effective and observed that significant improvements had been made since their prior review in 2020, including developments of systems for managing investigations, conflicts of interests; updates to policies, procedures, training, and analysis of compliance data.

Forward focus

We will be reviewing our internal control program in 2024 to identify opportunities to develop and improve control and monitoring activities.

We will be implementing an update to our due diligence module for medium and high risk business partners to incorporate increased focus on risk management after onboarding, and a new module in our CMS to track gifts and hospitality.



Responsible business conduct

Business Partners

We set strict requirements to ourselves and our business partners on integrity. How our business partners behave can have a direct affect on our work. It is critical to manage our relations well, including how we select, contract and monitor them.

We are committed to working with business partners that share our values and focus on integrity. We have incorporated requirements regarding ethics and corporate social responsibility into our standard agreements with business partners and carry out risk-based audits on business partners. All business partners are subject to due diligence in accordance with our policies. The level of due diligence performed is risk based. Our processes include onboarding due diligence, continuous monitoring and assurance activities including, but not limited to, audits. Where we identify actual or potential risks we manage or mitigate them as appropriate.

We report on compliance risk both on a quarterly basis and produce an annual report for the board.

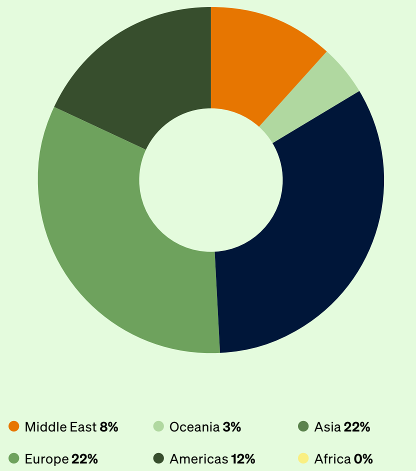
Performance commentary

We audited 13 potentially high risk business partners during 2023 which incorporated transaction testing and reviewing their compliance program. This has not resulted in any terminations of business partners this year.

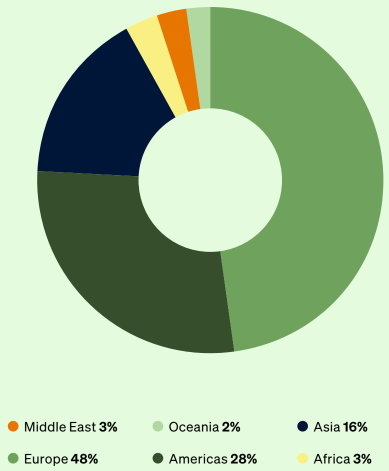
Forward focus

We are planning to audit 16 intermediaries during 2024. Business partners will be chosen using a risk based assessment.

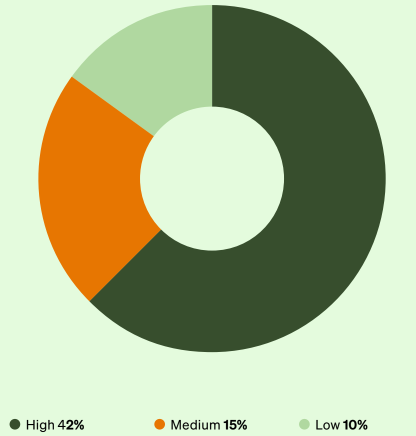
Active market representatives by region



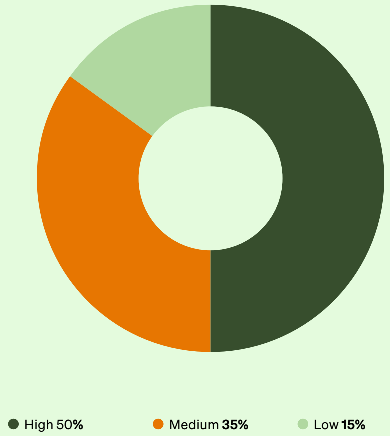
Active dealers by region



Active market representatives by Country Risk



Active dealers by Country Risk



Responsible business conduct

Trade Regulations and Sanctions

We are committed to comply with trade regulations and sanctions.

Our approach

Operating a global business requires a strong focus on compliance with all applicable export, import, transit, and trade compliance laws. The Norwegian legislation for export of defence hardware, technology and services is among the most restrictive in the world and are at the core of our approach and risk management.

Defence industry

The Norwegian Armed Forces maintain important social functions during periods of peace, crisis, armed conflict, and war. A modern defence demands top notch defence systems, and our defence systems and products are an integral part of this. Our role as a supplier of defence products should be seen in connection with Norway's national security policy and international commitments as a member of UN and NATO. The Norwegian Armed Forces and KONGSBERG have developed a long-lasting relationship to develop tailor made systems for the country's specific demands. We have developed high-tech defence systems which play a critical role on the international arena. As an example, the Nansen-programme for Ukraine is a Norwegian civil and military support programme of NOK 75 billion for the period 2023 to 2027. The share of civil and military support is decided annually in accordance with the needs of Ukraine. KONGSBERG has contributed, through the Norwegian Armed Forces, with deliveries of, among other things, NASAMS air defence systems to protect civilians and military targets from attacks from the air.

Export of defence materiell

The Norwegian Parliament has decided that defence products may only be sold to pre-approved countries. Transparency around export of defence material is an important principle in Norway. The current Norwegian export control regulations are strict and clear, while at the same time providing necessary predictability. KONGSBERG complies consistently with all demands from the Ministry of Foreign Affairs related to the application process, reporting and statistics. Further, we pay close attention to the geopolitial situation.

A stable and predictable export control framework is decisive to secure a credible defence which contributes to safety for the nation and its citizens, and to provide the Norwegian Armed Forces with access to technology, competence, infrastructure during times of peace, crisis, and war. KONGSBERG owns stocks in companies, and has partners, suppliers and customers outside Norway. The export control regulations of other countries must as a result also be complied with. We have a solid programme for internal control and training in connection with our export control activities.

Industry cooperation in NATO and F-35

In 2008, Norway chose F-35 as the fighter jet with broad political support at the Norwegian Parliament. This is the largest Norwegian defence acquisition ever, and the government set strict requirements for re-purchase and supply agreements to Norwegian industry. As a consequence of the decision, KONGSBERG signed a industry agreement with the government, and has since manufactured composite fuselages. We are a part of a larger industrial cooperation on F-35. Today, close to ten allied countries contribute to the programme. As part of this cooperation, Norway and KONGSBERG have signed long term commitments as part of the Norwegian total defence. The parts are exported to the US as part of the industry cooperation, and the finished plane is subject to American export control regulations.

An important principle in the NATO alliance is that each allied nation should have the autonomy to decide their own security policy without direction from other countries, while at the same time to stand united when war is a threat. This principle was reinforced under the NATO summit in Vilnius in 2023. Industrial cooperation within NATO has become more important following Russia's attack on Ukraine and threat to peace in Europe. KONGSBERG plays an important role in Norwegian and American military donations to Ukraine through the air defence systems NASAMS.

Export control regulations do not allow sale of weapons to Israel, and KONGSBERG has consequently never sold weapons or weapons systems to Israel.

Performance commentary

We have commenced a program which focuses on increasing the number of staff which are Certified Export Control Managers. We currently have six employees taking part in training, they will finalise the certification in 2024.

We continued our Trade Compliance Project in cooperation with Patria OY (49 per cent owned).

Forward focus

During 2024, we will be delivering training on diversion risk which will be targeted to key employees in the organisation.

We are taking a proactive approach to ensure we are prepared for potential external audits in 2024. We have updated our governing documents to ensure compliance with the evolving Russia and Belarus sanctions legislation.

Responsible business conduct

Data Privacy

We respect the personal privacy of our employees and business partners.

Our approach

KONGSBERG has adopted binding corporate rules ("the KONGSBERG BCR"). These provide us with a legal basis for transferring personal data from Group companies established within the EEA to Group companies established outside the EEA. The binding corporate rules have been approved by the Norwegian and other relevant data protection authorities and is an important mean to demonstrate compliance with GDPR[1].

Performance commentary

The new business area Kongsberg Discovery was included in the binding corporate rules with all legal entities signed up. We completed a Personal Information Protection Law (PIPL) project in China to ensure compliance for Kongsberg Digital and Kongsberg Maritime.

We received a good rating score of our Data Privacy framework in an external ESG evaluation.

We have focused on Data Privacy as a part of Crisis Management drills with established processes and checklists.

Forward focus

We will be reviewing data privacy aspects related to the evolving AI landscape in cooperation with IT, Legal, IT-Security and the business areas.

We have a continuous focus on Data Privacy as a part of Crisis Management drills and will monitor developments on data privacy legislation in the countries in which we operate.

1) EU General Data Protection Regulation 2016/679

Responsible business conduct

Artificial Intelligence and Compliance in Our Organisation

We develop advanced technology, which includes autonomous systems and Artificial Intelligence (AI), in areas including maritime transport and drone technology. AI 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.

Our approach

We recognise the potential that AI has to affect our organisation and are committed to harnessing its power responsibly. We understand that with the adoption of AI, comes the necessity for robust compliance mechanisms and ethical considerations. From a legal and compliance perspective, we ensure that our AI systems adhere to all relevant laws, regulations, and standards.

Trustworthy AI

We are committed to developing and using AI in a manner that is fair, transparent, and respects user privacy in line with the coming EU Artificial Intelligence Act. We strive to mitigate biases in our AI systems and work towards ensuring that they do not perpetuate existing inequalities. Transparency is key in our approach, and we aim to make our AI systems understandable and explainable.

Forward focus

As we continue to innovate and integrate AI into our operations, we remain committed to compliance and trustworthy AI. We believe that this approach will not only foster trust among our stakeholders but also pave the way for sustainable and ethical AI development.

Responsible supply chain

Working Together for a Responsible Supply Chain

We place great emphasis on having a sustainable supply chain that manages its social and environmental impacts responsibly. KONGSBERG's large and varied group of suppliers contribute to our product deliveries to customers globally, and systematic and good cooperation with them is an important part of our strategy for responsible business operations. This contributes to reduced risk and increased quality in the value chain.

Our approach

We aim to establish a socially responsible supply chain through collaboration with our suppliers, fostering sustainable job growth in our operational areas, and with zero tolerance for forced labor, discrimination, or corruption. We support and enable greenhouse gas emission reduction, uphold human and labor rights, and safeguard the environment through supplier collaboration and requirements. We engage in dialogue with our suppliers in our daily operations, as well as through conferences and webinars focusing on commercial and ESG (environment, social, and governance) aspects of our business relationship. Our procurement practices also consider industrial and security policies.

Our impact and value creation through our supply chain

We have over 9,700 global suppliers, of which more than 4,000 are Norwegian. Our operations positively influence job creation and security and foster advanced technology expertise among us and our suppliers, which also indirectly attract local investment. Our suppliers play a key role in our value creation, as we do in theirs. Further details on our local community impact are in the "Driving sustainable change" section. We seek suppliers who align with our values and adhere to our responsible business conduct requirements, outlined in our "Supplier Conduct Principles" included in our supplier agreements and purchase orders.

For details on our human rights approach and the Norwegian Transparency Act, we refer to the human rights chapter. We prevent Conflict Minerals sourcing by requiring that the minerals are sourced from verified responsible sources, enforced through due diligence and materials management systems.

Our payment practices adhere to contract terms. New contracts with strategic suppliers typically have 60-day terms, though some vary due to past agreements, our expenditure, and supplier size. Invoice payment time averages 54-64 days across business areas. There were no legal actions for late payments in the reported period.

Our risk profile and risk assessments

Our business areas have supplier risk assessment processes and systems. We categorise suppliers into risk classes based on factors including purchase volume, country, and dependency on purchased goods and services. Our ESG risk assessment in supply chain focuses on HSE, Security, Export Control, Anti Bribery and Corruption and Human Rights. Risk assessments, covering environmental, human, labor rights, HSE, business ethics, security and anti-corruption aspects, apply to existing and new suppliers.

We have implemented guidelines and procedures for due diligence which allow for early detection of issues, and implement necessary measures to manage potential unwanted situations. We follow up suppliers based on an initial risk assessment to determine measures, including audits. Possible deviations from our requirements will be evaluated and the reactions range from surveilance and audits, to termination of contract.

All high-risk factors identified in 2023 were addressed within set deadlines.

Value creation

KONGSBERG provides advanced, complex, and reliable technological solutions to global maritime, defence and energy markets. Our operations encompass product development, manufacturing, repair and maintenance, assembly and testing etc. We partner with suppliers to ensure high-quality delivery. Our value chain includes direct and indirect procurement and global supply to products across our business areas. Our products cover a wide range of technological systems, software, and services.

With our large supplier base worldwide, procurement represents significant long-term value that KONGSBERG adds to local communities and countries. In 2023, our total global material costs were above NOK 15 billion (NOK 11 billion in 2022), of which purchases from our 100 largest suppliers accounted for around 62 per cent (75 per cent in 2022). The Norwegian portion of the 100 largest suppliers accounted for approximately 30 per cent (37 per cent in 2022) of the total spend on material costs. There have been no significant changes in our supply chain from 2022.

Monitoring our supply chain

We advocate for human rights and climate reductions globally and locally by monitoring our supply chain and the standards we set. Our main approach is to build robust and long-lasting partnerships to ensure a socially responsible supply chain. We do this together with our suppliers to drive improvements and address weaknesses through our supplier due diligence process managed in a group wide digital solution for supply chain sustainability management, IntegrityNext.

During 2023, we have screened suppliers against both social and environmental criteria. As of year-end 2023, more than 80 per cent of our suppliers, by spend, are screened against these criteria. Our risk assessment indicates less than 0.2 per cent of our suppliers pose a high ESG related risk due to possible negative impacts on environment or social concerns. The possible risks identified as part of our due diligence during 2023 are mainly related to social considerations in connection with work related aspects and safety at the work site. We also perform general risk assessments based on country and industry.

In June 2023, we arranged a supplier and technology conference, Kongsberg Agenda, together with Kongsberg Innovation, Kongsberg Municipality, Kongsberg Business Forum and TechnipFMC. More than 100 suppliers participated with the aim of engaging and motivating business development with a focus on sustainability, innovation, and technology.

The suppliers who come under any of these categories are subject for measures like site visits or audits. The follow-up plan can include improvement initatives, additional audits, or in some cases rejection of the supplier.

In 2023, a total of 119 (104 in 2022) audits of our suppliers were conducted, including climate, environmental, social and governance (ESG) requirements. If necessary, we perform extended audits with a particular focus on ESG. No material negative environmental or social impacts were found during audits in 2023.

Identifying potential ESG related risks throughout the supply chain is challenging. We acknowledge the need to further develop our due diligence processes to align with the development of regulatory frameworks, both nationally and internationally. We have initiated work to strengthen our risk assessments throughout the supply chain. This includes working conditions, affected communities and the end-user perspective, as well as increasing transparency for our risk assessments.

Reducing emissions in our supply chain to combat climate change

Greenhouse gas emissions from our supply chain account for a large part of our total emissions, such as emissions related to the purchased goods and services, logistics, leased assets and business travel. We have set targets according to the Science Based Target initiative in line with the scenario of limiting a global temperature increase to 1.5 degrees. Read more about this in the chapter on climate. Our targets include a suppliers' climate engagement target, where two-thirds of our suppliers by spend are to set their own science-based targets to reduce greenhouse gas emissions over the next five-year period. As of the end of 2023, we have achieved 15 per cent of our target at the Group level. We are on track to reach 22 per cent of our target in 2024. This target is one of the KPIs for our top management, and is directly tied to their compensation.

We organise this in a Group-wide programme where all our business areas are engaged. Implementation of the program began in 2022. We have analysed our supplier base and selected target groups and started monitoring the status of our suppliers. The roll-out of requirements follows a priority plan. Training are offered to both own employees and selected suppliers.

Implementation is supported by written information to our suppliers, as well as webinars and conferences. The program also includes plans for the reduction of greenhouse gas emissions according to ISO 14001 Environmental Management System, reuse and recycling, material optimisation and development of new technologies. Suppliers' greenhouse gas emissions are reported and monitored through our digital IntegrityNext platform, and status reporting will start from 2024.

How we manage external influences on the value chain

External geopolitical conditions, including war in Europe and economic inflation, are affecting supply chain and material availability, electrical component shortages and logistics. We have maintained deliveries to our clients using a responsive, resilient and risk-based approach to minimise the impact of external conditions. Priorities for ESG, HSE and sustainability are safeguarded through our supplier and procurement processes. In the longer term, climate change can affect our supply chain, and it is part of our overall risk assessment. Read more about the risk associated with component shortages, economic inflation and higher commodity prices the chapter "Risk factors and risk management" and Note 4 to the annual accounts.

Performance commentary

We have carried out our procurement processes in accordance with our guidelines, which are also included in supplier contracts and purchase orders. As part of the procurement process and risk assessment, we evaluate all new suppliers for climate, environmental, social and governance (ESG) issues. We continue systematic risk mitigation plans and risk monitoring of suppliers, including follow-up and supplier audits as defined in our internal processes. We continue to develop and motivate our strategic suppliers to become certified according to ISO 14001 Environmental Management System and have integrated an assessment against ISO 14001 requirements in our digital supplier management system. The pace of integration varies between our business areas, for 2023 Kongsberg Maritime achieved 60 per cent (50 per cent in 2022) of their suppliers (by spend) being ISO 14001 certified, and Kongsberg Defence & Aerospace achieved 42 per cent (27 per cent in 2022) of their suppliers being ISO 14001 certified (or equivalent standard). In 2023, our due diligence, risk assessments, and audit programme did not identify significant negative environmental impacts in the supply chain.

Forward focus

We will continue our efforts to build a responsible, robust and resilient supply chain.

We are actively working to reduce greenhouse gas emissions in our supply chain to reach our science based targets.

We will continue to develop our risk assessment system, due diligence, and reporting related to human rights, worker rights, and the environment according to developments both nationally and internationally. In 2024 we will pay particular focus to the EU's Corporate Sustainability Due Diligence Directive (CSDDD).

Political engagement

Our Political Engagement

We are active in the public political debate and processes in order to support sustainable development in line with our communicated commitments and strategic ambitions.

Our approach

Collaboration with public and private players is central to KONGSBERG's history, and is critical to deliver on our ambition to create long-term value. This is an opportunity to reinforce our positive impact on society, people, and the planet, in line with our purpose and values.

Our political engagement is in line with our business strategy and priorities, including our ambition to be a driver for sustainable change and our commitment to the Paris Agreement and the UN's Sustainable Development Goals. In line with the materiality principle, we prioritise areas where we have the greatest opportunity to make a positive impact, such as climate and protection of marine ecosystems and nature. Involvement in climate and environmental policies is also important for the competitiveness of the technologies and solutions we develop to support the green transition.

KONGSBERG's approach to political engagement is guided by our ethical guidelines, principles on transparency and compliance with laws and regulations. Our efforts are led by a dedicated team at Group level and implemented in collaboration with the business areas. We do not finance political organisations such as political parties or action committees.

We are involved through public consultations and direct dialogue with authorities, political and public stakeholders, as well as indirectly through partnerships with industry and trade organisations, independent organisations, unions, employer organisations, think tanks and other stakeholders.

In line with our climate strategy, we aim to influence policies that support the aims of the Paris Agreement, limit global warming, and reduce the negative consequences of climate change. We believe that successful climate policies are the most important tools in succeeding to decarbonise society.

Meeting the goals of the Paris Agreement will require significant development, investments, and scaling of new and upgraded technologies. As a technology company we are advocating for policies that we believe are essential to drive both technological development and early adoption of low- and zero emission technologies. We support policies and framework conditions that help the world achieve the global climate targets, and the following areas are important from our perspective:

- Accelerate development of renewable energy sources including necessary infrastructure and supply chain.
- Stimulate demand for renewable energy sources through effective and just international and national initiatives. This includes carbon market mechanisms and the pricing of greenhouse gas emissions as well as the use of contracts for difference to support the development of alternative fuels and renewable energy.
- Development and scaling of pre-commercial low- and zero-emission solutions at all technology readiness levels (TRL) through research and development funding, measures to reduce investment risk and investments in necessary infrastructure.

Collaboration on the path to a zero-emission society

We collaborate with authorities, academia, central trade unions, a number of industry and business organisations and think tanks and NGOs. We seek to have a unified and clear approach to climate and sustainability, and are actively involved in contributing to effective and successful climate policies. We regularly update national authorities and employer organisations about our positions on key themes to ensure transparency concerning the direction and positions of the industry. We arrange convenient meeting arenas both locally and internationally.

In 2023, KONGSBERG engaged significantly in our Norwegian industrial segments. Our political involvement in 2023 was in line with our ambitions, and this was reinforced throughout the year. Collaboration in trade organisations is an effective way to work systematically with regulatory authorities, including the EU. To increase participation in the dialogue on technology in the maritime transition, we decided to get involved with Maritime Clean Tech. We have further increased our presence in Brussels to be closer to the development in the EU, which represents an important market and a driver of the green transition.

Sanda Ojiambo, Assistant Secretary-General and CEO UN Global Compact, and the Prime Minister of Norway, Jonas Gahr Støre, visited CEO Geir Håøy and Lisa Edvardsen Haugan, President of Kongsberg Maritime, to take a closer look at the leading maritime technology at Nor-Shipping following the summit on sustainable ocean economy.

Forward focus

Going forward we plan to continue supporting political processes and contributing to policies that support our business and the green transition. We will develop skills internally and contribute to transparency and clarity concerning KONGSBERG's positions and political engagement.

Our aim is to increase participation in the public debate on climate, environment and social issues, especially in areas where we think public/private collaboration and dialogue are key for developing leading technological solutions and practice.

Business organisations

Maritimt Forum is a special interest organisation that unites all segments and includes employees and employers in the Norwegian maritime cluster, and represents the cluster's mutual interests to national decision-makers. KONGSBERG is represented on the board of Maritimt Forum North-west and currently holds the chairman position of the central organisation. In 2023, the maritime climate partnership project has been central; a framework and collaboration platform between the government and business to discuss measures to achieve the national climate targets by 2030. The collaboration also has the aim of identifying decarbonisation initiatives that businesses can implement themselves, without government support. There is a great need to implement initiatives that support the positive development in the sector, and the ambition is that the maritime climate partnership will speed up the maritime transition while also supporting the export of green technology. The transition in the sector must take place while also maintaining global competitiveness.

Green Shipping Programme is a Norwegian a public-private partnership with the aim of *establishing the world's most effective and environmentally friendly shipping*. This includes collaboration to find sustainable logistics solutions, cost-effective emission reductions, and green jobs.

Sea Europe (Shipyards' & Maritime Equipment Association of Europe) represents the civil maritime and marine technology industry in Europe. We are represented on the board and have wide involvement, including in the working groups for technology and the environment, to address and give input to IMO's climate strategy and the EU's *Net Zero Industry Act*, among others.

Washington Maritime Blue is an industry network dedicated to the development of the maritime sector, technology and practice that promotes a sustainable future that contributes to economic growth, healthy ecosystems and thriving communities.

Association of Singapore Marine Industries (ASMI) organises programmes for improving productivity, technology, skills development and for raising industry health, safety and environment standards.

ASD represents the European aerospace, security and defence industries where we are represented on the board. One of the organisation's focus areas is sustainability. We are involved in the climate and environment committee, which was appointed to bring together and promote the industry's involvement and plans for reducing emissions and the use of hazardous chemicals, among other things.

FSi advocates for the interests of the Norwegian Defence and Security industries, where we currently have a board appointment and are active in the sustainability and compliance committee. In 2023 the committee published guidance for the industry and organised several skills development seminars.

Independent organisations

ZERO (Zero Emission Resource Organisation) is an environmental organisation with which KONGSBERG collaborates to promote climate solutions in the intersection between technology and framework conditions. In 2023 we organised a seminar to highlight how the Norwegian maritime cluster can help to reduce emissions both in Norway and internationally. During Kongsberg Agenda, ZERO had a central role in the youth party leaders debate on climate and security policies.

UN Global Compact is the UN organisation for private sector engagement. KONGSBERG has supported the principles for responsible business since 2006, and we are involved in promoting the role business has in sustainable development, both locally in Norway and globally. In 2023 we supported a petition to confirm our commitment to actively contribute to the transition to a sustainable future. Our CEO Geir Håøy signed the publicly available statement, which was published during the COP28 climate conference in Dubai. Throughout the year we were also involved in the Norwegian expert group for transition plans. The committee has a mandate to deliver a report that will provide practical guidance and recommendations for Norwegian businesses that want to develop a sustainable transition plan.

KONGSBERG has been an active contributor to the UN Global Compact collaboration platform "Ocean Stewardship Coalition" since the start in 2018. In 2023 we contributed to develop recommendations to delivering on sustainable ocean principles in offshore renewable energy, as well as policies that promote knowledge-based marine spatial planning and sustainable ocean management. We are also involved in the UN initiative[1] *Dialogue with Industry*. The aim of the dialogue is to investigate and define opportunities, and potential barriers, for maturing public and private sector collaboration in order to support a growing need for ocean data and information and knowledge to support a healthy and productive ocean economy.

Energi og Klima is the Norwegian Climate Foundation's online newspaper with the aim of providing decision-makers and the general public with knowledge, comments, and analysis to support the implementation of the green transition. In 2023 we were involved as a supporting partner.

1) Intergovernmental Oceanographic Commission

Organisation and Management Systems

KONGSBERG's governance model is closely linked to 'the Norwegian Code of Practice for Corporate Governance'. The following is an overview of the governance model and organisation related to sustainability, climate including all material ESG themes.

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 is accountable 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 climate including all material ESG themes. The Sustainability Report is reviewed and approved by the Board.

→

Corporate Executive Management

Corporate Executive Management is accountable 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 climate, including all material ESG themes, 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 and deliver on corporate strategy (strategic direction for the Group) and manage business-specific risks and opportunities. The practical aspects of the work are usually handled by the business areas, with support from the corporate staff.

→ Ethics Committee

The Group established an Ethics Committee in 2010, with the purpose of empower and ensure ethical awareness, business conduct and a good reputation in and for KONGSBERG. From 2024, the KONGSBERG Corporate Committee (for employee matters) will perform this function, which includes dealing with matters of a principal nature and issues related to policies and guidelines. The Corporate Committee consist of employee representatives and representatives from the Corporate management team.

→ Group discipline forums, councils and committees

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

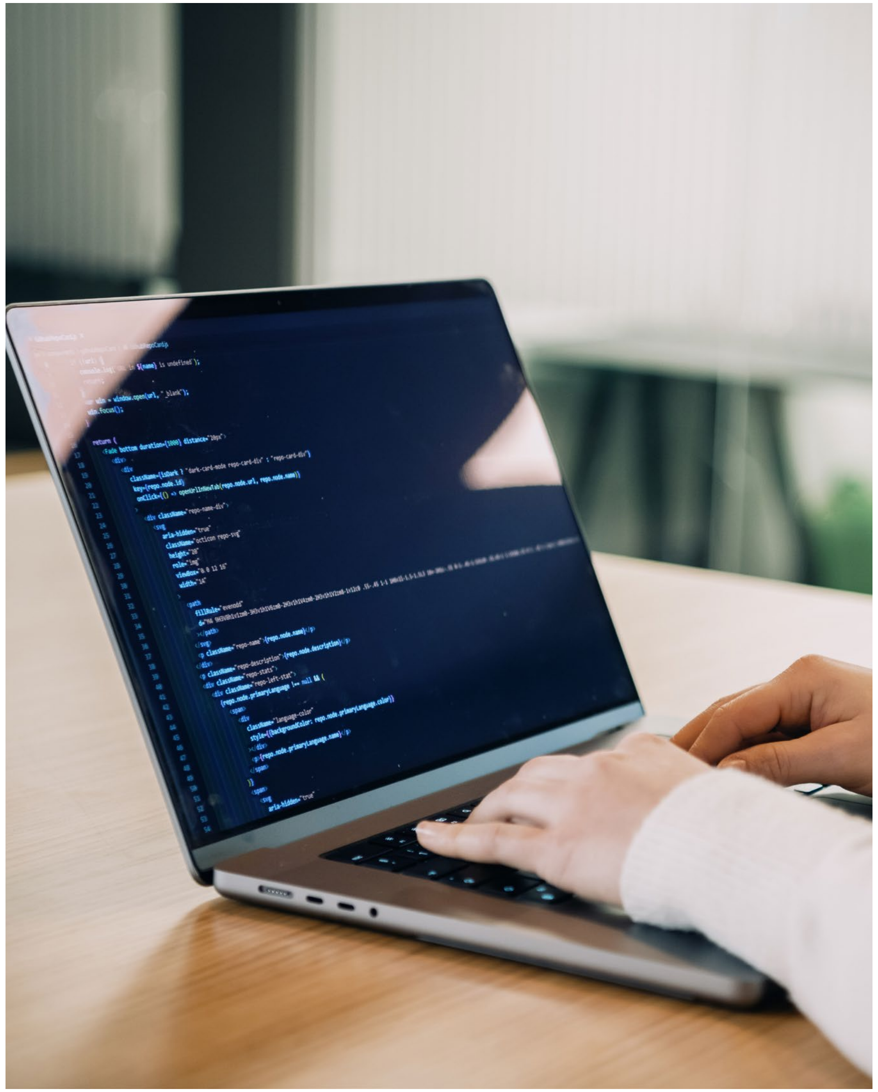
→ Quality management

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

Business areas have the following certifications:

Kongsberg Defence & Aerospace is certified according to AS9100, AS9110, ISO9001, ISO14001 and ISO27001, and approved for AQAP2310 and AQAP2210. Kongsberg Maritime is certified according to ISO9001, ISO14001, ISO 45001 (replaces OHSAS18001), ISO27001, ISO 80079-34 (Explosive atmosphere) and ISO 3834-2 (welding). Kongsberg Discovery and Kongsberg Digital are certified according to ISO9001, ISO14001, ISO 45001 (replaces OHSAS18001) and ISO27001.

Security and cybersecurity



Protect Personnel, Information and Property

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

Our approach

We strive to prevent any disruptions that may occur, while at the same time, staying agile and innovative to continue creating value through our technological solutions. We are working continuously to bulid resilience and ensure trust and credibility by protecting information, personnel, physical assets, and technology from damage, misuse, and downtime. We strive to improve security and implement measures by building a security culture with a strong focus on awareness. We know that security is a matter of ongoing effort.

KONGSBERG has common governing documents to ensure security and emergency preparedness across the Group, and within all domains of security. We have defined joint security objectives and implemented governing principles for security. The Group Chief Security Officer is responsible for coordinating security across all business areas and reports directly to the CEO. The responsibility of implementing security sits with the business areas, and each have their organic security organisation. Security is an integrated part of our risk management system to balance our business goals and efficiency. Security risks are reported quarterly.

Cyber security

In an era of constant cyberthreats, cybersecurity is one of our top security priorities. In KONGSBERG, it covers managing the risks and security challenges posed by the use of information technology and includes both hardware, software, services, communication between them, and structured work processes. We understand that to effectively address cyber security threats and any potential disruptions related to it, collaboration is essential. Therefore, we invest in close cooperation with governments, including police and security services. We also have active collaboration with special interest groups and leading authorities on security topics. KONGSBERG Cyber Security Centre is a dedicated, common resource for the Group to ensure prevention of potential cyber-attacks. Cyber incidents are part of emergency management.

We work to maintain, and further develop, a robust system for compliance with Data Privacy regulations as a part of Cyber and Information Security. To ensure compliance, we have set a target for annual external audit of all business areas of ISO/ IEC 27001. Our IT services are monitored and protected by a layered security architecture that includes extensive logging and monitoring.

Development of secure solutions for our customers

KONGSBERG is delivering world-leading products and systems which are designed to meet the highest demands of our customers and ensure their security. Therefore, we use security and privacy-by-design as a fundamental principle in software development. We also have structured processes for lifecycle management which allows us to deliver high quality services and meet security requirements. We have internationally recognised standards fully included as a part of our strategy and operations.

Personnel security

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

Physical security

The purpose of physical security is to protect personnel, assets and property from damage, theft or destruction and to prevent unauthorised access to our facilities. In KONGSBERG, we achieve good physical security through recognised security principles, which includes a combination of secure areas (defence in depth), detection- and access control systems, and effective alarm management and response. KONGSBERG has a comprehensive travel security regime that ensures Duty of Care when traveling.

Performance commentary

In 2023, we performed a comprehensive review of the directives covering security and emergency preparedness to ensure a holistic approach to these subject areas. Annual audits according to ISO/ IEC 27001 were performed in all business areas. Security training and awareness campaigns were conducted in accordance with plans. Due to a high activity level in 2023, the number of emergency response exercises did not reach our target.

Incident reporting

We experiences a significant number of cyber security alarms on a yearly basis. We received zero substantiated complaints concerning breaches of customer privacy. We had zero incidents of identified leaks, thefts, or losses of customer data.

Forward focus

As a result of the ongoing changes in the geopolitical situation and the increase in threat picture, security and cybersecurity will be on top of our agenda for 2024. We will further increase our focus on threat monitoring and information security.

We will increase the amount of emergency response training to ensure a holistic approach to emergency handling across the Group, in accordance with the updated directive on emergency preparedness.

Tax

Responsible Tax Is Our License to Operate

KONGSBERG is a multinational enterprise with four different business areas and locations in 39 countries. Due to our global presence, we make significant tax payments to the local governments which creates value to the societies where we operate and build trust. Additionally, KONGSBERG's customer base is highly governmental. Therefore, responsible tax is KONGSBERG's license to operate. It is expected that as a business partner, the organisation will comply with all relevant tax regulations and provide transparent tax disclosure.

We believe that a responsible approach to taxation is essential in building trust, maximising our positive impacts in the countries where we work, and ensuring our license to operate. Therefore, we strive to act with integrity in all tax matters by identifying and complying with appropriate tax legislation, by transparent disclosure of all the necessary information to the relevant authorities and always taking prudent tax positions where tax legislation allows different interpretations or choices.

In conducting responsible business, our objectives are to comply with tax laws in an appropriate manner, have open and constructive relationships with tax authorities, and contribute positively to the local societies.

Tax planning

- We engage in efficient tax planning that supports our business and reflects commercial and economic activity.
- We do not engage in artificial tax arrangements.
- We comply with relevant tax regulations.
- We seek to minimise the risk of uncertainties.
- We carry out transactions and profit allocation between the business areas in accordance with current OECD principles.

Governance

KONGSBERG has a central tax department that reports to corporate management, and whose primary purpose is to ensure compliance with our Tax Policy throughout the Group. The policy is in accordance with the requirements of the principal owner, i.e. the Ministry of Trade, Industry and Fisheries, and is informed by the OECD Principles of Corporate Governance (2015). Our tax strategy is guided by the tax policy.

The tax department works to provide relevant business advice on tax matters on the Group level and cooperates with internationally recognised tax advisers when necessary.

Risk management

At KONGSBERG, tax is a part of Enterprise Risk Management. We conduct risk analyses and manage tax risks through regular tax reporting, internal processes, controls, and guidelines.

Our approach to tax risks follows the same principles that apply to all other business risks. We consider tax risk not only from a financial perspective but also a reputational one. Therefore, we seek to minimise tax risk by complying with local tax regulations and by actively monitoring changes to all such regulations.

Tax risk management is an area where we strive to improve. As per OECD guidance, the future will bring a digital tax compliance at a significant higher speed and with far more data to be shared with the Government. This raises the requirement of not only adhering to the laws and regulation overall but doing this 'real-time'. A real time compliance will require more efficient routines for getting the information about deviation escalated to competent and authorised personnel that may analyse and respond. We prioritise the work on an improved version of a tax framework, with more emphasis on roles, responsibilities, and internal controls for the future. This aligns with growing requirements from governments not only to adhering to a responsible tax policy, but also being able to document such adherence.

KONGSBERG's four overarching principles for tax management:

1 Ensuring responsible tax management of KONGSBERG is a responsibility of the Board that should adopt tax risk management strategies to ensure that the financial, regulatory and reputational risks associated with taxation are fully identified and evaluated.

2 KONGSBERG shall comply with both the letter and spirit of the tax laws and regulations of the countries in where we operate.

3 KONGSBERG shall pay taxes where value creation takes place.

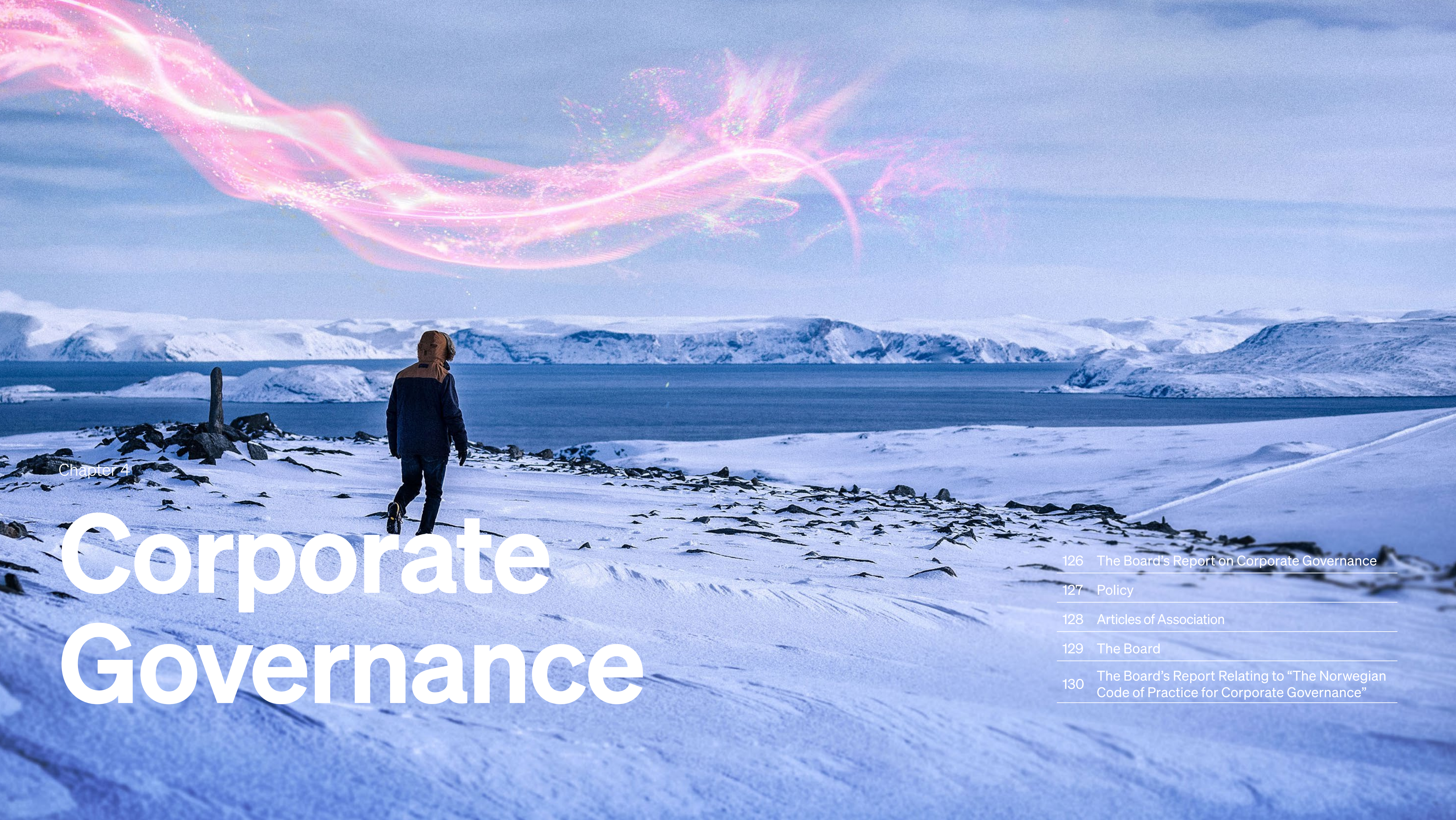
4 KONGSBERG shall not engage in artificial tax arrangements.

Transparent reporting and cooperation with authorities

We are transparent in our approach to paying tax and tax position. Through our responsible tax approach, we aim to build trust with all stakeholders, bring value to the societies wherever we operate and foster positive working relationships with fiscal authorities.

As a responsible global organisation, our tax reporting is consistent with local tax legislation, as well as with international reporting requirements and relevant accounting standards, such as IFRS.

To ensure transparency, the tax department submits a country-by-country report (CbCR) to the Norwegian authorities every year, to showcase overall risk analyses and statistics for the tax authorities. The report is further shared with the tax authorities in other countries of our operations. The tax report contains information on companies in each country, income and tax broken down by country, as well as a description of the activities in each of those countries. Going forward, our priority will be to enhance the quality of this reporting, and provide more accurate numbers to the global tax authorities.



Chapter 4

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 from 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 the 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 2023

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

Policy

KONGSBERG

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. 4. 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 7 May 2023. The Group's compliance with and any deviations from the Code of Practice will be commented on and made available to the Group's stakeholders.

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

As the Norwegian state holds an ownership share of 50.004 per cent, the Group also conducts its activities in accordance with the Storting White Paper no. 6 (2022-2023) 'Greener and more active state ownership – The State's direct ownership of companies', no. 8 (2019-2020) – 'The Norwegian State's direct ownership of companies – Sustainable value creation' and White Paper no. 27 (2013–2014) – 'A diverse and value-creating ownership', the Norwegian government's ten ownership principles for good corporate governance and the OECD guidelines regarding state ownership and corporate governance. The policy was adopted by the corporate Board.

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

- KONGSBERG shall maintain open, reliable and relevant communication with the public about its business activities and factors related to corporate governance.
- KONGSBERG's Board shall be autonomous and independent of the Group's management.
- Emphasis will be placed on avoiding conflicts of interest between the owners, the Board and the management.
- KONGSBERG will have a clear division of responsibilities between the Board and management.
- All shareholders will be treated equally.
- The Group's corporate social responsibility work is considered as an integral part of the principles of good corporate governance. This is in accordance with the government's view, as expressed in the 'Ownership Report'.

Articles of Association

Kongsberg Gruppen ASA

Most recently revised in the light of resolution at the Annual General Meeting on 11 May 2023, capital reduction §4

§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 219 902 311.25, divided among 175 921 849 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 two 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.

The Board can decide that the shareholders shall be able to cast votes in writing, including by electronic communication, in a period prior to the general meeting.

§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.

The Board

Kongsberg Gruppen ASA

Eivind Reiten
Chairman of the Board

Per A. Sørlie
Deputy of the Board

Kristin Færøvik
Member of the Board

Merete Hverven
Member of the Board

Morten Henriksen
Member of the Board

Kjersti Rød
Employee-elected member of the Board

Rune Fanøy
Employee-elected member of the Board

Oda Ellingsen
Employee-elected member of the Board

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 explain any deviations.

The following is a detailed discussion of each individual section of the Norwegian Code of Practice. The review is based on the latest version of the Code, dated 14 October 2021.

The information that KONGSBERG is required to disclose pursuant to Section 3–3b of the Accounting Act regarding reporting on corporate governance has been taken into account in this report and follows the systematics of the Code of Practice where it is natural to do so. A detailed description of the location of the disclosures required by Section 3–3b of the Accounting Act follows below:

1. '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.
2. 'information on where the recommendations and regulations mentioned in (a) are available to the public': 'KONGSBERG Policy' section in the report
3. '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'
4. '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'
5. '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'
6. 'articles of association that regulate the appointment and replacement of directors': Report, section 8, 'The Board, its composition and independence'
7. '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'
8. 'a description of the enterprise's guidelines for gender equality and diversity with regard to, for example, age, gender and educational and professional background for the composition of the board, management and control bodies and their subcommittees, if any. The objectives of the guidelines, how they have been implemented and their effect during the reporting period shall be stated. If the enterprise does not have such guidelines, this must be justified. Report section 8 'Board, composition, and independence'

For the complete overview of the Code with comments, see the The Oslo Stock Exchange, or NUES (the Norwegian Corporate Governance Committee).

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:

1. The entire Board has not usually attended the General Meeting. Thus far, the items on the agenda of the General Meeting have not required this. The Chair of the Board is always present to respond to questions. Other Board members participate on an ad hoc basis. From the Group's perspective, this is considered to be sufficient.
2. 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 deviation 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 14 March 2023.

2 Operations

Articles of association
Kongsberg Gruppen ASA is a company whose objective is to engage in technological and industrial activities in the maritime, defence and related sectors. The Company may participate in and own other companies. The above-mentioned is stated in Section 3 of KONGSBERG's Articles of Association. The Articles of Association are available on the Group's website and on page 127 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. 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 chapter 3 of the Group's Annual and Sustainability Report and on the Group's website.

3 Share capital and dividends

On 31 December 2023, the Group's equity came to MNOK 16,465 (MNOK 13,744), which is equivalent to 30,9 (31,8) per cent of the total assets.

Net interest-bearing debt as of 31 December 2023 was MNOK -2,975 (MNOK -1,479). Of this, cash and cash equivalents represented MNOK 5,975 (MNOK 3,928). Working capital as of 31 December 2023 was MNOK -445 (MNOK 565).

Total assets at 31 December 2023 was MNOK 53,222 (MNOK 43,225). 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 2022, a dividend of NOK 12 per share was paid, whereof NOK 8,40 was on top of the ordinary dividend policy.

The Board proposes to the General Meeting to pay a dividend for the 2023 financial year of NOK 14 per share (totaling MNOK 2,463), whereof NOK 7 is on top of the dividend policy.

Board authorisations

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

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

At the Annual General Meeting on 11 May 2023, the Board was given authorisation to acquire treasury shares up to a maximum nominal value of MNOK 8.75 which is equivalent to 3.9 per cent of the share capital. The authorisation may be used several times and applies up until the next Annual General Meeting, but not later than 30 June 2024. The Board's acquisition of treasury shares pursuant to this authorisation can be exercised only between a minimum price of NOK 50 and a maximum of NOK 700 per share. The shares were purchased for the share purchase programme for all employees, and in connection with the company's long-term incentive programme (LTI). Shares can also be used as full or partial payment in connection with business acquisitions, or they can be sold on the market. The shares included in the Group's employee share program are offered to all employees at a discount and are subject to a one-year lock-in period from the date of acquisition. The LTI scheme is discussed in the annual financial statements Note 10, and in separate Remuneration report published at kongsberg.com in relation with the notice of the Annual General Meeting, and section 12 of this report.

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/or the LTI scheme.

Transactions with related parties

The Board is not aware of any transactions in 2023 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 2023.

The Norwegian Government as customer and shareholder

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

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

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

5 Shares and negotiability

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

6 Annual General Meeting

Through the Annual 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 2023, the Annual General Meeting was held on 11 May and 67.52 per cent (67.26) of the aggregate share capital was represented. A total of 49 (267) shareholders were present digitally or represented by proxies.

Notification

The Annual General Meeting is ordinarily held before 1 June each year. In 2024, the date is set for 7 May 2023.

- Notification is usually distributed 21 days in advance of the Annual General Meeting at the latest. The relevant documents, including the Nominating Committee's approved list of nominees, are available at the Group's website.
- It is important that the documents contain all the information required for the shareholders to take a position on all items on the agenda. The company's Articles of Association stipulate that the deadline for registration can expire no earlier than two days prior to the date of the Annual General Meeting.
- The board can decide that shareholders may cast their votes in writing, including through electronic communication, during a period before the general meeting.
- All shareholders registered in the Norwegian Central Securities Depository (VPS) receive the notice and are entitled to submit motions and to vote directly or by proxy. The Financial Calendar is published both via a stock exchange announcement and on the Group's website.

Registration and proxies

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

Agenda and execution

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

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

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

7 Nominating Committee

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

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

In addition, the Nomination Committee shall propose remuneration for the Board members and their deputies, as well as for members of the Audit and Sustainability Committee, the Compensation Committee and the Nominating Committe, as well as conduct an annual evaluation of the Board's work.

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

Composition

The current Committee was elected by the Annual General Meeting of 11 May 2022 and consists of:

- Vigdis M. Almestad, senior portfolio manager in ODIN Forvaltning AS
- Torkel Storflor Halmø, Director, Ownership Department Norwegian Ministry of Trade
- Karl C. W. Mathisen, Chief Investment Officer in Folketrygdfondet
- Erik Must, investor, chairman of the Board i Must Holding AS, Fondsfinans AS et al.

Almestad is elected Chair of the Committee. The Nominating Committee is elected for a period of two years, and the next election will be held at the Annual General Meeting in 2024.

None of the Committee's members represents KONGSBERG's management or Board. The members are considered to be independent of the daily management and Board. Torkel Storflor Halmø is employed by the Ministry of Trade, Industry and Fisheries which, as of 31 December 2023, had a shareholding of 50.004 per cent in KONGSBERG. Vigdis M. Almestad is employed by ODIN Forvaltning AS which, through its funds, had a 0.4756 per cent share in KONGSBERG at 31 December 2023. Karl C. W. Mathisen is employed by Folketrygdfondet, which as of 31 December 2023 had a 5.8339 per cent stake in KONGSBERG. As of 31 December 2023, Erik Must had a 2.5295 per cent interest through his company Must Invest AS and a 0.107 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), Per A. Sørlie (deputy chair), Kristin Færøvik, Morten Henriksen, and Merete Hverven. Kjersti Rød, 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 15 Board meetings in 2023, four meetings were extraordinary meetings, and two board processings without meetings.

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 was up for election in 2023.

The Board's independence

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

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

Election of the Board

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

Three of the directors are elected by, and among the Group's employees. Ordinary election of the employees' representatives to Kongsberg Gruppen ASA's Board of Directors was conducted in the beginning of 2023.

The directors' shareholdings

Directors are encouraged to own shares in the company, but this is not a requirement. As of 31 December 2022, the shareholder-elected directors held the following portfolios of shares in the Group:

- Eivind K. Reiten owns 3,850 (3,850) shares through the 100 per cent owned company Mocca Invest AS.
- Per A. Sørlie owns 3,400 (3,400) shares.
- Kristin Færøvik owns 0 (2,000) shares.
- Morten Henriksen owns 4,960 (4,960) shares.
- Merete Hverven owns 0 (0) shares.

The employee elected board members have the following number of KONGSBERG-shares as of 31 December 2023:

- Kjersti Rød owns 2,127 (177) shares.
- Rune Fanøy owns 216 (216) shares.
- Oda Ellingsen owns 1,524 (1,350) shares.

Participation in Board and Committee meetings in 2023

Participation in meetings	*Board[1]*	*Audit and Sustainablity Committee*	*Compensation Committee[2]*
Eivind K. Reiten	15		4
Per Arthur Sørlie	15	7	
Anne-Grete Strøm-Erichsen (resigned 11.05.2023)	4		1
Kristin Færøvik (tiltrådt styret 11.05. og Kompensasjonsutvalget 31.05.2023)	8		3
Morten Henriksen	15	7	
Merete Hverven (acceded to Compensation Committe 31.05.2023)	14		
Oda Ellingsen	15	7	
Rune Fanøy	15		4
Kjersti Rød (vsubstitute for Jo Even Bjerknes untill 22.05.23, permanent board member from same date.)	11		
Jo Even Bjerknes (resigned 22.05.2023)	4		

1) The Board had 15 meetings in 2023, of this four were extraordinary and two meeting digital.
2) The Compensation Committee had in 2023 a total of four meetings, whereof one was extraordinary.

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 2023. 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 2023, and no changes were decided.

Financial reporting
The Board receives financial reports 12 times per year where the Group's economic and financial status is described. The reports are financial presentations that describe what has happened in the Group's operative and administrative functions during the reporting period. The financial report forms the basis for internal control and communication on status and necessary measures. Quarterly financial reports are compiled that form the basis for the external financial report. This report is dealt with in the Group's Audit and Sustainablitycommittee 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 15 Board meetings (12) in 2023. The Board meetings had 97 (98) per cent attendance in 2023.

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. The Board is composed to ensure that expertise for operations, corporate governance, risk management, financial and non-financial compliance, sustainability and climate, etc., is covered by the Board as a whole.

Disqualification

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

Guidelines for directors and executives

The Corporate Code of Ethics and Business Conduct discusses this topic under conflicts of interest under Item 5.11. The same applies to the instructions to the Board. Here, it is emphasised that the Board shall act independently of special interests. Independence in this context is defined as follows:

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

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

Use of board committees

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

The Board's Audit and Sustainability Committee

The Audit and Sustainability Committee shall act as a preparatory body for the Board of Directors andsupport the Board in its responsibilities related to financial reporting, auditing, internal control compliance with rules of conduct, sustainability and overall risk management, cf. Sections 6-12 and 6-13 of the Public Limited Liability Companies Act.The Audit and Sustainablity Committee is also a preparatory body in terms of non-financial policy and control. The Committee consists of two shareholder-elected directors and one employee-elected director. The Group's CFO and its elected auditor normally participate in the meetings. The CEO and the other directors are entitled to attend if they so desire. 7 (7) meetings were held in 2023. Members are Morten Henriksen (Chair), Per Arthur Sørlie and Oda Ellingsen: The instructions for the Audit and Sustainability Committee are published on the Group's website.

The Board's Compensation Committee

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

The Committee consists of the Chair of the Board, two shareholder-elected directors 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. 4 (5) meetings were held in 2023.

Directors: Eivind K. Reiten (chair), Merete Hverven, Kristin Færøvik og 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 and Sustainablity Committee reviews the Group's quarterly report ahead of the Board meeting. The auditor takes part in the Audit and Sustainablity Committee's meetings and meets with the entire Board in connection with the presentation of the interim annual financial statements and as otherwise required.

Follow-up by the Board

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

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

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

Compliance with values, ethics and corporate social responsibilities

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

In 2023, KONGSBERG continued its work on systematic development and follow-up of important areas for compliance with regulations, rules and internal guidelines. The Group has focus on the anti-corruption programme, where employee training, cooperation with business partners on anti-corruption measures as well as training and review of market representatives have been the key elements. We also have a particular focus on export control and sanctions, along with robust processes to ensure compliance with Data Privacy regulations. The Group has compliance functions at both a corporate level and in the business areas who are working closely. Furthermore, it is established an internal control function at the corporate level to strengthen the work of follow-up and monitoring of third parties. In the same way as the financial reporting, the internal control was established in accordance with a decentralised management model. The KONGSBERG compliance programme is coordinated and monitored from a corporate level.

Routines have been established for notification and follow-up on any alleged misconduct. The guidelines were updated in 2022 to ensure compliance with the new rules of the Working Environment Act (Norway). The Group has a whistleblower system with a web-based notification channel available to all employees globally, providing the opportunity for external notifications and anonymity for whistleblowers.

The Group has an Ethics Committee whose purpose is to promote high ethical standards and good behaviour, and to ensure that KONGSBERG maintains a good reputation.

11 Remuneration of the Board

The Annual General Meeting approves the remuneration paid to the Board each year. The proposal for remuneration is made by the Nominating Committee. From the Annual General Meeting in 2023 until the next Annual General Meeting, the total remuneration to the Board members will amount to NOK 2,794,650 (NOK 2,547,000).

The remuneration breaks down as follows:

- Board Chairperson NOK 651,000 (NOK 595,000)
- Deputy Chair NOK 323,850 (NOK 310,200)
- Other Board members NOK 303,300 (NOK 290,500)
- Deputy members NOK 13,700 (13,130) per meeting.
- In addition, the members of the Audit and Sustainablity Committee 116,950 (112,000) per year. The Committee's chair receives NOK 156,600 (150,000) per year.
- The members of the Compensation Committee receive NOK 52,350 (50,150) per year. The Committee's chair receives NOK 77,750 (74,450) per year.

The directors' fees are not contingent on financial performance, option programmes or the like. No remuneration has been paid in allowances, apart from normal Board fees. None of the Board's shareholder-elected directors works for the company outside of their directorships, and no-one has any agreement regarding a pension plan or severance pay from the company.

12 Remuneration of executive management

The Board has drawn up special guidelines for the determination of salaries and other remuneration to executive management. The CEO's terms of employment are determined by the Board. Each year, the Board undertakes a thorough review of salary and other remuneration to the CEO. The evaluation is based on market surveys of comparable positions.

The Board's declaration on executive pay and other remuneration to senior executives in KONGSBERG shall be considered by the General Meeting in the event of any significant change and at least every four years. This declaration was considered and approved by the Annual General Meeting on 6 May 2021. The structure of the remuneration system for the other members of the corporate management is determined by the Board of Directors according to the current guidelines. The terms are determined by the CEO in consultation with the Chair of the Board.

The Board's attitude to executive management's salaries is that they should be competitive and provide incentive, but not be at the very top end of the scale. The incentive system consists of basic salary, performance pay scheme (STI), pension scheme, long-term incentive scheme (LTI) and benefits in kind.

A report on salary and other remuneration paid to senior executives in KONGSBERG is submitted for consideration and advisory reconciliation by the Annual General Meeting.

The "Remuneration report of senior executives in KONGSBERG" will be presented to the General Meeting for consideration and an annual advisory vote. This will be available on the Group's website 16 April 2024, in conjunction with the announcement of the Annual General Meeting scheduled for 7 May 2024.

Performance-based part of salary

Performance-based compensation is linked to improvements in EBIT, ROACE, increased operating revenues and individual targets. Payment of performance-based part of salary has a ceiling of 50 per cent of the basic salary. A more detailed description of the scheme is provided in the report on remuneration of executive management at KONGSBERG for 2023. In 2023, the Group had 215 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 2023, the performance-based part of salary consisted of direct payments and payments from previous bonus banks. The bonus banking scheme has been discontinued as of 2019, with the last payment in 2023.

Long-term incentive (LTI)

LTI is an incentive scheme for senior executives where the participant receives, when certain criteria are met, shares for a given percentage of the senior executive's salary after deduction for tax. The LTI scheme constitutes a maximum of 30 per cent of the fixed salary for the CEO, 25 per cent for others in the group management, 15 per cent for the management teams in the business areas and 10 per cent for key positions. A more detailed description of the scheme is provided in the report on the remuneration of executive management at KONGSBERG for 2023.

Conditions

Remuneration of senior executives in KONGSBERG 2023 is described in the "Remuneration of senior executives in KONGSBERG 2023".

13 Information and communication

Annual Report and Directors' Report – interim reporting

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

Other market information

Open investor presentations are conducted in connection with the Group's annual and quarterly reports. Here the CEO, assisted by the CFO, reviews the results and comments on markets and future prospects. Other members of the Group's management participate as needed.

Capital Markets Days and other arrangements are held where the Presidents of the Business Areas will participate. The entire Group Management is normally present at the Capital Markets Day.

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

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

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

14 Take-overs

There are no defence mechanisms against take-over bids in the Group's Articles of Association, nor have other measures been implemented to limit the opportunity to acquire shares in the company. The Norwegian government owns 50.004 per cent of the shares. The marketability of these shares is subject to parliamentary discretion. The Board's instructions contain an item that refers to the guiding principles for how the Board shall react in the event of any take-over bid. The Board is responsible for ensuring that KONGSBERG's shareholders are treated equally and that operations are not disrupted unnecessarily. If a bid is made for the entirety or parts of the company, the Board shall draw up a statement containing a well-founded evaluation of the bid and, if need be, provide an independent third-party assessment. The evaluation shall specify how, for example, a take-over would affect long-term value creation at KONGSBERG.

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

15 Auditor

The auditor's relationship to the Board

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

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

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

At least one meeting a year will be held between the auditor, the Audit and Sustainablity 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 other 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.

Directors' liability insurance

Kongsberg Gruppen ASA has a directors' liability insurance applicable to the company's board members, CEO, and senior employees. This insurance covers legal and financial claims directed at the board or management based on their actions in their respective roles. It applies to both the parent company and all subsidiaries of KONGSBERG where KONGSBERG holds more than a 50 percent ownership stake. The insurance is placed with a reputable insurance company with a good rating.

Chapter 5

Directors' Report and Financial Statements

Statement from the Board and the CEO

The Board of Directors and the CEO have today considered and approved the integrated report for Kongsberg Gruppen ASA ("Company") and KONGSBERG ("Group") for the 2023 calendar year and as of 31 December 2023.

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards and related interpretations as adopted by EU as well as additional information requirements as per the Norwegian Accounting Act. The financial statements for the Company have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway.

We confirm to the best of our knowledge that:

- The financial statements for the period 1 January 2023 to 31 December 2023 for the Group and the Company have been prepared in accordance with applicable accounting standards
- The information in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and result as a whole.
- The Annual Report and Sustainability Report 2023 gives a true and fair view of the development, performance and financial position of the Company and the Group, including a description of the principal risks and uncertainty factors facing the Company and the Group, and that the integrated report 2023 has been prepared in accordance with the information requirements of the Norwegian Accounting Act with regard to the Report of the Board of Directors and statements on corporate governance and corporate social responsibility and in accordance with the Norwegian Accounting Act section 3-3.

Kongsberg, 14 March 24

Eivind Reiten	**Per A. Sørlie**	**Merete Hverven**	**Morten Henriksen**	**Kristin Færøvik**	**Rune Fanøy**	**Oda Ellingsen**	**Kjersti Rød**	**Geir Håøy**
Chairman of the Board	Deputy of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	President and CEO

The table below shows an overview of where the legal requirements for the Director's Report are covered.

Regulation	*Content*	*Annual report references*	*Page reference*
Norwegian Accounting Act			
Section 3-3a) 1st para	Information regarding the nature and location of the business, including information on any branch offices	This is KONGSBERG Business areas	9-10 21-49
Section 3-3a) 2nd para	Review of the development and result of the enterprise's operations and position together with a description of the key risks and uncertainty factors facing the company, hereunder also information on research and development activities	Risk factors and risk management Innvation and product development Comments to the financial statements Note 4 Note 14	16-18 55 144-145 153-155 179
Section 3-3a) 5th para	A description that provides a basis fir assessing the enterprise's further outlook, including whether the results for the year agree with prevoiusly stated target results and expected developments and give reason for any discrepancy.	Strategy and ambitions Outlook 2024 Kongsberg Maritime: Growth and development Kongsberg Defence & Aerospace:Growth and development Kongsberg Discovery: Strategy and outlook Kongsberg Digital: Strategy and Priorities Target and strategic priorities	13-14 15 25 33 41 49 53
Section 3-3a) 6th para	Information regarding any financial risk that is significant to the evaluation of enterprise's assets, liabilities, financial position and result. An account shall be given of the enterprise's exposure to market risk, credit risk and liquidity risk.	Risiko factors and risk management Note 4	16-18 151-153
Section 3-3a) 7th para cfr. Section 4-5	Information regarding the going concern assumption	Comments to the financial statements	144
Section 3-3a) 8th para	Proposal for the allocation of profit or settlement of loss	Comments to the financial statements	144
Section 3-3a) 9th para	Information about the work environment, along with an overview of implemented measures relevant to the working environment. Information on injuries, accidents and sick leave rates.	Health, Safety and Well-being Appendix: Employees Appendix: Health and safety	98-102 246 247
Section 3-3a) 10th para	Information on matters relating to the business, hereunder its factor inputs and products, which may result in at not insignificant impact on the external environment. The environmental impact each aspect of the business has or may have, as well as measures implemented or planned implemented to prevent or reduce any negative environmental impacts, shall be stated.	Environment Appendix: Climate and environmental accounts for 2023 Appendix: Basis for Preparation of the KONGSBERG Greenhouse Gas (GHG) Inventory Appendix: TCFD reference index	62-89 248-249 250-253 254-255
Section 3-3a) 11th para	Information on whether insurances covering the board members' and CEO's potential liabilities towards the enterprise and the third parties are maintained, including information on relevant insurance coverage.	Directors' liability insurance	139
Section 3-3a) 13th para, cfr. Securities Trading Act, Section 5-8a (1)	Shareholders information: A description of provisions in the articles of association that restrict the right to trade in the shares of the company.	IA	
Section 3-3a) 13th para, cfr. Securities Trading Act, Section 5-8a (2)	Shareholders information: A description of who exercises the rights connected dto shares in any employee share schemes where authority is not exercised directly by the employees covered by the scheme.	IA	

To be continued.

Section 3-3a) 13th para, cfr. Securities Trading Act, Section 5-8a (3)	Shareholders information: Any agreements between shareholders which are known to the enterprise and which restrict the possibilities of trading in or exercising voting rights connected to the shares.	IA	
Section 3-3a) 13th para, cfr. Securities Trading Act, Section 5-8a (4)	Shareholders information: Any significant agreements to which the enterprise is a party, the terms of which take effect, alter or terminate as a result of a takeover bid, and a description of those terms.	IA	
Section 3-3b)	Report on corporate governance	Corporate Governance	125-139
Section 3-3c)	Report on social responsibility that as a minimum deals with the environment, social conditions, the working environment, equality and non-discrimination, compliance with human rights and the combating of corruption and bribery.	Sustainability in KONGSBERG Appendix Human Rights Report 2022 (published in june 2023)[1] Likestillings- og diskrimineringsrapport for Kongsberg Gruppen ASA EU's taksonomy Report	50-124 231-256 www.kongsberg.com www.kongsberg.com www.kongsberg.com
§ 3-3d)	Enterprises that have operations in the extractive industry shall prepare and publish an annual report containing information on their payments to authorities at country and project levels.	IA	
Equality and Anti-Discrimination Act			
Section 26a)	Description of the factual status of gender equality in the enterprise and what actions are taken to fulfill requirements.	An attractive and caring employer Salary and compensation Appendix: Employees Human Rights Report 2022 (published in june 2023) Likestillings- og diskrimineringsrapport for Kongsberg Gruppen ASA	91-93 96-97 246 www.kongsberg.com www.kongsberg.com
Transparency Act			
Section 5 cfr Section 4	Account of due diligence	Human Rights Responsible business conduct Responsible supply chain Appendix: Employees Appendix: Health and Safety Human Rights Report 2022 (published in june 2023)	103-104 106-113 114-116 246 247 www.kongsberg.com
The Public Limited Company Act			
Section 6.16a) and b)	The Board shall prepare guidlines on the determination of the salary and other remuneration payable to the Executive Management. A report providing a combined overview of the paid and owed salary and remuneration covered by the guidelines must be prepared.	Executive Management Remuneration Report 2023	www.kongsberg.com

1) The report on Transparency Act 2023 is expected to be published in june 2024.

Comments on the Financial Statements

2023 was a good year and the Group ended the year with an order backlog of NOK 88.6 billion and strong market positions. The European security situation of today has underlined the importance of nations' defence capabilities and shed light on new security needs that must be addressed. The world is in the middle of a transformation towards more sustainable energy sources, and there is an urgent need to reduce emissions. KONGSBERG is well-positioned within these global trends, delivering products and systems that can contribute to solving these issues. KONGSBERG will continue to work actively towards these solutions.

KONGSBERG is a publicly traded company with headquarters in Kongsberg, Norway. The Group had four business areas in 2023: Kongsberg Defence & Aerospace, Kongsberg Maritime, Kongsberg Discovery and Kongsberg Digital. The Group is administrated through its parent company Kongsberg Gruppen ASA.

The Group's order backlog increased from NOK 63,256 at the end of 2022 to NOK 88,550 million at the end of 2023. Kongsberg Maritime's order backlog grew by NOK 2,674 million, Kongsberg Defence & Aerospace's by NOK 21,837 million, Kongsberg Discovery's by NOK 496 million and Kongsberg Digital's by NOK 884 million through the year. In total, the Group's order intake came in at NOK 65,401 million, up from NOK 45,150 million in 2022. The book/bill was 1.61.

Operating revenues

The Group's operating revenues were NOK 40,617 million in 2023, an increase of 28 per cent from NOK 31,803 million in 2022. Kongsberg Maritime had operating revenues of NOK 20,180 million, Kongsberg Defence & Aerospace had operating revenues of NOK 15,949 million, Kongsberg Discovery had operating revenues of NOK 3,913 million and Kongsberg Digital had operating revenues of NOK 1,433 million.

EBIT-development

EBIT was NOK 4,600 million in 2023 with an EBIT-margin of 11.3 per cent, compared to NOK 3,309 million with an EBIT-margin of 10.4 per cent in 2022. EBIT rose in both Kongsberg Maritime, Kongsberg Defence & Aerospace and Kongsberg Discovery, while Kongsberg Digital had lower EBIT as a result of the ongoing upscaling of the business. Growth, solid project execution and cost discipline contributed to the strong profitability.

Kongsberg Defence & Aerospace grew its EBIT from NOK 1,919 million to NOK 2,398 million from 2022 to 2023, while Kongsberg Maritime's increased from NOK 1,255 million to NOK 2,053 million. Kongsberg Discovery grew its EBIT from NOK 464 million to NOK 556 million, while Kongsberg Digital saw a reduction in EBIT from NOK -380 million to NOK -479 million in 2023.

Performance

Earnings before tax was NOK 4,675 million, compared to NOK 3,497 million in 2022. Earnings after tax was NOK 3,715 million, corresponding to NOK 21.08 per share in 2023, as opposed to NOK 2,809 million (NOK 15.64 per share) in 2022. Return on average capital employed (ROACE) was 33.3 per cent in 2023 (33.9 per cent in 2022).

KONGSBERG has a sound financial position, and on this basis the Board of Directors will propose a dividend of NOK 14.00 per share (2,463 in total) to the Annual General Meeting on 7 May 2024, of which NOK 7.00 is in accordance with the Group's ordinary dividend policy and NOK 7.00 is in addition. The payment is proposed to be divided in two tranches of NOK 7.00 each. The last day of trading including the first tranch will be 7 May 2024, and the last day trading including the second tranch 8 October 2024. Correspondingly, a dividend of NOK 12.00 per share totaling NOK 2,128 million was paid in 2022, of which NOK 8.40 per share was in excess of the Group's ordinary dividend policy. At year-end, the number of outstanding shares, including shares owned by KONGSBERG, was 175,921,849.

Cash flow

KONGSBERG had a positive cash flow from operating activities of NOK 5,827 million (NOK 1,106 million) in 2023. This mainly consisted of EBITDA of NOK 6,037 million, adjusted for gains from sale of buildings of NOK 135 million and changes in current assets and other operating items of NOK -74 million.

In 2023, there was a negative cash flow related to investing activities of NOK -1,153 million (NOK -1,343 million). The largest outgoing cash flows related to investing activities were NOK 1,980 million, pertaining to investments in property, plant and equipment, such as the new missile factory and other production facilities. NOK 403 million is tied to activation of R&D, other intangible assets and NOK 163 million in investments in subsidiaries, mainly FutureOn.

Cash flow from financing activities were negative by NOK -2,759 million (NOK -4,002 million), mainly related to dividends paid, payment of leasing liabilities, repurchase of own shares under the buyback programme and interest expenses. KONGSBERG issued a new bond, KOG15, of NOK 1,000 million and settled the bond KOG13 of NOK 500 million during 2023.

The net change in cash and cash equivalents, after the effect of changes in exchange rates, was NOK 2,043 million (NOK -4,186 million).

Capital structure

The most important capital allocation priority in KONGSBERG's financial policy is to maintain a solid balance sheet through a net debt divided by EBITDA ratio of 1.5 as a long-term average, while simultaneously keeping net debt below 2.5 times EBITDA. As of 31 December 2023, KONGSBERG's net debt/EBITDA was -0.2. This ensures a balance between creditors and shareholders and 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.

As of 31 December 2023, the Group's equity was NOK 16,465 million, equal to 30.9 per cent of total assets. Net interest-bearing debt (interest-bearing debt less cash and cash equivalents) was NOK -2,975 million (-1,479). Long-term debt was made up of three long-term bonds as of year-end, totaling NOK 2,500 million.

The Group's syndicated loan facility of NOK 2,500 million was unused at the end of 2023.

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

Foreign Exchange

The Group's financial policy states that contract above a certain size is to be currency hedged when entered, and this is mainly done using forward exchange contracts (fair value hedges). In special cases, forward exchange contracts or options are used as cash flow hedges, for example in the event of large tenders with a high probability of winning. The Group employs 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 2023, net sales of foreign exchange as fair value hedges amounted to NOK 24,928 million, measured at agreed exchange rates. These forward exchange contracts had a net fair value of NOK 316 million. In addition, the Group had net sales of currency equivalent to NOK 1,145 million as cash flow hedges measured at agreed exchange rates, consisting of forward exchange contracts. At year-end, the cash flow hedges had a total net negative fair value of NOK 286 million.

Profit for the year and its allocation

The business in the parent comapny, Kongsberg Gruppen ASA, primarily consists of providing group services to subsidiaries as well as handeling other administrative tasks.

In 2023, the revenues were MNOK 238 compared to MNOK 201 in 2022. The annual result is 1,590 MNOK up from MNOK 257 last year. The change is due to significantly higher contributeions from the subsidiaries in 2023 compared to 2022.

The balance has increased by MNOK 4,235, attributed to an increase in short-term receivables and debt from subsidiaries. As of 31 December 2023, the total capital stands at MNOK 20,150. The total allocated MNOK.

The board proposes the following allocation of the annual result in Kongsberg Grupppen ASA.

Provisions for dividend	2 463 MNOK
From equity	(873) MNOK
Total allocated	**1 590 MNOK**

The proposed dividend amounts to 66.3% of The Group's annual result.

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.

Financial Statements and Notes 2023

Consolidated Statement of Income

KONGSBERG (Group)

MNOK	Note	2023	2022
Operating revenues	6, 7	40 617	31 803
Total revenues		**40 617**	**31 803**
Material cost	9	(15 334)	(11 210)
Personnel expenses	10, 11	(13 691)	(11 240)
Other operating expenses	27	(5 556)	(4 752)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	6, 30	**6 037**	**4 602**
Depreciation property, plant and equipment	6, 12	(479)	(469)
Depreciation, leasing assets	6, 13	(493)	(449)
Impairment of property, plant and equipment	6, 12	(4)	(18)
Amortisation intangible assets	6, 14	(422)	(352)
Impairment of intangible assets	6, 14	(39)	(4)
Earnings before interest and taxes (EBIT)	6, 30	**4 600**	**3 309**
Share of net income from joint arrangements and associated companies	8	358	387
Financial income	16	172	250
Financial expenses	16	(319)	(322)
Interest expenses on leasing liabilities	13, 16	(136)	(128)
Earnings before tax		**4 675**	**3 497**
Income tax expense	17	(959)	(687)
Earnings after tax		**3 715**	**2 809**
Attributable to:			
Equity holders of the parent		3 712	2 773
Non-controlling interests		4	37
Earnings per share/ Earnings per share diluted, in NOK			
-for the period's result	18	21,08	15,64
-for the period's result, diluted	18	21,08	15,64

Consolidated Statement of Comprehensive Income

KONGSBERG (Group)

MNOK	Note	2023	2022
Earnings after tax		**3 715**	**2 809**
Specification of other comprehensive income:			
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	170	6
- Cross-currency swaps	21 B, C	(77)	(70)
Tax effect cash flow hedges and cross-currency swaps	17	(20)	14
Translation differences currency	21 B	426	287
Total items to be reclassified to profit or loss in subsequent periods		**499**	**236**
Items not to be reclassified to profit or loss:			
Actuarial gains/losses, pensions	11	(53)	364
Tax effect on actuarial gain/loss on pension	17	11	(78)
Total items not to be reclassified to profit or loss		**(42)**	**285**
Other comprehensive income		**457**	**521**
Comprehensive income after tax		**4 172**	**3 331**
Attributable to:			
Equity holders of the parent		4 161	3 291
Non-controlling interests		11	40

Consolidated Statement of Financial Position as of 31 December

KONGSBERG (Group)

MNOK	Note	*2023*	*2022*
Assets			
Non-current assets			
Property, plant and equipment	12	5 588	4 107
Leasing assets	13	1 668	1 743
Goodwill	14, 15	3 886	3 686
Other intangible assets	14	2 066	2 095
Deferred tax assets	17	331	235
Shares in joint arrangements and associated companies	8	4 259	3 868
Other non-current assets	19	541	585
Total non-current assets		**18 338**	**16 320**
Current assets			
Inventories	9	6 848	5 493
Trade receivables	20	8 722	6 957
Customer contracts, assets	7	10 500	8 031
Financial derivatives	21 A	1 887	1 596
Other short-term receivables	20	951	896
Cash and cash equivalents	22	5 975	3 932
Total current assets		**34 884**	**26 905**
Total assets		**53 222**	**43 225**

Kongsberg, 14 March 24

KONGSBERG (Group)

MNOK	Note	*2023*	*2022*
Equity, liabilities and provisions			
Equity			
Issued capital		5 928	5 930
Retained earnings		8 855	6 911
Other reserves		1 185	693
Equity attributable to owners of the parent		**15 968**	**13 535**
Non-controlling interests		497	209
Total equity	23	**16 465**	**13 744**
Non-current liabilities and provisions			
Long-term interest-bearing loans	21 D	2 500	2 003
Long-term leasing liabilities	13	1 457	1 526
Pension liabilities	11	578	553
Provisions	24	106	115
Deferred tax liabilities	17	1 377	1 112
Other non-current liabilities		51	75
Total non-current liabilities and provisions		**6 068**	**5 384**
Current liabilities and provisions			
Customer contracts, liabilities	7	19 825	14 159
Financial derivatives	21 A	1 929	1 559
Provisions	24	1 449	1 563
Short-term interest-bearing loans	21 D	500	450
Short-term leasing liabilities	13	433	419
Other current liabilities	25	6 552	5 948
Total current liabilities and provisions		**30 689**	**24 097**
Total liabilities and provisions		**36 757**	**29 481**
Total equity, liabilities and provisions		**53 222**	**43 225**

Eivind Reiten	**Per A. Sørlie**	**Merete Hverven**	**Morten Henriksen**	**Kristin Færøvik**	**Rune Fanøy**	**Oda Ellingsen**	**Kjersti Rød**	**Geir Håøy**
Chairman of the Board	Deputy of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	President and CEO

Consolidated Statement of Changes in Equity

KONGSBERG (Group)

		Equity related to shareholders of the parent						Non-controlling interests	Total equity
		Issued capital		Other reserves		Retained earnings	Total		
MNOK	Note	*Share capital*	*Other issued capital*	*Hedging reserve*[2)]	*Translation difference*				
Equity as of 1 January 2022		224	5 708	(165)	623	7 079	13 470	149	13 618
Earnings after tax		-	-	-	-	2 773	2 773	37	2 809
Other comprehensive income		-	-	(50)	284	284	518	3	521
Transactions with treasury shares related to employee share programme		-	-	-	-	(5)	(5)	-	(5)
Dividend paid	23	-	-	-	-	(2 716)	(2 716)	-	(2 716)
Capital reduction	23	(2)	-	-	-	-	(2)	-	(2)
Share buy-back related to share buy-back programme		-	-	-	-	(481)	(481)	-	(481)
Purchase/sale, non-controlling interests		-	-	-	-	(22)	(22)	20	(1)
Equity as of 31 December 2022		**222**	**5 708**	**(215)**	**907**	**6 912**	**13 535**	**209**	**13 744**
Equity as of 1 January 2023		222	5 708	(215)	907	6 912	13 535	209	13 744
Earnings after tax		-	-	-	-	3 712	3 712	4	3 715
Other comprehensive income		-	-	73	419	(42)	449	8	457
Transactions with treasury shares related to employee share programme		-	-	-	-	4	4	-	4
Dividend paid	23	-	-	-	-	(2 115)	(2 115)	-	(2 115)
Capital reduction	23	(2)	-	-	-	-	(2)	-	(2)
Share buy-back related to share buy-back programme		-	-	-	-	(265)	(265)	-	(265)
Purchase/sale, non-controlling interests [1)]		-	-	-	-	650	650	277	927
Equity as of 31 December 2023		**220**	**5 708**	**(143)**	**1 326**	**8 856**	**15 968**	**497**	**16 465**

1) See note 5 for more information on transactions with non-controlling interests.

2) For more details on the hedge reserve see Note 21 C.

Consolidated Statement of Cash Flow

KONGSBERG (Group)

MNOK	*Note*	*2023*	*2022*
Earning after tax		**3 715**	**2 809**
Depreciation/impairment of property, plant and equipement	12	483	487
Depreciation, leasing assets	13	493	449
Amortisation/Impairment of intangible assets	14	461	356
Share of net income from joint ventures and associated companies	8	(358)	(387)
Net finance items	16	283	200
Income tax expenses	17	959	687
Gain on sale of business	5	(135)	-
Adjusted for			
Change in customer contracts, assets		(2 955)	(2 136)
Change in customer contracts, liabilities		6 837	3 150
Change in other current liabilities		838	449
Change in inventories		(1 355)	(1 187)
Change in trade receivables		(1 781)	(2 339)
Change in other current receivables		6	(516)
Change in provisions and other accruals		(614)	(502)
Income taxes paid	17	(1 049)	(414)
Change in net current assets and other operations-related items		**(74)**	**(3 495)**
Net cash flows from operating activities		**5 827**	**1 106**

To be continued.

MNOK	*Note*	*2023*	*2022*
Dividens from joint ventures and associated companies	8	170	201
Proceeds from sale of property, plant and equipment	12	49	56
Purchase of property, plant and equipment	12	(1 980)	(678)
Capitalised internal development and other intangible assets	14	(403)	(400)
Repayment of debt in acquired business		-	(7)
Interests received	16	120	124
Investments in subsidiaries and associated companies	5, 8	(163)	(601)
Investment in financial assets		-	(44)
Proceeds from sale of business	5	1 115	6
Settlement of cross-currency swaps	21 B	(59)	1
Net cash flow from investing activities		**(1 153)**	**(1 343)**
Proceeds from interest-bearing loans	21 D	1 000	-
Repayment of interest-bearing loans	21 D	(463)	-
Payment of principal portion of lease liabilities	13	(477)	(408)
Interest paid		(222)	(168)
Interest paid on leasing liabilities	13	(136)	(128)
Transactions with treasury shares related to employee share programme		(80)	(100)
Share buy-back related to share buy-back programme		(267)	(483)
Dividends paid to equity holders of the parent	23	(2 128)	(2 736)
- of which dividends from treasury shares		13	21
Net cash flow from financing activities		**(2 759)**	**(4 002)**
Total cash flow		**1 915**	**(4 238)**
Effect of changes in exchange rates on cash and cash equivalents		**128**	**54**
Net change in cash and cash equivalents		**2 043**	**(4 186)**
Cash and cash equivalents as of 1 January 2023		**3 932**	**8 118**
Cash and cash equivalents as of 31 December 2023	22	**5 975**	**3 932**

Notes

KONGSBERG (Group)

1 General information

KONGSBERG is an international technology group. The parent company Kongsberg Gruppen ASA is a public limited company headquartered in Kirkegårdsveien 45, 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 2023 at its meeting on 14 March 2024. The consolidated financial statements for 2023 include the parent company and subsidiaries (collectively referred to as "KONGSBERG" or "the Group"), as well as the Group's investments in associated companies 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 figures 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 IFRS (R) Accounting Standards (IFRS) as adopted by the European Union (EU) and related interpretations, as well as the Norwegian disclosure requirements according to the Accounting Act applicable. The consolidated financial statements have been prepared on a historical cost basis except for the following assets and liabilities:

- Financial derivatives (forward exchange contracts, currency options and interest swap agreements), measured at fair value
- Other financial assets measured at fair value

Consolidation

The consolidated financial statements present the parent company and all the subsidiaries as one entity .

When new subsidiaries are acquired, the profit and loss, assets and liabilities are recognised in the consolidated accounts from the date of acquisition. The date of acquisition is the date when KONGSBERG obtains control of the acquired company. Subsidiaries disposed of during the year are included in the consolidated statement of income until the date on which the control ceases.

In some cases, KONGSBERG does not own all the shares in the subsidiaries. The share of profit and equity in the subsidiaries that do not accrue to KONGSBERG are included in the consolidated earnings for the year but are specified as non-controlling interests after earnings after tax in the income statement, after comprehensive income after tax in the statement of comprehensive income and in the equity in the statement of financial position. In the case of acquisitions where there are non-controlling ownership interests, goodwill is in most cases limited to KONGSBERG's share.

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

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

Joint arrangements and associated companies are recognised in the income statement with KONGSBERG's share of the earnings after tax on the accounting line "Share of net income from joint arrangements and associated companies"

Foreign currency

The Group's consolidated financial statements are presented in Norwegian kroner (NOK), which is also the parent company's functional currency. Customer contracts, above a certain threshold, in currencies different from the functional currency are hedged and recognised as income on the basis of the hedged exchange rate. Gains and losses related to foreign exchange items in the normal operating cycle are included in the operating profit before depreciation and amortisation. Other gains and losses related to items in non-functional currencies are classified as financial income or financial expenses.

Estimation uncertainty and assessment of accounting assumptions

During the preparation of the financial statements, the company's management has applied its best estimates and assumptions considered to be realistic based on experience and market conditions. Situations can arise which alter the estimates and assumptions, which will affect the company's assets, liabilities, revenues and expenses. The estimates are reviewed on an ongoing basis and are recognised in the period in which they occur. In the preparation of the consolidated financial statements, management has made some significant judgements relating to the application of accounting policies.

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

- Note 7 «Revenue recognition customer contracts"
- Note 14 «Intangible assets"
- Note 15 "Impairment testing"
- Note 17 "Income tax"
- Note 21 "Financial Instruments"
- Note 24 "Provisions"

Going concern

The consolidated financial statement have been prepared on the assumption of a going concern. 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.

Changed standards in IFRS that have not yet been implemented

There are no standards or interpretations that are not yet effective that would be expected to have a material impact on KONGSBERG's consolidated financial statement.

IFRS standards implemented with the effect from 1 January 2023

The amendments to the standards IFRS 17, IAS 1, IAS 8 and IAS 12 entered into force on 1 January 2023. The amendments to IFRS 17 are not relevant and will not be further described. The other amendments are implemented in the preparation of the consolidated financial statements.

The amendments to IAS 1 concern changes in information on accounting principles and add new guidance on how entities should apply the concept materiality in making decisions about accounting policy disclosures. The requirement to disclose "significant" accounting policies is replaced with a requirement to disclose "material" accounting policies in order to provide users with more useful information about the accounting principles. KONGSBERG implemented these amendments in the consolidated statements for 2022. The amendments to IAS 8 introduce a new definition of accounting estimates and shall clarify the difference from accounting policies. Furthermore, the amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments to IAS 12 concern deferred tax related to assets and liabilities arising from a single transaction. The amendments limit the initial recognition exception of deferred tax, so that it no longer apply to transactions that give rise to equal taxable and deductible temporary differences.

Implementation of these changes have not had any significant effect on KONGSBERG's financial statements.

3 Fair value

KONGSBERG's accounting principles and disclosures require a measurement of fair value on certain financial and non-financial assets and liabilities. For both measurement and disclosure purposes, fair value has been estimated as described in the disclosures below. Where relevant, further disclosures will be provided in the notes regarding the assumptions for calculating fair value on the individual assets and liabilities.

Intangible assets

The fair value of intangible assets, e.g., technology, software and customer relations acquired through acquisitions, is calculated at the net present value of the estimated future cash flow from the asset, discounted by a risk-adjusted discount rate.

Brand names are calculated at the net present value of the estimated savings of royalty costs by using the brand name.

The fair value of customer relations is based on the discounted net excess earnings on the related asset

Leases

Leases are recognised at cost which corresponds to the fair value at the time the agreement is signed. When acquiring a business, lease contracts are measured at fair value on the date of acquisition. The market value is determined using the implicit interest rate in the lease contract or the incremental borrowing rate. For lease of property yield obtained from external parties is used.

4 Management of capital and financial risks

KONGSBERG has a centralised finance function responsible for the Group's capital structure and financing, currency risk, liquidity management, interest rate risk, credit risk, financial counterparty risk, trade finance, insurance schemes, management of the company's business portfolio and capital allocation principles. The Group's subsidiaries have limited opportunities to establish independent funding or assume financial risk. The Board has adopted guidelines for financial risk management which have been included in the Group's financial policy.

Funding and capital management

KONGSBERG's policy is to allocate capital according to the following principles and sequence:

1. Maintain a solid statement of financial position
2. Invest for organic growth
3. Ensure competitive shareholder remuneration
4. Active management of the company's business portfolio

1. The 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 over time to fall within the range of 1.5x +/- 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 2023, KONGSBERG's net debt/EBITDA was -0,2.

2. KONGSBERG's technology platforms have been built up over years and are prerequisites for being competitive. In recent years, the Group has invested around five per cent of its revenue in development, and in order to maintain its competitiveness, the Group must continue to allocate capital to this and other essential investments.

3. KONGSBERG aims to generate a competitive remuneration to its shareholders. The target is to pay a stable or growing ordinary dividend on a per share basis year over year, supplemented by the possibility of paying special dividends in excess of the ordinary dividend policy and share buy-back of own shares. Together and over time these components shall be competitive for the shareholders. When determining the size of remunerations to the shareholders, management and the board will take into account future capital requirements.

4. KONGSBERG shall actively manage its business portfolio, which entails acquisition, disposals and restructurings. The Group's businesses are primarily assessed for their value creation ability, but also for the way in which they fit KONGSBERG's strategy, their ability to hold leading market positions, and the potential for synergies across the Group.

The capital structure of 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 2023 was MNOK 16,465, which corresponds to 30.9 per cent of total assets. The Group's net interest-bearing debt, including IFRS16 effects, at year-end was MNOK -1,085.

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 at yearend 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 normally subject to floating interest rate.

KONGSBERG shall give priority to minimizing interest rate expenses 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 two interest rate swaps from fixed to floating interest rate related to the bond KOG15. 33 per cent of the issued debt had floating interest rate (41 per cent in 2022), while the remaining 67 per cent had fixed interest rate (59 per cent in 2022) before the interest rate swaps are included. If the interest rate swaps are included, then 67 per cent of the issued debt had floating interest rate. The interest rate duration was 0.7 (1.1 in 2022).

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 of MNOK 2,500 and an overdraft facility of MNOK 1,500 per 31 December 2023. During 2023 the committed loan facility was extended by one year through the exercise of one of the extension options in the agreement and the overdraft facility was increased with MNOK 500. KONGSBERG has a Group cash pool structure to which most subsidiaries are connected. This structure increases availability and flexibility of the liquidity management.

The Group's liquidity is routinely monitored through monthly rolling liquidity forecasts from the largest business units, as well as the annual budget process and reporting by segment for major investments. For further information see Note 21 E.

Currency risk

KONGSBERG has a global presence with subsidiaries in many countries. The Group has a high proportion of its revenues from contracts in currencies other than Norwegian kroner, with a relatively low proportion of procurement in the same currency. The individual business areas identify exposure for each contract, whilst the centralised treasury function offers instruments that reduce currency risk.

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 expenses 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 Norwegian kroner (net investment hedging) are normally not hedged. The Group assesses ongoing the need for hedging this currency exposure, based on risk and materiality.

Currency options are used to some extent, mainly in tenders, after an assessment of probability for contract award. Currency accounts in the cash pool structure are used for the natural hedging of smaller amounts with short tenors.

KONGSBERG's partly owned subsidiaries and joint arrangements may enter into service agreements to use the group's central finance function to carry out foreign exchange transactions on their behalf based on a standard pricing model. Foreign exchange contracts and associated risk under the service agreement will be borne by KONGSBERG's balance sheet.

In addition to the use of financial instruments the entities and the centralised treasury function implement operational measures to reduce the foreign exchange risk. One measure could be to ensure that expenses 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 the 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 Group strives to maintain a fair balance between increasing sales with acceptable margins and the risk of losses. In addition, large parts of the Group operate on the basis of credit manuals including routines for debt collection. See Note 20 "Receivables and credit risk" for more information.

Climate risk

Climate change is one of the greatest global challenges of our time. The Intergovernmental Panel on Climate Change's Sixth Assessment Report confirmed that climate change is already affecting all regions of the Earth. Since then, the impact has become increasingly visible in the form of increased frequency and scope of extreme weather, and 2023 was a year with many such records. Achieving global ambitions to halve greenhouse gas emissions by 2030 and achieve global net zero emissions by 2050 requires major changes in society and this will affect the way we do business. The regulatory changes are largely taking place in the EU context, where much of the legislation also impact us. Understanding the risk and opportunities is important in defining our strategies and plans to ensure we are robust enough to face the future and contribute to a zero-emission society. KONGSBERG are therefore working actively to identify and reduce climate risk across our business, at the same time as we work to strengthen our position and seize the opportunities represented by this transition.

In 2023, KONGSBERG have further developed the approach in the reporting of climate risk and opportunities and made greater use of scenario analysis that informs the assessments, plans and strategies. In addition to evaluating a low-emmission and high-emmission future scenario, the effect of a "middle ground" scenario based on current trends is added in 2023. This year's climate risk analysis builds on the work and assessments we did in 2022 and continues to be based on the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

The restructuring the world is undergoing offers great opportunities for a leading technology company like KONGSBERG, as the need for competitive, green technological solutions increases. At the same time, the Group must manage increased risks related to climate changes and uncertainty in the speed and scale of the green transition.

See Note 15 to the consolidated statements for further description of the opportunities.

The following risks are identified for the Group:

- Physical risk related to extreme weather events. Extreme weather events can lead to downtime or reduction in production as a result of production facilities being damaged or working conditions not being safe. The same applies to the Group's suppliers, which may lead to reduced access to raw materials or supplies that KONGSBERG needs in the deliveries. This may result in lost revenues due to production downtime, increased expenses due to ensuring safe working conditions or due to higher cost of raw materials or due to sourcing alternative raw materials at higher cost. This may also lead to claims from customers due to inability of KONGSBERG to deliver according to contractual obligations.
- Transition risk related to market. At the COP28 global climate summit in Dubai in December, the parties reached a consus on a transition away from fossil fuels. This impacts the Group both through the exposure to the energy sector and KONGSBERG's position and role in the maritime industry. KONGSBERG must be capable to replace the revenues from the Oil & Gas business with new revenue streams from the renewables segment which may have lower margins. The Group can also experience lost competitiveness in markets that have less stringent sustainability-related requirements due to higher production expenses. In addition, reduced access to capital as a consequence of KONGSBERG's, or our subcontractor's, inability to sufficiently meet sustainability requirements represents a risk. The first two risks may result in reduced revenues, in addition to reduced margins due to possibly lower margins for renewable technology solutions. The risk of reduced access to raw materials may lead to higher cost of raw materials while the risk of reduced access to capital may lead to higher cost of capital. The latter may also indirectly lead to higher cost of raw materials if the suppliers experience higher cost of capital.
- Transition risk related to technology. Risk has been identified related to the Group's ability to adapt the technology development to the market demand and ensure that the Group is not too early or too late. The green technology development must be balanced against market demand. Both, too early and too late entry may lead to reduced revenues. It may also lead to increased expenses due to expenses spent on developing solutions that will not be the future winners.
- Transition risk related to policy & legal. This could materialise in the form of legislative changes that will change carbon cost and taxes, more stringent criteria related to energy efficiency and emissions from real estate, stricter requirements to get access to public funding for innovation and development, and increased reporting requirements related to climate and sustainability topics. In 2023, rapidly evolving regulatory requirements and changes finally took shape which require concrete action plans. These risks may result in increased cost of raw materials, real estate facilities, product development, and administration expenses.
- Transition risk related to reputation. If KONGSBERG's contribution to the green transition is insufficient, or is perceived to be so, this can make the Group a less attractive employer and result in lack of critical expertise. This may result in increased recruitment expenses and lost revenues due to lack of skilled labour to meet growth expectations.

The global presence and customers in defence, space, energy, maritime and marine resources, the areas of business are exposed to climate risk to varying degrees. Key findings include:

- As a group, we are exposed to physical climate risk in all future scenarios, but the business units are exposed to varying degrees.
- The maritime sector is increasingly influenced by climate policies and regulations in some markets (EU) and in a global context (IMO). The sector is changing, and decarbonisation is expected to remain amongst the key macro drivers across the three scenarios for the market in the years to come.
- The three scenarios highlight uncertainty about the timing and scope of the transition in the energy sector, and how changes in the energy mix will affect demand for our products and services – for example related to developments in oil and gas, renewables, and related alternative fuels.
- The defence sector expects an increased degree of climate-related regulations, which may affect customer requirements in the sector over time. In the medium term, we see this development particularly in a European perspective, but in the longer term we expect to see the trend expand in a global context.

For further descriptions of opportunities, risks and scenario analysis see chapter 3 «Sustainability at KONGBSERG" in the Annual report.

Other risks

Inflation and increased raw material prices

The energy crisis that affected Norway and Europe in 2021 and 2022 has seen som easing. In 2023 the European energy prices are halved compared to the high 2022 levels, but the energy prices are still on higher levels than 2020-level. In the same period, the world economy has been characterised by economic growth, inflation and the countercyclical policies imposed by countries' central banks. In addition, the Russian invasion of Ukraine affects the flow of energy and goods between the two countries and the rest of the world. KONGSBERG is exposed to price changes for energy, gfgjlkdfjgpersonnel and materials and has in 2023 implemented measures to ensure profitability in the delivery contract.

5 Transactions

FutureOn

On 8 May 2023, Kongsberg Digital signed an agreement about further acquisition of shares in the Norwegian "Software-as-a-Service" company, FutureOn. The ownership interest in the company has thus increased from ten per cent to 82.91 per cent during the second quarter and the company was reported as a subsidiary as of May. The ownership interest further increased in November by 0.49 per cent and the ownership interest in the company was 83.4 per cent at yearend.

FutureOn developes and delivers among other things digital twin technology to the energy sector and is a frontrunner in the project planning phase and lifecycle optimalisation. The acquisition strengthens Kongsberg Digital's position as a leading industrial "Software-as-a-Service" company and the acquisition ensure an end-to-end value proposition from planning to decommissioning of projects.

The parties were agreed upon an enterprise value of MNOK 231 on a cash and debt-free basis. The purchase price of the shares acquired in 2023 is MNOK 166 and the total book value of the shares is MNOK 193. Added values of MNOK 196 are allocated to goodwill.

Investment in Kongsberg Digital

On 5 June 2023, Kongsberg Digital Holding ASA raised USD 90 million in investment. This was a private placement to Shell Ventures and Idékapital. The funding and the new investors will support and accelaerate the future growth and development of Kongsberg Digital. After the investment, Kongsberg Digital was valued at USD 540 million post-money. KONGSBERG owns 83.3 per cent of the shares in Kongsberg Digital after the investment. The equity effect of the transaction was MNOK 936.

Cash flow related to transactions in 2023	
MNOK	
Net outgoing cash flow, acquisitions	153
Other investments in subsidiaries and associated companies	10
Investments in subsidiaries and associated companies	**163**
Investment in Kongsberg Digital	936
Sale of property company	178
Proceeds from sale of business	**1 115**

6 Operating segments

KONGSBERG has four operating segments; Kongsberg Maritime, Kongsberg Defence & Aerospace and Kongsberg Digital, of which the reporting requirements as an operating segment do not apply to Kongsberg Digital according to size and is therefore reported in "Other". Kongsberg Discovery was established as a standalone business area with effect from 1 January 2023. Previously this was a separate division (Sensors & Robotics) under Kongsberg Maritime. Reporting of operating segments are based on the reporting to the Executive Management.

Kongsberg Maritime shapes the maritime future and provides the technology, equipment and services required for sustainable maritime operations. The company enables operations across the world's oceans, in Artic waters, in the busiest ports and under the harshest weather conditions. Kongsberg Maritime consists of four divisions that supply solutions, systems, products and services. The division Integration & Energy provides integrated solutions based on products and systems from all divisions within Kongsberg Maritime. In addition, the division is responsible for ship design, developing systems for self-driving/remotely controlled vessels, and for our electronics product portfolio. The division Automation & Control's portfolio covers automation and security, bridge systems, sensor solutions and digital performance. The division Propulsion & Handling supplies propulsion systems, maneuvering and handling systems. The division Global Customer Support deliver support services and spare parts to ships and has a global network of service garages. In addition, the division supplies upgrades to more environmentally friendly solutions and more efficient operation.

Kongsberg Defence & Aerospace consists of five divisions, which primarily supply various systems and services to the defence industry. The Integrated Defence Systems division develops and supplies air defence systems, combat systems, sonars and navigation for marine vessels and submarines, as well as integrated command and control systems. The division also develops remote tower solutions for airports. The division Land Systems develops and supplies remote control weapon stations for land-based vehicles and marine vessels, in addition to develop and supply products for military tactical communication. The divisjon Missile Systems develops and supplies naval strike missiles and air-to-surface missiles. The Aerostructures & MRO (Maintenance, Repair & Overhaul) division produces and supplies advanced lightweight composite and titanium components for F-35 combat aircraft, as well as Maintenance, Repair & Overhaul services. The Space & Surveillance division supplies components and services to the space industry, as well as port monitoring systems.

Kongsberg Discovery develops technology to ensure sustainable management of marine resources, monitor climate change and critical infrastructure and safeguard national security. The technology and solutions are aimed at areas such as offshore operations, fisheries, marine research, maritime operations, ocean-based energy production, as well as for the navy. These are essential contributions to resolving global crises.

Other

Other activities consist of Kongsberg Digital, real property, group functions and eliminations between the business areas.

Kongsberg Digital focused on taking up new and strengthening existing positions related to digitalisation within the oil and gas, wind and merchant marine markets.

The funding of the Group is based on evaluations for the Group as a whole. Consequently, financial items, net interest-bearing debt and cash are not assigned to segments. The same applies to tax expenses and balance sheet items associated with tax, as these items are influenced by tax-related transfers between the business areas.

The management monitors the operating segments' EBIT 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 EBIT and return on capital employed.

Information on the Group's operating segments that are required to report is presented on the following page.

Operating segment data

	2023						2022					
MNOK	*Kongsberg Maritime*	*Kongsberg Defence & Aerospace*	*Kongsberg Discovery*	*Other*	*Eliminations*	*Consolidated*	*Kongsberg Maritime*[4)]	*Kongsberg Defence & Aerospace*	*Kongsberg Discovery*[4)]	*Other*	*Eliminations*	*Consolidated*
Operating revenues from external customers	19 995	15 858	3 228	1 536	-	40 617	16 394	11 830	2 486	1 093	-	31 803
Operating revenues from Group companies	185	90	686	567	(1 528)	-	92	30	512	723	(1 357)	-
Total revenues	**20 180**	**15 949**	**3 913**	**2 103**	**(1 528)**	**40 617**	**16 486**	**11 860**	**2 998**	**1 816**	**(1 357)**	**31 803**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**2 601**	**3 056**	**646**	**(267)**	**-**	**6 037**	**1 825**	**2 516**	**565**	**(304)**	**-**	**4 602**
Depreciation property, plant and equipment	(132)	(230)	(45)	(72)	-	(479)	(124)	(221)	(45)	(79)	-	(469)
Depreciation leasing assets	(269)	(292)	(44)	(273)	385	(493)	(258)	(273)	(56)	(249)	386	(449)
Impairment of property, plant and equipment	(3)	-	-	(1)	-	(4)	(15)	(3)	-	-	-	(18)
Amortisation and impairment intangible assets	(145)	(137)	-	(179)	-	(461)	(173)	(100)	-	(84)	-	(357)
Earnings before interest and taxes (EBIT)	**2 053**	**2 398**	**556**	**(792)**	**385**	**4 600**	**1 255**	**1 919**	**464**	**(716)**	**386**	**3 309**
Segment assets [1)]	17 404	19 908	4 642	5 428	(2 903)	44 480	14 998	16 951	4 330	3 658	(2 654)	37 283
Segment investments [2)]	133	722	82	1 670	-	2 607	128	948	43	595	-	1 714
Current segment liabilities and provisions [3)]	10 034	15 561	1 450	942	(684)	27 304	8 980	10 502	1 764	723	(935)	21 034

1) Segment assets do not include derivatives and cash and cash equivalents, as these assets are assessed for the Group as a whole. The segment assets for 2022 deviate from the last years reported segment assets due to a reclassification in the financial position.

2) Investments comprise acquired property, plant and equipment, intangible assets and goodwill, excluding leasing. Including investments related to aquisitions of business.

3) Segment liabilities do not include deferred tax liabilities, tax payables, interest-bearing liabilities (exclusive short-term leasing liabilities), other non-current liabilities or provisions and derivatives, as these liabilities are assessed for the Group as a whole.

4) The comparable figures are restated due to Kongsberg Discovery being separated from Kongsberg Maritime.

None of KONGSBERGs customers account for more than 10% of the Group's total revenues either in 2023 or 2022.

There are no differences between the principles or the measurement methods used at the segment level and those applied to the consolidated financial statements. The different operating segments' EBITs include income and expenses from transactions with other operating segments within the Group. Transactions between the segments are based on market prices. Intercompany transactions between the different segments are eliminated upon consolidation.

Reconciliation of assets

MNOK	*Note*	*31 Dec 23*	*31 Dec 22*
Segment assets		**44 480**	**37 283**
Deferred tax asset	17	331	235
Financial derivatives	21 A	1 887	1 596
Fair value financial instruments		549	179
Cash and cash equivalents	22	5 975	3 932
Total assets		**53 222**	**43 225**

Reconciliation of liabilities and provisions

MNOK	*Note*	*31 Dec 23*	*31 Dec 22*
Current segment liabilities and provisions		**27 304**	**21 034**
Short-term interest-bearing loans	21 D	500	450
Financial derivatives	21 A	1 929	1 559
Fair value financial instruments		516	377
Calculated income tax payable	17	440	677
Total current liabilities and provisions		**30 689**	**24 097**

Geographical information

In presenting information by geographical segments, revenues are distributed based on the customers' geographical location, while the 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 assets, pension funds and rights following from insurance agreements are not included.

	2023								**2022**							
MNOK	*Norway*	*Europe*	*North America*	*South America*	*Asia*[1]	*Australia*	*Afrika*	*Total*	*Norway*	*Europe*	*North America*	*South America*	*Asia*[1]	*Australia*	*Afrika*	*Total*
Operating revenues from external customers	8 047	12 586	9 698	747	7 647	1 509	383	40 617	6 544	8 795	8 263	735	6 027	1 232	207	31 803
Operating revenues as % of the total	20%	31%	24%	2%	19%	4%	1%		21%	28%	26%	2%	19%	4%	1%	
Fixed assets	11 001	1 248	447	54	367	86	4	13 208	9 655	1 180	404	41	321	27	4	11 632

1) Middle-East is included in Asia.

7 Revenue recognition of customer contracts

Revenue recognition of customer contracts consists of five steps that must be assessed to determine the correct revenue recognition of customer contracts according to IFRS 15:

Step 1: Identifying customer contracts

Identified customer contracts in KONGSBERG must have commercial substance, and key terms of delivery must be agreed between the parties (the parties' rights and obligations, terms of payment etc.). It must also be probable that KONGSBERG will receive settlement for the delivery. In principle, a customer contract does not have to be in writing, but KONGSBERG has established this as a requirement.

Step 2: Identifying separate performance obligations

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

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

Kongsberg Defence & Aerospace also has series of identical deliveries that are covered by a single contract. These are treated as a single performance obligation.

Kongsberg Discovery delivers some major integrated solutions that are treated as one performance obligation. The business area also has stand-alone equipment deliveries. These deliveries are treated as separate performance obligations.

Kongsberg Maritime, Kongsberg Defence & Aerospace and Kongsberg Discovery supply equipment and services to the aftermarket. These deliveries are treated as separate performance obligations.

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

Step 3: Determining the transaction price

KONGSBERG's customer contracts often apply fixed prices. The transaction price will thus in most cases be easy to determine. 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. KONSBERG has no customer contracts with a significant financing element beyond one year as of 31 December 23 affecting the consolidated financial statement for 2023. There may also be cases involving income reduction as a result of financial penalties for delays or other variable components. Penalties for delays are recognised when calculating the transaction price unless it is highly probable that they will not occur.

Step 4: Allocating the transaction price

When the transaction price has been determined, it will be allocated to each individual performance obligation as identified under step 2, based on the stand-alone selling price. The stand-alone selling price is normally the price of the product when it is sold separately, less any discounts that are to be distributed. If this price cannot be observed directly, it must be estimated. This will often apply to the allocation of revenues between licences and services, but also to the distribution of revenues between different products that are supplied as an integrated solution. Integrated solutions are mainly considered as a single performance obligation under step 2. This is because the systems operate together and because the delivery is usually approved as a whole.

Step 5: Recognition when the performance obligation is fulfilled

The principle stated in IFRS 15 is that control over the asset will then be transferred to the customer before KONGSBERG can recognise revenue. Control normally means that the customer can use an asset directly, is able to achieve most of the remaining benefits of an asset and is able to prevent other parties from using or achieving benefits of an asset. This is considered for each individual performance obligation. Most of KONGSBERG's contracts are recognised according to level of progress (over time), where the physical handover of the products is not done on an ongoing basis, but when the products are completed and often towards the end of the contract period. Assessments are based on different criteria were the most important ones are:

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

In Kongsberg Maritime, deliveries by the Integration & Energy and Automation & Control divisions, primarily are recognised as revenue according to level of progress made over time. This is because the deliveries are extensively customised and have no alternative area of use for Kongsberg Maritime. In most cases, the measures of progress used in connection with revenue recognition over time is "cost to cost", but hours can also be used. There are also some deliveries that are recognised over time in the Propulsion & Handling division.

Kongsberg Maritime also has a significant proportion of deliveries where the revenues are recognised upon delivery. This particularly applies such as the Propulsion & Handling division , but it also applies to certain areas of the divisions Integration & Energy and Automation & Control. 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".

Almost 60 per cent of Kongsberg Maritime's revenues in 2023 are within the aftermarket. Most of these contracts are recognised upon the delivery of hours/equipment and are often of short duration. There are also cases where this type of contract is recognised over time, but it is then assumed that the contract is large and will extend over a number of accounting periods.

Kongsberg Defence & Aerospace's customer contracts primarily concern deliveries that are combined in a system and must operate together. Most customer contracts in the business area are recognised as revenue according to progress over time. This is because the deliveries are extensively customised and it will demand considerable rework to meet an alternative area of use for Kongsberg Defence & Aerospace.The customer contracts are normally long-term and large. Kongsberg Defence & Aerospace is entitled to payment for work performed to date. "Cost to cost" is primarily used as a measure of progress, but accrued hours, progress made by subcontractors and, in some cases, milestones are also used. Deliveries of this type are air defence systems, missile systems, command and control systems and monitoring systems.

Series of identical units within the same contract are recognised as revenue over time. These are then treated as a single delivery obligation. The condition is that they would have individually qualified for revenue recognition over time. Revenue measures for such contracts could be delivery/withdrawals from inventories to customers, as this represents the progress that has been made, because the manufacturing period is relatively short. Many of the contracts concerning weapons stations are recognised as revenue according to these principles. The same applies to contracts related to the F-35 programme.

Kongsberg Defence & Aerospace makes little use of revenue recognition upon delivery, but this method may be used for example in connection with the delivery of communication equipment and equipment for the space industry.

Kongsberg Defence & Aerospace also has deliveries of service and maintenance. These services are primarily recognised as revenue as the hours/goods are delivered.

For a more detailed description of the divisions and deliveries in Kongsberg Defence & Aerospace see note 6 "Operating segments".

Close to 50 per cent of Kongsberg Discovery's contract revenues in 2023 are recognised according to level of progress over time. This is due to the deliveries being extensively customised and have no alternative use for Kongsberg Discovery. In most cases, the level of progress used in revenue recognition over time is "cost to cost", but hours can also be used. Kongsberg Discovery also has stand-alone equipment deliveries with a short time horizon. These are recognised as revenue upon delivery.

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.

	2023					2022				
MNOK	*Kongsberg Maritime*	*Kongsberg Defence & Aerospace*	*Kongsberg Discovery*	*Other*	*Total*	*Kongsberg Maritime[2)]*	*Kongsberg Defence & Aerospace*	*Kongsberg Discovery[2)]*	*Other*	*Total*
Revenues										
Revenue recognition based on progress in the projects (over time)	3 012	12 217	1 575	699	17 502	2 493	9 374	1 360	422	13 649
Revenue recognition upon delivery of goods and services	5 455	1 030	925	57	7 468	4 139	359	755	152	5 406
Aftermarket activities[1)]	11 502	2 611	547	714	15 373	9 745	2 098	353	453	12 648
Revenue from rental of property, plant and equipment	17	-	177	67	261	6	-	2	65	72
Total external revenues from customer contracts	**19 986**	**15 858**	**3 225**	**1 536**	**40 604**	**16 383**	**11 830**	**2 470**	**1 093**	**31 775**
Gains from sale of property, plant and equipment	9	-	3	-	13	11	-	16	-	28
Total external revenues	**19 995**	**15 858**	**3 228**	**1 536**	**40 617**	**16 394**	**11 830**	**2 486**	**1 093**	**31 803**

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.

2) The comparable figures are restated due to Kongsberg Discovery being separated from Kongsberg Maritime.

The table shows the anticipated date on which remaining performance obligations as of 31 December 2023 are recognised as income:

	2023				2022			
	Date of revenue recognition				Date of revenue recognition			
MNOK	*Order backlog 31 Dec 23*	*2024*	*2025*	*2026 and later*	*Order backlog 31 Dec 22*	*2023*	*2024*	*2025 and later*
Kongsberg Maritime	19 097	12 373	4 008	2 716	16 423	9 724	3 410	3 289
Kongsberg Defence & Aerospace	65 377	15 774	11 609	37 994	43 540	13 159	9 762	20 619
Kongsberg Discovery	2 948	2 116	610	222	2 452	1 808	560	83
Other/elimination	1 127	556	228	344	841	399	306	136
Total orderbacklog	**88 550**	**30 818**	**16 456**	**41 276**	**63 256**	**25 091**	**14 037**	**24 128**

Operating revenues by division

MNOK	*2023*	*2022[1)]*
Divisions		
Global Customer Suppport	11 664	9 799
Integration & Energy	1 672	1 108
Propulsion & Handling	4 188	3 342
Automation & Control	3 878	3 154
Other/elimination	(1 222)	(916)
Kongsberg Maritime	**20 180**	**16 486**

MNOK	*2023*	*2022*
Divisions		
Land Systems	3 123	2 325
Integrated Defence Systems	5 984	4 830
Aerostructures & MRO	2 709	2 520
Missile Systems	3 950	2 221
Space & Surveillance	1 052	763
Other/elimination	(870)	(799)
Kongsberg Defence & Aerospace	**15 949**	**11 860**

MNOK	*2023*	*2022[1)]*
Divisions		
Ocean Technologies	1 703	1 463
Marine Life Technologies	683	556
Uncrewed Platforms	859	495
Seatex	682	546
Other/elimination	(13)	(62)
Kongsberg Discovery	**3 913**	**2 998**
Other/elimination	575	459
Total revenues	**40 617**	**31 803**

1) The comparable figures are restated due to Kongsberg Discovery being separated from Kongsberg Maritime.

For a more detailed description of the various divisions and their deliveries, see Note 6 Operating Segments.

Geographic distribution of external revenues from customer contracts

MNOK	*Kongsberg Maritime*	*Kongsberg Defence & Aerospace*	*Kongsberg Discovery*	*Other*	*Total*
2023					
Norway	2 930	3 753	873	491	8 047
Europe	6 768	4 294	1 012	512	12 585
North America	2 459	6 150	764	325	9 698
South America	586	33	90	39	747
Asia[1)]	6 513	566	418	150	7 647
Africa	320	20	41	1	383
Australia	419	1 042	31	18	1 509
Total external revenues from customer contracts	**19 995**	**15 857**	**3 228**	**1 536**	**40 617**

1) Middle -East is included in Asia.

MNOK	*Kongsberg Maritime[2)]*	*Kongsberg Defence & Aerospace*	*Kongsberg Discovery[2)]*	*Other*	*Total*
2022					
Norway	2 752	2 724	694	374	6 544
Europe	5 309	2 564	724	198	8 795
North America	2 267	5 125	607	264	8 263
South America	621	7	72	35	735
Asia1)	4 903	598	332	194	6 027
Africa	139	35	32	1	207
Australia	402	778	24	27	1 232
Total external revenues from customer contracts	**16 394**	**11 830**	**2 486**	**1 093**	**31 803**

2) The geographic distribution in 2022 for Kongsberg Maritime and Kongsberg Discovery is based on estimates.

Contract balances

Specification of contract balances[1]

MNOK	31 Dec 23	31 Dec 22
Customer contracts in progress	2 286	2 339
Prepayments received from customers	(16 157)	(12 012)
Accrued assets, customer contracts	8 043	6 823
Accrued liabilities, customer contracts	(3 496)	(3 278)
Net contract balances	**(9 325)**	**(6 128)**

MNOK	31 Dec 23	31 Dec 22
Customer contracts, assets	10 500	8 031
Customer contracts, liabilities	(19 825)	(14 159)
Net contract balances	**(9 325)**	**(6 128)**

1) The table above on the left shows the gross amounts before netting between the income- and the expense side of the customer contracts. The table above to the right shows balance sheet items for each customer contract, with the exception of trade receivables netted and presented on the corresponding balance sheet line. Each contract is represented by one debit or one credit amount.

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

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

Most of KONGSBERG's customer projects that are recognised over time apply cost-to-cost as a measure of progress. Cost-to-cost is calculated comparing the actual costs with the estimated total costs of the projects. Some areas use cost-to-cost-like approaches and this may give positive inventories in the projects. This normally happens when production has commenced without revenue being recognised because production has not been allocated to a concrete order, or when revenue, due to significance, is only recognised when each component is completed. The reason for this is that goods are often moved from inventories to projects without any transfer of control to the customer taking place. Alternative measures of progress might then be necessary, such as hours incurred, as a cost-to-cost approach. If the profit on a contract cannot be estimated reliably, the project will be recognised without a profit until reliable estimates are available. Recognised accrued contract profit is classified as "Customer contracts, assets" in the balance sheet. When the customer is invoiced the "Customer contracts, assets" are reclassified to trade receivables.

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

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

In the business areas 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.

Advances totalling over MNOK 8,800 recognised in the opening balance were recognised as revenue in the financial year 2023.

At year-end, one advance just above NOK one billion was recognised in Kongsberg Defence & Aerospace. At year-end, this advance was not paid which means that the corresponding amount was included in the trade receivables. The amount was paid in 2024.

Revenue recognition from customer contracts includes:

MNOK	*2023*	*2022*
Prepayments from customers included in "Customer contracts, liabilities" at the beginning of the year and which are recognised as revenue in the fiscal year	8 827	6 712
Revenue from performance obligations completed before the financial year	20	6

Estimation uncertainty related to customer contracts

The recognition of customer contracts is associated with uncertainty related to the determination of the type of performance obligation and the transaction price. The type of performance obligation will impact on the timing of revenue recognition, while in cases where the transaction price must be estimated, estimates will impact on the size of the consideration that is to be recognised as revenue. Contract revenue is normally in accordance with the agreement. Variable considerations and financial penalties for delays can impact on the transaction price but are rare. Uncertainty related to the probability that variable considerations or financial penalties for delays will occur and also regards the estimation of the magnitude of these.

Progress of completion is normally calculated on the basis of costs incurred compared to total expected costs or incurred hours measured against the expected time consumption. Expected total costs are estimated, based on a combination of experience-based estimates, systematic estimation procedures and follow-up of efficiency metrics and good judgement. Normally, a high proportion of the total costs will relate to the number of hours remaining that employees must spend developing or completing the project. Uncertainty in the estimates is affected by the project's duration and technical complexity. Principles have been established for categorising projects in terms of technological complexity and degree of development. This forms the basis for an assessment of risk and recognition of revenue in the projects.

8 Shares in joint arrangements and associated companies

KONGSBERG has a few investments in joint ventures and associated companies. Based on the business size and strategic importance to KONGSBERG, Patria Oyj and Kongsberg Satellite Services AS are specified in more details below.

	2023				2022			
MNOK	*Patria Oyj*	*Kongsberg Satellite Services*	*Others*	*Total*	*Patria Oyj*	*Kongsberg Satellite Services*	*Others*	*Total*
Net holding 1.1	3 037	719	113	3 868	2 849	628	132	3 609
Acquisitions/disposals	-	-	(9)	(9)	-	2	(80)	(78)
Share of net income[1]	233	156	(32)	358	164	154	70	387
Dividends received	(150)	(20)	-	(170)	(127)	(65)	(9)	(201)
Other items and comprehensive income[2]	211	-	-	211	151	-	-	151
Net holding 31.12	**3 331**	**855**	**72**	**4 259**	**3 037**	**719**	**113**	**3 868**

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 10 (MNOK 13 in 2022). In addition, the share of net income from Patria is adjusted for non-controlling interests and net income from Kongsberg Aviation Maintenance Services AS (KAMS AS).

2) Other items and comprehensive income comprise translation differences mainly related to translation differences of excess values. See note 21 B "Currency risk and currency hedging".

Investments in joint ventures and associated companies as of 31 December 2023 includes goodwill and other excess value of MNOK 1,744 and MNOK 21 (MNOK 1,634 and MNOK 33 as of 31 December 2022).

The table below shows assets, liablilities and profit and loss for Patria Oyj and Kongsberg Satelitte Services AS per 100 per cent basis.

	Patria Oyj		**Kongsberg Satellite Services AS**	
Locationt	*Helsinki, Finland*		*Tromsø, Norway*	
	Associated company		*Joint arrangement*	
Ownership per cent	*49,9%*		*50,0%*	
	MEUR		**MNOK**	
	2023	*2022*	*2023*	*2022*
Operating revenues	733	627	1 900	1 471
Earnings after tax	57	46	325	308
The majority's share of the earings after tax	50	38	325	308
Non-current assets	458	435	1 869	1 613
Current assets	460	377	1 006	767
Long-term liabilities	134	171	173	184
Short-term liabilities	464	341	929	711

Patria is Finland's leading supplier of defence maintenance services and covers all defence aspects within MRO (Maintenance, Repair and Overhaul). Patria is an international organisation with over 3,000 employees and owns 50 per cent of the shares in Nammo. The headquarter is located in Helsinki and Patria is owned by the Finish State (50.1 per cent) and KONGSBERG (49.9 per cent).

Kongsberg Satellite Services (KSAT) is a world-leading supplier of communication services for spacecraft and launch platforms and advanced monitoring services via satellites. In addition, KSAT delivers services within environment, safety and climate monitoring among others based on satellitedata from the traditional space programmes and also satellite constellations within New Space segments. KSAT has over 300 employees and is headquartered in Tromsø. The company is owned by KONGSBERG (50 per cent) and Space Norway (50 per cent) which is owned by the Norwegian State.

Share of net income and dividend from associated companies per business area:

	Share of net income		**Dividend**	
MNOK	*2023*	*2022*	*2023*	*2022*
Kongsberg Maritime	(14)	-	-	-
Kongsberg Defence & Aerospace	406	330	170	201
Kongsberg Discovery	(35)	(1)	-	-
Others	1	58	-	-
Total	**358**	**387**	**170**	**201**

9 Inventories

Goods are defined by KONGSBERG as inventories of raw materials, work in progress and finished products that are not related to specific customer contracts. Inventories are measured at the lower of acquisition cost and net realisable value. For raw materials and work in progress, net realisable value is calculated as the estimated selling price in ordinary operations of finished products less remaining production costs and the costs of the sale. For finished goods, net realisable value is the estimated selling price in ordinary operations less estimated costs of completion of the sale. For work in progress and finished products, the acquisition cost is calculated as direct and indirect costs. Inventories are valued based on the average acquisition cost.

The Group's total inventories include the following:

MNOK	*2023*	*2022*
Raw materials	4 028	3 142
Work in progress	487	746
Finished products	2 333	1 605
Total as of 31 December	**6 848**	**5 493**
Value changes in inventory recognised through profit and loss	**(103)**	**(67)**
Cost of goods sold in the year amounts to	**(15 334)**	**(11 210)**

10 Personnel expenses, remuneration to Executive Management and the Board

Salaries and other personnel expenses represent expenses associated with the remuneration of personnel employed by the Group.

MNOK	*Note*	*2023*	*2022*
Salaries		10 588	8 579
Long-term incentiv scheme (LTI)		22	21
Shareprogram employees		74	72
Employer's National Insurance contributions on salaries		1 495	1 205
Pension expenses, defined benefit plan	11	6	(12)
Pension expenses, defined contribution pension schemes	11	808	757
Other benefits		698	617
Total personnel expenses		**13 691**	**11 240**
Average no. of full-time equivalents		**12 767**	**11 387**

Share transactions with employees

For a number of years, the Group has been conducting a share programme for all employees, offering shares at a discounted price. Discounts on shares are recognised as personnel expenses. The Group also has a share programme for leading employees.

Compensation to employees as selling shareholders in connection with acquisitions

When companies are acquired, the compensation to selling shareholders that are also employed in the acquired company shall be recognised as salary if one of the conditions for the payment is to maintain the employment. In such instances, the compensation shall be accrued as a salary expense over the required period. The contingent compensation is in addition to the consideration for buying the company.

Total remuneration to the members of the Executive Management for 2023 and 2022[1)]

Amounts i TNOK	*Salary paid*	*Other benefits[3)]*	*Paid pension compensation[4)]*	*Accrued long-term incentive plan (LTI)[5)]*	*Accrued performance related pay during the financial year (STI)[6)]*	*Pension accrual during the year[7)]*	*Pension right for salary exceeding 12G paid out*	*Outstanding amount, loans*	*Shares acquired during the financial year linked to the LTI scheme*	*Total number of shares inc. LTI as of 31 Dec*
År										
2023	**28 283**	**2 040**	**310**	**4 784**	**11 397**	**2 132**	**-**	**-**	**8 355**	**140 668**
2022	29 885	2 947	532	5 201	12 843	1 362	3 924	-	13 563	150 588

1) Compensation and other benefits to members of Executive Management are based on their time served as part of Executive management
2) Salary paid during the period, including holiday pay
3) The amount includes benefits such as communication, car arrangements, taxable share of insurance, expensed discounts on shares in connection to KONGSBERG's share program as well as other taxable benefits.
4) Paid pension compensation related to transition from defined benefit pension plan to defined benefit contribution scheme as of 1 January 2008
5) 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.
6) Accrued performance-based part of salary (STI) in the financial year. To be paid when the financial statement for the relevant year have been approved by the Board.
7) The amount includes accrued pension during the year in the benefit contribution scheme related to salary under 12G and accrued pension related to salary above 12 G as well as early retirement pension for those in the Executive Management entitled to this. Further described in the remuneration report for the Executive Management.

Detailed information about remuneration to the Executive Management and the Board will be presented in a separate report on remuneration to the Executive Management in KONGSBERG 2023. It is the Board's Compensation Committee that prepare significant issues related to salary and other remuneration to the Executive Management before the formal Board discussion and resolution. The remuneration report will be published at kongsberg.com in relation with the notice of the Annual General Meeting.

Compensation to the members of the Board

Amounts i NOK	*Number of shares*	*Fixed Board remuneration*	*Remuneration for committee meetings[1)]*	*Total Board remuneration*	*Number of Board meetings*
Year					
2023	**18 077**	**2 770 380**	**591 060**	**3 361 440**	**15**
2022	17 936	2 691 101	527 834	3 218 935	12

1) 7 audit committee meetings (7 in 2022) and 4 compensation committee meetings (5 in 2022) were held in 2023.

11 Pensions

KONGSBERG has a service pension plan that complies with legislation and consists of a defined contribution plan. The service pension plan includes all employees of the Group in Norway. As of 31 December 2023, 8,230 employees in Norway are covered by the plan. KONGSBERG aims to ensure that as many of its employees abroad also are covered by a pension scheme.

Defined contribution pension scheme

The Group has a defined contribution pension scheme for all employees in Norway with some exceptions. The contribution rates are five per cent of salary up to 7.1G, and 11 per cent of salary from 7.1G up to 12G. In addition, the Group has a closed collective, unfunded contribution plan for salaries exceeding 12G. This is a synthetic scheme where there are no payments to a fund, but KONGSBERG administrates the scheme and keep track of the pension additions to the employees and the return according to the reference index. The Group's deposits in this plan is 18 per cent of the portion of the base salary exceeding 12G. On the operating-based schemes a savings profile with 50 per cent shares is used as return reference. KONGSBERG's companies abroad generally have defined contribution plans. As of 31 December 2023, approximately 8,230 employees in Norway and the majority of the employees abroad were covered by these plans. The contributions are expensed as incurred and are reported within personnel expenses in the consolidated statement of income.

Defined benefit plan

The Board approved in 2022 to convert the defined benefit plan and the conversion was executed in 2023. This implied that all the members of the scheme were issued paid-up policies and that active members were transferred to the defined contribution pension scheme. The conversion resulted in an one-time accounting effect that was recognised as a net gain on settlement of the pension scheme in 2022.

In addition, the Group has a closed collective defined pension plan for salaries exceeding 12G for a few employees. The collective defined benefit plan corresponds to about 60 per cent of the share of the final salary that exceeds 12G until the age of 77, and then the benefit is reduced by 50 per cent for the remaining lifetime.

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.

To ensure a uniform calculation of KONGSBERG's pension liabilities, all corporate companies, except two companies, Kongsberg Aviation Maintenance Services AS and Kongsberg Maritime Sweden AB, have used the same actuary for the calculations. In the consolidated statement of income, the year's net pension expenses, after a deduction for the net interest expenses of the liability and the expected return on pension plan assets, have been recognised as "personnel expenses". The statement of financial position shows net pension liabilities including social security contributions. The financial and actuarial assumptions are subject to annual review. The discount rate is stipulated on the basis of the covered bond interest rate, that reflects the duration of the pension liability. Actuarial gains or losses related to changes in the basis data, estimates and changes in assumptions are recognised in other comprehensive income.

Net pension liabilities have increased somewhat since 2022. This is mainly due to reduced discount rate in Sweden and actuarial losses. In Norway the discount rate has increased and the expected pension adjustment is reduced, but the effect of this is equivalent to actuarial loss from experience deviations.

Terms and conditions for the Executive Management are described in the "Remuneration report for Executive Management in KONGSBERG".

Risk coverage

Disability pension from the Group will provide an addition to the estimated disability benefits from national insurance. National insurance will cover 66 per cent of the pension basis up to 6G, while the Group plan covers 66 per cent of the pension basis between 6G and 12G. The Group plan also provides an additional three per cent of the pension basis from 0G to 12G, a pay increase of 25 per cent of G and any child supplement of four per cent per child (maximum three children). The 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.

Early retirement schemes

KONGSBERG does not any longer offer early retirement schemes, but employees included in these schemes before 1 October 2015 had this continued. The Group still has outstanding obligations related to such early retirement pension agreements for a few people.

Pension assumptions

The calculation of future pensions in the benefits plan is based on the following assumptions:

Economic assumptions	*31 Dec 23*	*31 Dec 22*
Discount rate, Norway	4,80%	4,20%
Discount rate, Sweden	3,30%	3,95%
Wage adjustment	3,00%	3,00%
Pension base level (G) adjustment	3,50%	3,50%
Pension adjustment	1,00%	2,75%

Other Norwegian assumptions	*31 Dec 23*	*31 Dec 22*
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	*2023*	*2022*
Expenses, defined benefit plans	6	(12)
Expenses of defined contribution plans in Norway	571	550
Expenses of defined contribution plans abroad	236	206

Net interests expenses are classified as finance expenses. Expenses for defined benefit plans in 2022 include a net gain on the pension scheme settlement of MNOK 37.

Change in net pension liabilities

	2023			2022		
MNOK	*Funded*	*Unfunded*	*Total*	*Funded*	*Unfunded*	*Total*
Changes in gross pension liabilities						
Gross pension liabilities as of 1 January	144	429	573	2 074	589	2 662
Adjustment to opening balance	(21)	21	-	-	-	-
Present value of current year's contribution	-	5	5	5	9	14
Interest expenses on pension liabilities	4	17	21	29	12	41
Net gain on settlement of pension scheme	-	-	-	(37)	-	(37)
Actuarial losses/gains	44	26	70	(191)	(128)	(319)
Settlement of pension scheme	-	-	-	(1 575)	-	(1 575)
Payments of pensions/paid-up policies	(59)	(15)	(74)	(122)	(37)	(159)
Net change in social security expenses	(5)	1	(4)	(41)	(3)	(43)
Translation differences	-	15	15	-	(12)	(12)
Gross pension liabilities as of 31 December	**107**	**499**	**606**	**144**	**429**	**573**
Changes in gross pension fund assets						
Fair value, pension plan assets as of 1 January	19	-	19	1 557	-	1 557
Expected return on pension funds	1	-	1	23	-	23
Actuarial losses/gains	18	-	18	14	-	14
Premium payments	40	-	40	58	-	58
Payments of pensions/paid-up policies	(50)	-	(50)	(127)	-	(127)
Settlement of pension scheme	-	-	-	(1 506)	-	(1 506)
Fair value, pension plan assets as of 31 December	**28**	**-**	**28**	**19**	**-**	**19**
Net carrying amount pension liabilities as of 31 December	**79**	**499**	**578**	**124**	**429**	**553**

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	*2023*	*2022*	*2021*	*2020*	*2019*
Gross pension liabilities as of 31 December	606	573	2 662	2 808	2 690
Fair value, pension plan assets as of 31 December	28	19	1 557	1 671	1 716
Net pension liabilities as of 31 December	**(578)**	**(553)**	**(1 104)**	**(1 137)**	**(974)**
Actuarial gains/losses pension liabilities as of 31 December	70	(319)	147	148	67
Actuarial gains/losses pension assets as of 31 December	18	14	22	3	(37)
Accumulated estimated gains/losses recognised in the statement of comprehensive income after tax	**(1 429)**	**(1 387)**	**(1 672)**	**(1 559)**	**(1 428)**
Of which, constitutes experience deviations	(1 097)	(1 057)	(1 044)	(972)	(926)

Contractual early retirement plan

The Group's general contractual early retirement plan gives a life-long supplement to the ordinary pension. Employees can choose to draw on the plan from the age of 62, even if they continue to work. The plan is a defined benefit multi-employer pension plan, and it is funded through premiums established as a percentage of wages. For the moment, there is no reliable measurement or allocation of liabilities and funding as regards the plan. For accounting purposes, the plan is therefore considered to be a defined contribution pension scheme in which premium payments are expensed against income on an ongoing basis, and no provisions are made in the financial statements. A premium is paid to the plan of the total payments made between 1G and 7.1G to the Group's employees. In 2023, the premium was 2.6 per cent (2.6 per cent in 2022) (estimated at MNOK 142). There is no accumulation of capital in the plan and further increases in the premium level are expected over the coming years.

Other

Expected pension payments within the defined benefit pension scheme are as follows:

	MNOK
2024	23
2025	23
2026	23
2027	23
2028	25
Next 5 years	100

12 Property, plant and equipment

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

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

KONGSBERG has production sites and offices all over the world. Some of these may be more vulnerable to extreme weather and climate change than others. The Group has contingency plans and alternative delivery lines for those locations that may be affected by extreme weather. In 2023, an analysis has been carried out in collaboration with an external company where physical climate risk is assessed for the ten most important locations in Norway. The analysis has ranked the priority locations based on nine risks, such as flooding, rising sea levels and landslides. This has given us important insight into which locations are most exposed and what risks make them vulnerable. The Group's climate risk assessment indicates that there is low physical climate risk associated with KONGSBERGs property, plant and equipment. Therefore, no impairment or adjustment of depreciation have been made related to climate risk on own property. KONGSBERG has property damage and interruption insurance that safeguards risk adapted to the Group's exposure.

		2023						**2022**					
MNOK	*Note*	*Land*	*Buildings and other real property*	*Machinery and plant*	*Equipment and vehicles*	*Plant in progress*	*Total*	*Land*	*Buildings and other real property*	*Machinery and plant*	*Equipment and vehicles*	*Plant in progress*	*Total*
Acquisition cost													
Acquisition cost as of 1 January		**411**	**3 539**	**2 790**	**1 873**	**422**	**9 035**	**386**	**3 335**	**2 616**	**1 845**	**300**	**8 482**
Reclassification		(17)	28	43	(81)	(39)	(66)	-	14	52	74	(18)	122
Additions through acquisition		-	-				-	-	-	11	1	-	12
Additions		18	289	291	250	1 132	1 980	22	167	202	149	138	678
Disposals		(7)	(51)	(70)	(172)	(3)	(303)	(1)	(64)	(119)	(232)	-	(416)
Disposal discontinued operations		(4)	(175)	(24)	-	-	(203)	-	-	-	-	-	-
Translation differences		2	83	44	25	-	154	4	87	28	36	2	157
Acquisition cost as of 31 December		**403**	**3 713**	**3 074**	**1 895**	**1 513**	**10 598**	**411**	**3 539**	**2 790**	**1 873**	**422**	**9 035**
Accumulated depreciation and impairment													
Total accumulated depreciation and impairment as of 1 January		**(5)**	**1 540**	**1 901**	**1 490**	**2**	**4 928**	**(5)**	**1 394**	**1 768**	**1 422**	**2**	**4 581**
Reclassification		-	4	(3)	(68)	-	(67)	-	14	52	75	-	141
Depreciation for the year		-	146	187	146	-	479	-	144	180	145	-	469
Impairment for the year		-	1	-	3	-	4	-	4	-	14	-	18
Accumulated depreciation through disposal		-	(32)	(69)	(171)	-	(272)	-	(50)	(116)	(198)	-	(364)
Accumulated depreciation through discontinued operations		-	(109)	(22)	-	-	(131)	-	-	-	-	-	-
Translation differences		-	23	27	20	-	69	-	34	17	32	-	83
Total accumulated depreciation and impairment as of 31 December		**(5)**	**1 573**	**2 021**	**1 420**	**2**	**5 010**	**(5)**	**1 540**	**1 901**	**1 490**	**2**	**4 928**
Carrying amount as of 31 December		**408**	**2 140**	**1 053**	**475**	**1 511**	**5 588**	**416**	**1 999**	**889**	**383**	**420**	**4 107**
Useful life			**10-33 years**	**1-10 years**	**1-10 years**				**10-33 years**	**1-10 years**	**1-10 years**		

13 Leases

KONGSBERG has leases which are primarily related to land and buildings, as well as leases for machinery, vehicles and equipment. The leases are hedged with the underlying asset. KONGSBERG recognises the value of leases as leasing assets and leasing liabilities if it is considered that the lease contains a right to control the use of the asset. The Group applies uniform principles in the recognition and measurement of leases. 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 recognized, in accordance with the rules in IFRS 16.

Leasing assets

Leasing assets are recognised from the date the underlying assets are made available for use to KONGSBERG.

Leasing assets are considered for impairment according to the principles described in Note 15 "Impairment testing".

Leasing liabilities

Leasing liabilities are recognised from the date the underlying assets are made available for use to KONGSBERG.

Most leasing agreements in KONGSBERG regard leasing of property. The incremental borrowing rate is determinded based on yield. The property yield is therefore used in the discounting of the lease payments to calculate the present value since the interest rate implicit in the lease is not normally readily determinable.

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 periods covered by termination options if they most likely will not be exercised. KONGSBERG has a number of leases which include extension options. These options have been negotiated to secure flexibility as regards the handling of the lease portfolio according to KONGSBERG's ongoing needs.

Short-term leases and leases of low- value assets

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

Sale and leaseback transactions

KONGSBERG has a few sale and leaseback transactions related to property. In the event of the sale of a property, if the sale is considered as an actual sale, 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 only is considered to be a financial transaction the asset will not be derecognised.

Leasing assets

	2023			2022		
MNOK	*Real property*	*Machinery and plant*	*Total*	*Real property*	*Machinery and plant*	*Total*
Acquisition cost						
Acquisition cost as of 1 January	3 142	25	3 168	2 718	28	2 746
Additions through acquisition	10	-	10	18	-	18
Additions	379	14	393	501	8	509
Disposals	(272)	(7)	(280)	(124)	(12)	(135)
Translation differences	51	1	52	29	1	30
Total acquisition cost as of 31 December	**3 310**	**33**	**3 343**	**3 142**	**25**	**3 168**
Accumulated depreciation and impairment						
Accumulated depreciation and impairment as of 1 January	1 413	11	1 424	1 015	15	1 031
Depreciation for the year	483	10	493	441	7	449
Accumulated depreciation through disposal	(259)	(7)	(266)	(58)	(12)	(70)
Translation differences	22	2	24	14	-	15
Total accumulated depreciation and impairment as of 31 December	**1 660**	**15**	**1 675**	**1 413**	**11**	**1 424**
Carrying amount as of 31 December	**1 650**	**18**	**1 668**	**1 729**	**14**	**1 743**
Lease term	**1-37 years**	**1-10 years**		**1-21 years**	**1-5 years**	
Depreciation period	**Linear**	**Linear**		**Linear**	**Linear**	

Leasing liabilities

MNOK	*31 Dec 23*	*31 Dec 22*
Carrying amount as of 1 January	1 945	1 880
Additions through acquisition	10	18
Additions	393	509
Interests on leasing liabilities	136	128
Lease payments	(613)	(535)
Disposals	(14)	(71)
Translation differences	33	17
Carrying amount as of 31 December	**1 890**	**1 945**
Short-term leasing liabilities	433	419
Long-term leasing liabilities	1 457	1 526

Recognised in the income statement

MNOK	*2023*	*2022*
Depreciation on leases during the year	493	449
Interest expenses on leasing liabilities	136	128
Expenses related to short-term leases and leases on assets of low value	37	31
Total recognised in profit/loss	**666**	**607**

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 650 in 2023 (MNOK 566 in 2022), which consist of calculated interest on leasing liabilities of MNOK 136, payment of principal portion of leasing liabilities of MNOK 477 and payment for leasing contracts not recognised in the financial position of MNOK 37.

For information on due dates for lease payments, see Note 21 E "Financial instruments - Liquidity risk".

14 Intangible assets

Goodwill

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

Development

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

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

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

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

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

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

Internally financed development projects at Kongsberg Maritime and Kongsberg Discovery 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 per 31 December 2023 just below MNOK 650 of the carrying amount related to capitalised internal development projects in KONGSBERG. This includes technology associated to weapon stations, missile systems, control systems and communication equipment.

Kongsberg Digital has ongoing capitalised development projects related to the digital platform Kognifai and associated applications.

Kongsberg Digital has per 31 December 2023 just over MNOK 650 of the carrying amount related to capitalised internal development projects in KONGSBERG.

Development projects financed by customers are not capitalised, but KONGSBERG seeks to obtain ownership rights to the developed products.

Maintenance

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

Technology and other intangible assets

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

In KONGSBERG "Other intangible assets" consists primarily of customer relations and trademarks acquired through acquisitions, as well as proprietary software.

		2023					2022				
MNOK	Note	*Goodwill*	*Technology*	*Capitalised internal development*	*Other intangible assets*	*Total*	*Goodwill*	*Technology*	*Capitalised internal development*	*Other intangible assets*	*Total*
Acquisition cost											
Acquisition cost as of 1 January		**4 588**	**1 239**	**2 194**	**902**	**8 923**	**4 041**	**1 180**	**1 833**	**765**	**7 819**
Reclassification		(3)	(1)	11	(10)	(3)	-	-	54	17	71
Additions through acquisition		196	28	-		224	545	53	-	25	623
Additions		-	-	340	63	403	-	-	305	95	400
Translation differences		7	12	1	-	20	2	6	2	-	10
Acquisition cost as of 31 December		**4 788**	**1 278**	**2 546**	**955**	**9 567**	**4 588**	**1 239**	**2 194**	**902**	**8 923**
Accumulated amortisation and impairment											
Total accumulated amortisation and impairment as of 1 January		**902**	**697**	**932**	**611**	**3 142**	**902**	**612**	**761**	**505**	**2 780**
Reclassification		-	(1)	10	(10)	(1)	-	-	-	-	-
Amortisation		-	89	237	97	422	-	79	167	106	352
Impairment		-	-	39	-	39	-	-	4	-	4
Translation differences		-	13	-	-	13	-	6	-	-	6
Total accumulated amortisation and impairment as of 31 December		**902**	**797**	**1 218**	**698**	**3 615**	**902**	**697**	**932**	**611**	**3 142**
Carrying amount as of 31 December		**3 886**	**481**	**1 328**	**257**	**5 952**	**3 686**	**542**	**1 262**	**291**	**5 781**
Useful life			**1-10 years**	**1-10 years**	**1-10 years**			**1-10 years**	**1-10 years**	**1-10 years**	

Product maintenance and development recognised in profit and loss

	2023			2022		
MNOK	*Product Maintenance*	*Development costs*	*Total*	*Product Main-tenance*	*Development costs*	*Total*
Kongsberg Maritime	373	801	1 174	342	713	1 055
Kongsberg Defence & Aerospace	34	114	148	20	104	124
Kongsberg Discovery	103	358	461	82	217	299
Kongsberg Digital	59	240	299	28	170	198
Total	**569**	**1 513**	**2 082**	**472**	**1 204**	**1 676**

Estimation uncertainty

KONGSBERG has strict criteria that must be satisfied before capitalisation can start. The decision to start to capitalise a development program is based on assessments made by the management of the relevant business area. Management makes assessments of future market opportunities, ability to achieve the desired technological solution and of development costs that will be incurred. These are conditions that can change over time

Capitalised development costs are amortised according to the estimated lifetime. Estimated lifetime may change over time. This is considered annually, and the amortisation is adjusted when considered necessary. No impairment needs have been identified for existing technology and capitalised development as a result of the fact that this could potentially become outdated in the development of new technology that will contribute to solving climate challenges. When testing the value of capitalised development costs, the Group applies the same principles and methods as used for impairment testing of goodwill. Regarding estimate uncertainty associated with this matter, see Note 15 "Impairment test of goodwill".

15 Impairment testing

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

The Group uses the value in use to determine the recoverable amount of the cash flow-generating units.

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

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

Goodwill

Goodwill acquired through acquisitions is allocated to the Group's operating segments and is followed up and tested collectively for the group of cash flow-generating units included in the operating segment. Goodwill is followed up for groups of cash flow generating units that are similar to those defined as operating segments in accordance with Note 6 "Operating segments".

Goodwill is allocated to the operating segments as follows:

MNOK	*31 Dec 23*	*31 Dec 22*
Kongsberg Maritime[1]	1 812	2 858
Kongsberg Defence & Aerospace	631	628
Kongsberg Discovery[1]	1 092	-
Kongsberg Digital	397	201
Eliminations[2]	(46)	-
Total goodwill recognised in the financial position	**3 886**	**3 686**

1) As of 1 January 2023, Kongsberg Discovery has been separated as a separate segment and the share of goodwill has been reclassified out of the figures of Kongsberg Maritime in accordance with the relative fair value of the two CGUs.

2) Eliminations contain an adjustment for added value arising from transfers between the business areas.

The Group tests goodwill for impairment annually or more frequently if there are indications of impairment. Goodwill write-downs cannot be reversed in a later period if the recoverable amount of the cash flow-generating unit increases. Any impairment is recognised as impairment in the income statement.

The Group has used value in use to determine recoverable amounts for the cash flow-generating entities. Value in use is determined by using the discounted cash flow method. The expected cash flow is based on the business areas' budgets and long-term plans, which are approved by KONGSBERG's executive management and Board. Budgets and long-term plans cover a five-year period (explicit prognosis period). Approved budgets and long-term plans are adjusted for cash flows related to investments, restructuring, future product improvements and new development, if the elements are considered significant for the impairment test. After the five years of explicit plans, the units' cash flows are stipulated by extrapolation. At the beginning of the extrapolation period, the entity is assumed to be in a steady state. To calculate value in use, the Group has used anticipated cash flows after tax and, correspondingly, discount rates after tax. The recoverable amount would not have been significantly different if cash flows before tax and the discount rate before tax had been used. The discount rate before tax has been stipulated using an iterative method and is shown in a separate table.

Key assumptions for impairment testing

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. On the Capital Markets Day in 2022 a long-term target of 15 per cent EBITDA for the Group in 2025 was communicated. The explicit five-year period is based on moderate growth.

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.

Revenues and market opportunities

Today's global landscape is marked by turbulence and unpredictability. Simultaneously, we recognize pressing demands for enhanced energy efficiency, sustainable energy sources, and robust security and monitoring solutions. Our ambition is to be at the forefront of the green transission, by offering technology and solutions that contribute to the transition. It is the low-emissions scenario we are working towards, but we must at the same time be prepared for other outcomes. We continuously assess opportunities to become a stakeholder in new industries and segments and develop existing and new products and services to contribute to the transformation our customers are facing. Coupled with our substantial order backlog and financial position KONGSBERG is well-positioned for growth in 2024.

Kongsberg Maritime

Kongsberg Maritime operates across a diverse spectrum of segments, spanning from newbuilds to aftermarkets encompassing everything from conventional merchant fleets to sophisticated vessels engaged in intricate marine operations. Numerous shipyards boast nearly full order books for the upcoming years, which translates to an extended order backlog for Kongsberg Maritime, ensuring sustained robust activity. Given the aging vessel fleet and the heightened emission requirements, upgrades are imperative. Increased requirements from EU and the International Maritime Organization (IMO), together with generally strong demand from the industry for more environmentally friendly solutions give anticipation of strong aftermarket activity also in 2024. Transport vessels for liquefied natural gas (LNG carrier) and tugs were important drivers for order intake throughout 2023. The tug market is transitioning towards low and zero emission solutions which gives Kongsberg Maritime a growth opportunity medium term. The business area has also experienced increased order intake from traditional offshore, while order intake related to offshore wind was lower in 2023 compared to 2022. The underlying growth in the market is broadly driven by GDP, seaborne trade, oil price, offshore and renewable energy investment, leisure travel, defence and governmental spending, in additon to other factors such as environmental rules and regulations that drives fleet renewal. The marine markets are volatile and cyclical.

The revenues related to the oil and gas market in 2023 represent a significant share of Kongsberg Maritime's revenues. Energy demand and oil-price developments affect the willingness to invest in this market. The last two years has been more positive than the previous five, and the outlook for 2024 is good. The focus on sustainability and climate continues to increase and this affects the oil and gas market and the activities and priorities of our customers and suppliers' going forward.

The technologies which KONGSBERG is built on are to a large extent transferable to other industry verticals and the Group can benefit from the technology and competence it possesses to contribute to the green transission. For instance, Kongsberg Maritime's solutions for Dynamic Positioning have been an important delivery to vessels supporting the oil and gas market. These solutions are also especially important for vessels contributing to installation and maintenance of offshore wind farms.

In 2018, IMO adopted the first climate strategy for reducing greenhouse gas emissions from ships. This strategy was updated and strengthened in 2023, reaffirming the industry's commitment to reducing greenhouse gas emissions from international shipping and phasing them out as soon as possible. These political ambitions and subsequent regulations are a driving force for the adaptation of new technology in the global shipping industry. It will require a number of technologies and solutions to restructure the maritime sector in accordance with existing and forthcoming environmental regulations. We can also expect green fuel to be expensive, so it will be important to reduce consumption to achieve an economically sustainable operation. For KONGSBERG, it is important to understand the challenges our customers face, and work with them to find the best system solutions that will enable the customers to meet the requirements. Our wide product portfolio enables us to offer solutions for energy saving and efficiency improvements, as well as facilitating the utilization of new fuels and energy sources.

The requirements for measuring energy efficiency and reporting of carbon intensity indicator from IMO, together with a strong commitment from the customers to improve their carbon footprint constituted an important driver for the strong growth within environmentally friendly solutions order intake from the sailing fleet. One example of that is KONGSBERG's world leading solution, Promas Lite reblading (which optimize the propulsion efficiency) which had a growth of more than seven times from 2022 to 2023. In the same period the order backlog has doubled, which highlights the increased importance of sustainable solutions and market demand. Decarbonisation of the maritime sector is one of the mainstays of the Group' strategy and KONGSBERG shall be an important contributor to the success of our customers in the energy transition.

Another example is the cooperation between Terntank and Kongsberg Maritime in the building of three hybrid tankers that can run on diesel, biofuel or methanol and can use wind-assisted technology in addition to battery-operated solution. Kongsberg Maritime has contributed the design, technical drawings and equipment for the ships. The tankers will reduce the carbon footprint by using a combination of emissions-reducing technologies.

Kongsberg Defence & Aerospace

The activity in Kongsberg Defence & Aerospace is closely related to the geopolitical situation in the world. Disruption and increased focus on nations's security have spurred a surge in demand for defence technology and systems that protect people and critical infrastructure. The business area ends 2023 with a record-high order backlog of NOK 64 billion, of which NOK 16 billion was linked to the Naval Strike Missile contract signed with the Polish Ministry of Defence. 24 per cent of the order backlog is to be delivered in 2024, while 58 per cent is to be delivered in 2026 and later. The business area is strategically positioned to secure several substantial orders in the short and medium term, which bodes well for an anticipated expansion of the order backlog in the coming years. The profitability varies across different product groups and geographical region and the project composition within the delivery portfolio significantly impacts the profitability of the business area. The business area's long-term goal for the EBITDA margin stands at 17 per cent by 2025, but this figure may fluctuate from quarter to quarter. Continued growth is anticipated in all divisions, primarily fueled by the missile deliveries. To ensure capacity to fulfill existing orders and meet the substantial demand investment is done in a production facility for missiles, which will be operational in summer 2024.

In addition, Kongsberg Defence & Aerospace operates in the space technology segment and has been the largest space-industry player in the Nordics. With this technology KONGSBERG delivers solutions used for monitoring illegal fishing, deforestation and oil spill as well as deliveries of climate related data which allows for a better understanding of and fight against the climate change.

Kongsberg Discovery

Kongsberg Discovery operates within a dynamic market influenced by significant drivers, including ocean-based energy production, commercial fishing, seabed mapping, and security and monitoring of critical infrastructure. The demand for solutions from commercial players, public administration, and defence customers is on the rise. Additionally, the sustainable management of resources below sea level serves as a crucial motivator for several divisions and segments within this business area.

Throughout the year, the business area has experienced high demand for advanced sensors from both commercial and public customers. The environment, climate and safety are important market drivers that influence customer demand and appear to persist.

During 2023, contracts were signed for several underwater vehicles, including Hugin Superior. Hugin Superior is equipped with the most advanced sensor package delivered by Kongsberg Discovery, which contributes to significantly higher efficiency in mapping the seabed.

Kongsberg Discovery secured several significant contracts for delivering advanced solutions to research vessels including cutting-edge sonars and echo sounders for enhanced understanding and mapping of the seabed and water column. Additionally, the contracts involve the integration of sophisticated positioning systems and communication solutions.

KONGSBERG launced together with Jotun the HullSkater technology in 2020. This is a cleaning, underwater robot cleaning the hull to reduce emissions and the risk of spreading invasive species to other geographical areas they do not belong. The business area expects that the collaboration moves from "start-up" to "scale-up" the next period.

The business area's technology is also vital during the mapping phase of offshore wind farms, for various measurement tasks during the operational phase and mapping and monitoring the climate change.

Available markets for Kongsberg Discovery continue to grow steadily and is expected to remain in a state of growth the following years. Kongsberg Discovery is well-positioned to capitalize on the current market trends within sustainability, security, and surveillance. The growth is expected to come from existing products in current market, new products and application of the technology in new markets.

Kongsberg Digital

Kongsberg Digital is a preeminent provider of digital solutions to the energy sector and the maritime industry. The digitalization plays a pivotal role enhancing efficiency and curbing greenhouse gas emissions within these sectors. The "Software as a Service" solutions stands as the primary catalysts driving growth and the demand for these solutions remains robust.

Kongsberg Digital significantly increased both operating revenues and recurring operating revenues in 2023. The market is focused on the area's digital solutions, particularly in terms of streamlining operations and addressing climate concerns. The robust demand, coupled with existing framework agreements, lays the groundwork for sustained growth. There will be significant investment in increased capacity, development, and deployment of digital solutions in 2024. However, KONGSBERG aims for Kongsberg Digital to deliver positive EBITDA in the second half of 2024.

Kongsberg Digital will intensify the development of the core products, mainly focusing on digital twin technology, with aim to drive innovation, improvements and adapting to evolving customer needs. Since the inception, scalability has been a priority to the business area. Going forward the focus is to expand the market presence within existing sectors and explore new opportunities.

A key to make operations more efficient and reduce both greenhouse gas emissions and environmental impact is to make use of our customers' vast amounts of data. KONGSBERG's digital solutions enable reduction of greenhouse gas emissions in the customer's operations and contribute to establishing low-carbon technologies such as carbon capture and storage. Kongsberg Digital's cloud-based platform Vessel Insight and digital twins for ships and offshore installations help optimise the operations and reduce emissions. For instance, by using a digital twin of a ship's hull for an international shipping company, Kongsberg Digital has identified potential to reduce greenhouse gas emissions by more than 250 tonnes per year, per ship. The Digital Twin concept is transferable to renewable industries, such as offshore wind.

KONGSBERG has with its existing technology and position to further develop this technology and create new technology several market opportunities related to contributing solving the climate challenges and changes. This involves among other technology for monitoring climate changes, technology for extreme weather conditions, new technology such as offshore wind, digitalisation and solutions using alternative fuel. This can lead to increased revenues from existing technology solutions but also revenues from new solutions and products. Further KONGSBERG's focus on circular economy can increase the attractiveness of KONGSBERG to customers.

Key assumptions per cash flow-generating unit:

Prosent	*Kongsberg Maritime*	*Kongsberg Defence & Aerospace*	*Kongsberg Discovery*	*Kongsberg Digital*
Discount rate before tax	10.32	9.16	10.66	10.27
Discount rate after tax	8.79	7.18	8.79	8.79
Long-term nominal growth rate	2.00	2.00	2.00	2.00
Inflation	2.00	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.

In a world characterised by greater uncertainty related to an unstable energy market, high inflation, the transition to a circular economy and climate risk, which can lead to increased commodity prices and reduced access to subsidies, it is even more challenging to predict/calculate future cash flows, even though KONGSBERG has initiated measures to limit the negative effects of this. The best estimate based on the latest available information and judgment has been used in relation to future earnings and operations. Significant deviations in these can affect accounting estimates such as economically useful life of assets and value in use calculation.

16 Financial income and financial expenses

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

Financial expenses consist of interest expenses, currency losses, losses on realisation of "Assets at fair value through profit and loss" and other financial expenses. Interest expenses are recognised as they accrue using effective rate.

In addition, there are interest expenses on leasing liabilities (see Note 13).

MNOK	*Note*	*2023*	*2022*
Interest income from assets at amortised cost		120	124
Foreign exchange gain		30	106
Discounts of non-current provisions		1	3
Other financial income		21	17
Total financial income		**172**	**250**
Interest expense from liabilities at amortised cost		203	173
Foreign exchange loss		50	85
Discounts of non-current provisions		-	-
Other financial expenses		66	64
Total financial expenses		**319**	**322**
Interest expenses on leasing liabilities	**13**	**136**	**128**
Net finance item recognised in income statement		**(283)**	**(200)**

17 Income tax

Income tax expense

MNOK	*2023*	*2022*
Current tax on profits for the year (incl WHT)	803	922
Adjustment in respect of prior years - current tax	(7)	(16)
Total current income tax	**796**	**906**
Current year change in deferred tax	175	(209)
Adjustment in respect of prior periods	(11)	(9)
Total deferred income tax	**164**	**(219)**
Total income tax	**959**	**687**

Change in deferred tax recognised in other comprehensive income

MNOK	*2023*	*2022*
Tax (expense)/ credit on cash flow hedges	(20)	14
Tax (expense)/ credit on pension	11	(78)
Tax (expense)/credit in other comprehensive income	**(9)**	**(64)**

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:

	2023		**2022**	
	MNOK	*Per cent*	*MNOK*	*Per cent*
Earnings before tax	**4 675**		**3 497**	
Expected tax calculated at Norwegian tax rate of 22%	1 028	22,0%	769	22,0%
Tax effects of:				
Impact of change in tax rate	0	0,0%	-	0,0%
Equity transactions	(2)	(0,0%)	-	0,0%
Adjustments in respect of prior years	(19)	(0,4%)	(25)	(0,7%)
Previously unrecognised tax losses and accruals	15	0,3%	20	0,6%
Tax effect on net income from joint arrangements and associated companies	(78)	(1,7%)	(85)	(2,4%)
Effect of different tax rates abroad	8	0,2%	(20)	(0,6%)
Effect of withholding tax	6	0,1%	19	0,5%
Other permanent differences	1	0,1%	9	0,2%
Income tax expense and effective tax rate	**959**	**20,5%**	**687**	**19,7%**

Taxes paid

		2023			**2022**		
MNOK	*Note*	*Total*	*Norway*	*Abroad*	*Total*	*Norway*	*Abroad*
Corporate income tax		1 043	600	443	395	157	238
Witholding tax		6	-	6	19	-	19
Total taxes paid		**1 049**	**600**	**449**	**414**	**157**	**257**

Recognized deferred tax assets and liabilities

MNOK	*Opening Balance*	*Tax recognised in income statement*	*Changes in tax rate*	*Acquistions/ Disposals*	*Tax recognised in toal comprehensive income*	*Foreign exchange and reclassifications*	*Closing Balance*
Property, plant and equipment	65	60	-	(1)	-	95	218
Customer contracts	(203)	17	-	-	-	(91)	(277)
Pension	78	(15)	-	-	11	-	74
Provisions / currency	477	169	-	-	-	-	646
Losses carried forward	44	155	-	-	-	-	198
Derivatives assets	(351)	(64)	-	-	-	-	(415)
Derivatives liability	343	102	-	-	(20)	-	424
Contracts under construction	(1 333)	(585)	-	-	-	2	(1 916)
Carried forward interest deductions	3	(2)	-	-	-	-	1
Net deferred tax assets / (Liability)	**(877)**	**(164)**	**-**	**(1)**	**(9)**	**6**	**(1 046)**

Customer contracts / temporary differences

For customer contracts that are recognised over time, fiscal revenue recognition will occur when the control and risk has been transferred to the customer. This has no effect on the tax expense in the income statement, but as a consequence, tax payable will fluctuate over time. KONGSBERG has large and long-term ongoing contracts often resulting in significant temporary differences.

Base Erosion and Profit Shifting (BEPS Pilar 2)

KONGSBERG does not anticipate any significant increase in tax in Norway and/or other countries where the group operates. KONGSBERG does however not rule out some increase in smal size operations in countries with very low taxes. However, this should not have a significant impact on the profit before tax, effective tax or tax payable for KONGSBERG.

Deferred tax

MNOK	*31 Dec 23*	*31 Dec 22*
Deferred tax asset	331	235
Deferred tax liability	(1 377)	(1 112)
Net deferred tax	**(1 046)**	**(877)**

Tax loss carry-forwards (gross amounts)

MNOK	*Norway*	*Europe*	*Other*	*Sum*
Less than five years	-	-	46	46
5-10 years	-	-	7	7
10-20 years	-	4	17	21
Without time limit	893	341	280	1 514
Total	**893**	**345**	**349**	**1 587**

Unrecognized Deferred Tax Assets

MNOK	*31 Dec 23*	*31 Dec 22*
Unrecognized tax loss carry-forward	80	37
Unrecognized other tax assets	-	6
Total not recognized	**80**	**43**

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

Annual earnings per share are calculated as the ratio of net profit/(loss) attributable to the ordinary shareholders and the weighted average number of ordinary shares outstanding. The diluted earnings per share is the profit attributable to the ordinary shareholders, and the weighted number of shares outstanding, adjusted for all diluting effects related to share options.

MNOK		*2023*	*2022*
Earnings attributable to the ordinary shareholders			
Earnings after tax		3 715	2 809
Non-controlling interests' share of the result		(4)	(36)
Earnings for the year/diluted earnings attributable to the ordinary shareholders		**3 712**	**2 774**
Number of shares	*Note*	*2023*	*2022*
Number of shares outstanding as of 1 January		177,31	178,20
Number of shares as of 31 December	23	175,90	177,31
Average number of shares		176,08	177,37
NOK		*2023*	*2022*
Earnings for the year per share		21,08	15,64
Earnings per share for the year, diluted		21,08	15,64

19 Other non-current assets

MNOK	*Note*	*31 Dec 23*	*31 Dec 22*
Shares at fair value through profit and loss	21	225	238
Loans to employees		7	3
Prepaid land rental		-	1
Long-term loans, associated companies		11	2
Other non-current assets		298	340
Total other non-current assets		**541**	**585**

20 Receivables and credit risk

Trade receivables and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are measured at amortised cost using the effective interest method, but due to the brief term to maturity, accounts receivable and other receivables will in practice be recognised at their nominal values less impairment. Trade receivables in foreign currencies are recognised at the exchange rates at the balance sheet date.

Credit risk

Exposure to credit risk

For an explanation of KONGSBERG's credit risk and the handling of this, see note 4 "Management of capital and financial risk". Carrying amount of financial assets represents the maximum credit exposure:

MNOK	*Note*	*31 Dec 23*	*31 Dec 22*
Trade receivable[1]		9 060	7 402
Other short-term receivables		951	896
Customer contracts in progress	7	2 286	2 339
Other non-current assets	19	316	347
Cash and cash equivalents	22	5 975	3 932
Forward contracts and interest rate swaps that are used as currency hedging	21 A	1 887	1 596
Total exposure to credit risk		**20 476**	**16 512**

MNOK	*31 Dec 23*	*31 Dec 22*
Trade receivables	9 060	7 402
Provision for bad debts	(338)	(445)
Net trade receivables	**8 722**	**6 957**

1) Trade receivables have increased significantly since last year due to increases in deliveries and natural fluctuations in business with larger milestonepayments. Included in trade receivables as of 31 December 2023 is a prepayment of just above MNOK 1,000 from one customer. The amount is paid in 2024.

Trade receivables distributed by region

MNOK	*31 Dec 23*	*31 Dec 22*
Norway	1 126	620
Europe	3 572	1 837
North America	2 171	2 036
South America	209	446
Asia	1 623	1 528
Other countries	360	934
Total	**9 060**	**7 402**

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 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.

Trade receivables distributed by customer type

MNOK	*31 Dec 23*	*31 Dec 22*
Public	3 547	2 094
Private	5 513	5 307
Total	**9 060**	7 402

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 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.

Credit exposure on the Group trade receivables

	31 Dec 23		**31 Dec 22**	
MNOK	*Gross*	*Provisions for bad debts*	*Gross*	*Provisions for bad debts*
Not due	5 720	(1)	4 444	(1)
Past due 1–30 days	1 303	(3)	1 086	(9)
Past due 31-90 days	623	(10)	523	(7)
Past due 91-180 days	428	(28)	256	(25)
Past due more than 180 days	986	(296)	1 093	(403)
Total	**9 060**	**(338)**	**7 402**	**(445)**

Changes in provision for bad debts

MNOK	*31 Dec 23*	*31 Dec 22*
Provisions as of 1 January	(445)	(414)
Adjustment to opening balance	(7)	-
Actual losses	51	32
Additions	(9)	(87)
Dissolved	72	24
Provision as of 31 December	**(338)**	**(445)**

21 Financial instruments

Financial assets and liabilities

Financial assets and liabilities consist of derivatives, investments in shares, accounts receivable and other receivables, customer contracts in progress, cash and cash equivalents, interest-bearing debt, accounts payable and other liabilities.

Classification

The Group classifies assets and liabilities upon initial recognition based on the type of instrument and the intended purpose of the instrument. These are classified in the following categories:

i. Fair value with changes in value through profit and loss

ii. Financial assets measured at amortised cost

iii. Derivatives earmarked as hedging instruments measured at fair value

iv. Financial liabilities measured at amortised cost

A) Fair value hedges

Derivatives

Derivatives in KONGSBERG are comprised mainly of forward exchange contracts and currency swaps. Currency options and cross-currency swaps are used to some extent. Upon initial recognition, derivatives are measured at fair value, and identifiable transaction costs are recognised through profit and loss as incurred. KONGSBERG applies the rules for hedge accounting to the extent that the requirements of IFRS 9 are fulfilled. Changes in the fair value of derivatives are recognised through profit and loss should they not qualify for hedge accounting.

MNOK	*Note*	*31 Dec 23*	*31 Dec 22*
Current assets			
Forward exchange contracts, cash flow hedges (a)		238	682
Forward exchange contracts, fair value hedges (b)		1 617	914
Cross-currency swaps and/or interest rate swap		32	-
Total derivatives, current assets		**1 887**	**1 596**
Current liabilities			
Forward exchange contracts, cash flow hedges (c)		524	774
Forward exchange contracts, fair value hedges (d)		1 301	730
Cross-currency swaps and/or interest rate swap		105	54
Total derivatives, current liabilities		**1 929**	**1 559**
Net forward exchange contracts, cash flow hedges (a) - (c)	21 C	(286)	(92)
Net forward exchange contracts, fair value hedges (b) - (d)	21 B	316	184
Total net forward exchange contracts		**30**	**92**

B) Currency risk and currency hedging

Derivatives earmarked as hedging instruments measured at fair value

Derivatives are recognised in the balance sheet at fair value. Changes in the value of cash flow hedges are recognised through other comprehensive income, while changes in the value of fair value hedges are recognised against foreign currency assets or liabilities in the balance sheet.

Hedging

The Group's financial policy states that contracts above a certain threshold shall be subject to currency hedging upon establishment, and these are primarily hedged using forward exchange contracts (fair value hedges). KONGSBERG's currency risk and management of this risk are explained in note 4 "Management of capital and financial risks". In special cases, the Group uses forward exchange contracts or to some degree currency options as cash flow hedges, e.g. in large tenders where contract award is considered highly probable.

Before hedge accounting can be applied, KONGSBERG documents all qualification criteria for the use of hedge accounting. These include the identification of hedging instruments and objects, the risk to be hedged, and how the Group will assess whether the hedge relationship meets the requirements for hedge effectiveness.

KONGSBERG determines whether a derivative (or another financial instrument) should be used to:

i. Hedging of a firm commitment (fair value hedges)

ii. Hedging of a future cash flow from a recognised asset or liability, or an identified highly probable future transaction (cash flow hedges)

Fair value hedges

Fair value hedges are intended to secure contracted currency flows. This means that the fair value hedge secures trade receivables as well as remaining contractual amount on contractual transactions in a currency other than the entity's functional currency. Using fair value hedges the change in fair value of the hedge instrument is recognised against the hedged object. For currency hedges of future contractual transactions, this implies that the change in value of the future transaction due to changes in the exchange rate are recognised in the balance sheet. Since the hedging instrument is also recognised at fair value, this entails symmetrical recognition of the hedged object and the hedging instrument. For customer contracts, this implies that revenue is recognised at the hedged exchange rate.

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	
	2023	*2022*	*2023*	*2022*
USD	10.57	9.63	10.14	9.80
EUR	11.43	10.12	11.19	10.48
GBP	13.18	11.84	12.90	11.85

As of 31 December, the group had the following hedges of net sales in foreign currencies, listed by hedge category:

Currency hedging, fair value hedges

	2023										2022									
	Due in 2024		Due in 2025 and later		Total						Due in 2023		Due in 2024 and later		Total					
Amounts in millions	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 23*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 23*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 23*	*Total hedged amount*	*Average hedged rate*	*Fair value 31 Dec 22*	*Change in fair value from 31 Dec 22*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 22*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 22*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 22*	*Total hedged amount*	*Average hedged rate*	*Fair Value 31 Dec 21*	*Change in fair value from 31 Dec 21*
USD	8 444	180	2 820	32	11 264	212	1 093	10.31	69	142	7 137	(10)	3 318	80	10 455	69	1 082	9.66	(19)	88
EUR	6 428	97	5 648	9	12 076	107	1 054	11.45	109	(2)	5 700	80	1 767	29	7 466	109	705	10.59	186	(77)
GBP	697	24	239	(20)	936	4	72	12.93	36	(33)	360	7	417	30	777	36	64	12.14	(2)	39
Øvrige	362	6	290	(12)	652	(6)	-	-	(31)	24	308	(17)	179	(14)	488	(31)	-	-	24	(54)
Sum	**15 931**	**307**	**8 997**	**9**	**24 928**	**316**			**184**	**132**	**13 505**	**59**	**5 681**	**125**	**19 185**	**184**			**188**	**(4)**

(ii) Cash flow hedges

Cash flow hedges are hedges of highly probable future cash flows. Given hedge effectiveness, changes in fair value are recognised through other comprehensive income. Any currency options and cross-currency swaps are classified as cash flow hedges and thus apply the same accounting principles as described in this section.

When a hedged transaction occurs, accumulated changes in fair value of the hedging instrument is transferred from other comprehensive income to profit for the year. If the hedged transaction leads to recognition of an asset or liability, the hedging instrument is accrued concurrently with the hedged transaction.

Hedges of future customer contracts are allocated to the specific contract upon signing and are rolled forward from cash flow hedges to fair value hedges. Gains and losses previously included in other comprehensive income are recognised in the income statement concurrently with the contract progress. This means that customer contracts that are hedged before signing are recognised at the originally hedged exchange rate.

If a hedging instrument expires without having been rolled forward or if the hedge relationship is discontinued, the accumulated gains and losses are recognised directly through profit and loss when the hedged transaction takes place. In the event that the hedged transaction is no longer expected to occur, the accumulated unrealised gains or losses on the hedging instrument previously recognised in other comprehensive income will be transferred to profit and loss.

In some cases, hedging of investments outside of Norway is applicable (net investment hedge). Net investment hedges are recognised equivalent to cash flow hedges. Profit or loss on the hedging instrument related to the effective share of the hedging that has been recognised through other comprehensive income as a part of the translation difference, shall be included in profit and loss by realisation of the foreign entity.

Currency hedging, cash flow hedges

	2023										2022									
	Due in 2024		Due in 2025 and later		Total						Due in 2023		Due in 2024 and later		Total					
Amounts in millions	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 23*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 23*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 23*	*Total hedged amount*	*Average hedged rate[1]*	*Fair value 31 Dec 22*	*Change in fair value from 31 Dec 22*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 22*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 22*	*Value in MNOK on agreed rates*	*Fair value in MNOK at 31 Dec 22*	*Total hedged amount*	*Average hedged rate[1]*	*Fair Value 31 Dec 21*	*Change in fair value from 31 Dec 21*
USD	(1 495)	(238)	2 248	(90)	752	(328)	111	6.79	(89)	(239)	(1 137)	(176)	3 990	87	2 853	(89)	313	9.11	(38)	(51)
EUR	470	30	(59)	-	411	30	34	12.13	-	30	391	-	(111)	-	280	-	27	10.42	3	(3)
GBP	13	12	-	-	13	12	-	-	-	12	(20)	1	(86)	(1)	(106)	-	(9)	11.48	-	-
Øvrige	(8)	-	(23)	-	(31)	-	-	-	(2)	3	(22)	-	(31)	(2)	(53)	(2)	-	-	(2)	-
Sum	**(1 021)**	**(196)**	**2 165**	**(90)**	**1 145**	**(286)**	**-**	**-**	**(92)**	**(194)**	**(788)**	**(175)**	**3 762**	**83**	**2 974**	**(92)**	**-**	**-**	**(37)**	**(54)**

1) Average hedged rate in USD is influenced by the presentation of net figures. Average hedged rate for gross outflow and gross income is 10.31 (10.00) and 9.98 (9.78), respectively.

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 million	*Nominal currency amount*	*Due in 2024*	*Due in 2025 and later*
Hedge category			
Forward exchange contracts, fair value hedges			
USD	1 093	816	277
EUR	1 054	563	491
GBP	72	52	20

MNOK	*Nominal currency amount*	*Due in 2024*	*Due in 2025 and later*
Hedge category			
Forward exchange contracts, cash flow hedges			
USD	111	(124)	234
EUR	34	39	(5)
GBP	-	-	-

Follow-up of hedging effectiveness and hedge ineffectiveness

Ineffective fair value hedges may occur due to changes in timing of currency inflow or outflow. In order to maintain the hedge effectiveness currency swaps are used to balance cash inflow and outflow. At shorter time differences between the maturity of the forward contracts and the receipts/payments, KONGSBERG uses bank accounts in foreign currency to maintain the hedge effectiveness. As a result, the exchange of foreign currency from the foreign currency bank account takes place in the same period as the final maturity of the forward contract or the receipts/payments. Hedge effectiveness will therefore be very high throughout the entire contractual period. Ineffective cash flow hedges may occur if the highly probable transaction hedged as a cash flow hedge no longer is considered highly probable and therefore terminated.

As of 31 December, the group had recognised the following amounts as hedge ineffectiveness through profit and loss, listed by hedge category:

MNOK	*2023*	*2022*
Hedge Category		
Forward exchange contracts, cash flow hedges [1]	-	-
Forward exchange contracts, fair value hedges [2]	-	-
Total	**-**	**-**

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 132 during 2023 (MNOK -4 in 2022). 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 2023, KONGSBERG had no currency options.

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. 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 2023 the cross-currency swaps had a fair value of MNOK -105 (MNOK -54 per 31 December 2022).

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	*2023*	*2022*
Forward exchange contracts in USD	88	239
Forward exchange contracts in EUR	30	22
Cross-currency swaps in EUR	(86)	(80)
Total	**31**	**181**

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	*2023*	*2022*
Translation differences Patria	211	151
Translation differences subsidaries	215	136
Total	**426**	**287**

C) Cash flow hedges and hedging of net investment in foreign entity

List of the periods in which the cash flows related to derivatives that are cash flow hedges are expected to occur:

	31 Dec 23				**31 Dec 22**			
MNOK	*Carrying amount*	*Expected cash flow*	*2024*	*2025 and later*	*Carrying amount*	*Expected cash flow*	*2023*	*2024 and later*
Currency forward exchange contracts								
Assets	238	252	165	87	682	768	79	689
Liabilities	(524)	(547)	(365)	(182)	(774)	(841)	(257)	(584)
Total	**(286)**	**(295)**	**(200)**	**(95)**	**(92)**	**(72)**	**(178)**	**105**

List of the periods in which the cash flows related to derivatives that are cash flow hedges are expected to affect results:

	31 Dec 23				31 Dec 22			
MNOK	*Carrying amount*	*Expected cash flow*	*2024*	*2025 and later*	*Carrying amount*	*Expected cash flow*	*2023*	*2024 and later*
Currency forward exchange contracts								
Assets	238	252	88	164	682	768	307	461
Liabilities	(524)	(547)	(192)	(356)	(774)	(841)	(336)	(505)
Total	**(286)**	**(295)**	**(103)**	**(192)**	**(92)**	**(72)**	**(29)**	**(43)**

Cash flow hedges and heding of net investment in foreign entity - hedge reserve

Hedging reserve includes total accumulated net changes in fair value for financial instruments used as cash flow hedges which are recognized in other comprehensive income.

MNOK	*2023*	*2022*
Opening balance 1.1	**(215)**	(165)
Changes in fair value during the period		
- Forward exchange contracts and roll-over effects 1)	**170**	6
- Cross-currency swaps	**(77)**	(70)
- Currency options	**-**	-
Adaptations in connection with hedge accounting in acquired companies		
Tax on items recognised directly in other comprehensive income	**(20)**	14
Closing balance 31.12	**(143)**	(215)
Recognised gains/losses in the period		
Amount reclassified from the cash flow hedges to fair value hedges[1)]	**254**	123
Ineffective cash flow hedges recogised in profit and loss	**-**	-

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 capitalized currency roll-over effects for cash flow hedges was MNOK 363 during the year, while the change in fair value was MNOK -194 MNOK since 2022.

If an expected project is contracted and a fair value hedge is established, the hedge reserve is recognised as transferred from other comprehensive income to the capitalised value of the hedged project. If an expected cash flow occurs and does not result in a fair value hedge, the hedge reserve is recognised in the income statement at the same time as the hedged transactions.

No ineffective cash flow hedges was recognized in the ordinary result in 2023 (MNOK 0 in 2022).

D) Interest rate risk on loans

	2023			2022	
MNOK	*Due date*	*Nominal interest rate*	*Carrrying amount* [1]	*Nominal interest rate*	*Carrying amount* [1]
Long-term loans					
Bond issue KOG09 - fixed interest rate	2.6.26	3.20%	1 000	3.20%	1 000
Bond issue KOG13 - floating interest rate				2.02%	500
Bond issue KOG14 - floating interest rate	26.2.26	5.61%	500	1.66%	500
Bond issue KOG15 - fixed interest rate[2]	31.5.30	4.85%	1 000	-	-
Other long-term loans			-		3
Total long-term loans			**2 500**		**2 003**
Short-term loans:					
Bond issue KOG13 - floating interest rate[3]	6.6.24	5.85%	500	-	-
Bond issue KOG11 - fixed interest rate[4]	-	-	-	2.90%	450
Total short-term loans			**500**		**450**
Total interest-bearing loans			**3 000**		**2 453**

	2023		2022
MNOK	*Due date*	*Nominal amount*	*Nominal amount*
Syndicated credit facility (unutilised borrowing limit)[5]	22.3.28	2 500	2 500
Overdraft facility (unutilised)[6]		1 500	1 000

1) Value is equal to nominal amount. For long-term bond loans, the carrying amount is equal to the nominal amount.
2) KONGSBERG issued bonds for MNOK 1,000 during the year with a 7-year tenor and a fixed interest rate of 4.85% p.a. In addition KONGSBERG has entered into an interest rate swap agreement with a floating rate coupon.
3) The bond issue KOG13 was reclassified to short-term loans during the year.
4) The bond issue KOG11 was repaid during the year.
5) The credit facility was extended with one year during the quarter.
6) During the year the overdraft facility was increased by MNOK 500 to MNOK 1,500.

MNOK	*2023*	*2022*
Carrying amount as of 1 January	2 453	2 450
Debt in acquired companies	10	3
Issuance of new bond	1 000	-
Repayment of debt	(463)	-
Carrying amount as of 31 December	**3 000**	**2 453**

Kongsberg Gruppen ASA held four bond loans at the end of 2023. 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 4.85 per cent for KOG15. The group holds a overdraft facility of MNOK 1,500. As of 31 December 2023, this remains unutilised.

Sensitivity analysis interest rate risk

Simulated annual effect on net income of an interest rate increase of 50 bp in NIBOR:

MNOK	*2023*	*2022*
Investments with floating interest rates	30	20
Variable interest rate loans	(16)	(10)
Cash flow sensitivity (net)	**14**	**10**

Kongsberg Gruppen ASA has a syndicated credit facility with Danske Bank, DNB, JP Morgan, Nordea and SEB. The credit facility is for general corporate purposes, and has an applicable Termination Date 22 March 2028. The interest rate is 3M NIBOR + a margin that depends on the ratio of net interest-bearing debt/EBITDA and can vary from 0.5 per cent to 2 per cent. The credit facility requires that net interest-bearing debt does not exceed 4.75 times EBITDA, but can be up to 5.25 times EBITDA for a maximum of four quarters, of which three quarters may be consecutive. The covenants in the loan agreements have been met. The facility was unutilised as of 31 December 2023.

	2023				**2022**	
MNOK	*Due date*	*Interest Rate*	*Nominal amount 2023*	*Fair value 31 Dec 23*	*Nominal amount 2022*	*Fair Value 31 Dec 23*
Interest rate swap agreements, fixed to floating rate[1]	31.5.30	4.85%	1 000	32	-	-
Total interest rate swap agreements			**1 000**	**32**	**-**	**-**

1) KONGSBERG has entered into two interest rate swaps from fixed to floating interest rates for a nominal amount each of MNOK 500. The agreements were entered into in connection with the bond loan KOG15, which is a fixed rate loan. The value change for the interest rate swap agreements is adjusted against the capitalised value of the loan. The floating rate coupon is 3M NIBOR + 1.36% p.a.

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 23							31 Dec 22						
MNOK	*Carrying amount*	*Contractual cash flows*	*2024*	*2025*	*2026*	*2027*	*2028 and later*	*Carrying amount*	*Contractual cash flows*	*2023*	*2024*	*2025*	*2026*	*2027 and later*
Financial liabilities that are not derivatives														
Unhedged bond issues	3 000	(3 461)	(621)	(109)	(1 566)	(49)	(1 117)	2 450	(2 673)	(539)	(564)	(54)	(1 517)	-
Leasing liabilities	1 890	(2 244)	(545)	(424)	(344)	(242)	(689)	1 945	(2 314)	(532)	(442)	(340)	(287)	(713)
Other loans and long-term liabilities	-	-	-	-	-	-	-	3	(3)	(3)	-	-	-	-
Accounts payable	2 868	(2 868)	(2 868)	-	-	-	-	2 522	(2 522)	(2 522)	-	-	-	-
Financial liabilities that are derivatives														
Currency derivatives	1 824	(1 935)	(1 119)	(464)	(208)	(108)	(35)	1 504	(1 602)	(801)	(316)	(196)	(277)	(12)
Basis swaps	105	(105)	(105)	-	-	-	-	54	(54)	-	(54)	-	-	-
Total	**9 687**	**(10 613)**	**(5 259)**	**(996)**	**(2 119)**	**(399)**	**(1 841)**	**8 478**	**(9 168)**	**(4 397)**	**(1 377)**	**(589)**	**(2 080)**	**(726)**

F) Summary financial assets and liabilities

Financial assets at fair value with changes in value in the profit and loss statement

Except for investments in subsidiaries, joint ventures or associated companies in the balance sheet, all shares are defined as fair value with changes in value through profit and loss. Note 3 "Fair value" includes a description of how fair value is measured for financial assets and liabilities.

Financial assets measured at amortised cost

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

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

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

Receivables related to operations are measured at amortised cost, which in practice implies their nominal value and provision for expected losses.

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.

Fair value of interest-bearing debt is calculated by using estimated interest rate curve and credit margin at the balance sheet date. Estimated cash flows are discounted by the interest rate KONGSBERG would expect to pay for equivalent funding at the balance sheet date. The reference market interest rate before credit margin is 3M NIBOR. The credit margin is then estimated for KONGSBERG for remaining tenors.

Financial assets and liabilities divided into different categories for accounting purposes as of 31 December:

		2023					2022				
MNOK	*Note*	*Amortised cost*	*Hedge derivatives*	*Fair value with change in value through profit or loss*	*Total*	*Fair value*	*Amortised cost*	*Hedge derivatives*	*Fair value with change in value through profit or loss*	*Total*	*Fair value*
Assets - non-current assets											
Other non-current assets	19	316		225	**540**	540	347	-	238	**585**	585
Assets- current assets											
Derivatives	21 A		1 887		**1 887**	1 887	-	1 596	-	**1 596**	1 596
Receivables	20	9 673			**9 673**	9 673	7 852	-	-	**7 852**	7 852
Customer contracts in progress	7	2 286			**2 286**	2 286	2 339	-	-	**2 339**	2 339
Cash and cash equivalents	22	5 975			**5 975**	5 975	3 932	-	-	**3 932**	3 932
Financial liabilities - non-current											
Interest-bearing loans	21 D	2 500			**2 500**	2 486	2 003	-	-	**2 003**	1 957
Leasing liabilities	13	1 457			**1 457**	1 457	1 526	-	-	**1 526**	1 526
Other non-current liabilities		51			**51**	51	75	-	-	**75**	75
Financial liabilities - current											
Interest-bearing loans	21 D	500			**500**	502	450	-	-	**450**	442
Leasing liabilities	13	433			**433**	433	419	-	-	**419**	419
Derivatives	21 A		1 929		**1 929**	1 929	-	1 559	-	**1 559**	1 559
Accounts payable	25	2 868			**2 868**	2 868	2 522	-	-	**2 522**	2 522

G) Assessment of fair value

The following table lists the Group's assets and liabilities measured at fair value

		2023			2022		
MNOK	Note	*Level 1*	*Level 2*	*Level 3*	*Level 1*	*Level 2*	*Level 3*
Assets							
Shares at fair value through profit and loss	19	-	-	225	-	-	238
Derivatives	21 A	-	1 887	-	-	1 596	-
Total assets at fair value		**-**	**1 887**	**225**	**-**	**1 596**	**238**
Liabilities							
Derivatives	21 A	-	1 929	-	-	1 559	-
Interest-bearing liabilities (intended for note purposes)	21 F	-	2 987	-	-	2 399	-
Total liabilities at fair value		**-**	**4 916**	**-**	**-**	**3 958**	**-**

KONGSBERG has a range of financial instruments that are recognised at fair value. When market prices cannot be observed directly through traded prices, fair value is estimated by using different models that either build on internal estimates or information from professional counterparties or market players. The assumptions for such assessments may include spot prices, forward prices or interest rate curves. The assessments are always based on KONGSBERG's best estimates, but it is still likely that the observable market information and assumptions will change over time. Such changes can affect the calculated values of financial instruments considerably, and thereby result in gains and losses that will affect future periods' income statements. How such changes affect the income statement depends on the type of instrument and whether it is included in a hedge relation.

The levels are defined as described below:

Level 1: Fair value is measured by using quoted prices from active markets for identical financial instruments. No adjustment is made with respect to these prices.

Level 2: Fair value is measured based on data other than the list prices covered by the level 1, but which is based on observable market data either directly or indirectly. These methods have some uncertainty in the determination of fair value.

Level 3: Fair value is measured using models that substantially employ non-observable market data. This involves more uncertainty connected to the determination of fair value.

See note 3 "Fair Value" for more details on fair value measurement.

H) Estimation 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

Cash and cash equivalents 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.

MNOK	*31 Dec 23*	*31 Dec 22*
Bank deposits	5 975	3 932
Total cash and cash equivalents	**5 975**	**3 932**

In addition, the Group has an overdraft credit facility of MNOK 1,500 which is unused as of 31 December 23. Bank guarantees have been furnished for funds related to withholding tax for employees of MNOK 511 (MNOK 437 in 2022). The Group's liquidity management is handled by the Group's corporate treasury unit.

23 Share capital

As of 31 December 2023, share capital consists of 175,921,849 shares, each with a nominal value of NOK 1.25.

Share capital trends

	Date	*Number of shares*	*Nominal NOK*	*Amount, NOK*	*Corr. Factor*	*Share capital MNOK*
Expansion type						
Stock exchange introduction	13.12.1993	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
Capital reduction, cancellation of own shares[1]	2022	177 313 072	1,25	-2		221,6
Capital reduction, cancellation of own shares[1]	2023	175 921 849	1,25	-2		219,9

1) Issued capital is reduced with NOK 1,739,028.75 during 2023 through cancellation of 1,391,223 shares.

List of major shareholders as of 31 December 2023

Shareholders	*Number of Shares*	*%-holding*
Ministry of Trade, Industry and Fisheries	87 968 126	50,004%
National Insurance Fund	10 263 089	5,83%
Must Invest AS	4 638 619	2,64%
BlackRock	3 398 503	1,93%
Vanguard	2 783 559	1,58%
Fidelity Investments (FMR)	2 324 377	1,32%
MP Pensjon PK	2 185 658	1,24%
Øyvin A. Brøymer With Companies	2 010 000	1,14%
DNB Asset Management AS	1 999 329	1,14%
Alfred Berg Kapitalforvaltning	1 928 811	1,10%
Danske Invest	1 750 681	1,00%
Storebrand Asset Management	1 508 339	0,86%
Arctic Fund Management	1 446 841	0,82%
KLP Kapitalforvaltning AS	1 406 401	0,80%
Swedbank Robur Fonder	1 296 000	0,74%
Premier Miton Investors	1 038 829	0,59%
ODIN Fonder	836 659	0,48%
Eika Kapitalforvaltning	725 688	0,41%
State Street Global Advisors	700 183	0,40%
Equinor Asset Management	576 756	0,33%
Total	**130 786 448**	**74,35%**
Other	45 135 401	25,66%
Total number of shares	**175 921 849**	**100,00%**

Shareholders listed according to share holding size

Shareholding interval	*Number of owners*	*Number of shares*	*%-holding*
1–1 000	27 463	3 973 995	2,26%
1 001–10 000	3 188	8 877 305	5,05%
10 001–100 000	413	12 966 673	7,37%
100 001–1 000 000	98	29 328 641	16,67%
1 000 001–10 000 000	11	22 544 020	12,81%
Over 10 000 000	2	98 231 215	55,84%
Total	**31 175**	**175 921 849**	**100,00%**

Of the 31,175 shareholders as of 31 December 2023, 1,851 were foreign, with a total holding of 20.82 per cent.

Treasury shares

When treasury shares are reacquired, the cost including direct attributable costs is recognised as changes in equity. Treasury shares are presented as a reduction in equity. Any gain or loss on treasury share transactions is not recognised in profit and loss. As of 31 December 2023, KONGSBERG had a holding of 17,250 treasury shares.

	Quantity
Holding of treasury shares as of 31 December 2022	693 610
Purchase of treasury shares in connection with employees share programme and long-term incentiv scheme	695 850
Purchase of treasury shares in connection with share buy-back prorgramme for cancellation	42 224
Capital reduction, cancellation of own shares	(695 555)
Treasury shares sold to employees in connection with the share programme	(691 791)
Treasury shares sold to employees in connection with the long-term incentive scheme	(27 088)
Holding of treasury shares as of 31 December 2023	**17 250**

Directors' Report and Financial Statements / **Financial Statements and Notes 2023**

Dividends

	2023	*2022*
Dividends paid in NOK per share	12,0	15,30
Dividends paid in MNOK	2 128	2 736
Of which, dividends treasury shares in MNOK	13,10	19,98

The Board has proposed a dividend for the 2023 accounting year of MNOK 2,463 equivalent to NOK 14.00 per share, of which NOK 7.00 per share is on top of the ordinary dividend. The dividend will be split into two tranches of NOK 7.00 each. Approval date is on 7 May 2024 with the following ex. dividend dates: 8 May 2024 and 9 October 2024. The first tranch will be paid out on 29 May 2024 and the second on 23 October 2024.

24 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.

Non-current provisions

KONGSBERG has in the period from 2005 to 2014 sold properties in the Kongsberg Technology Park. The properties have been leased back on long-term lease and expire from 2024 to 2030. In connection with the sale and leaseback it was agreed that KONGSBERG guarantees for entry costs and for the maintenance of the buildings in the leaseback period. The current value of future warranty liability is allocated in the accounts. In addition, provision has been made for lack of rental. The remaining provision requirement will need to be assessed each quarter. The effects of discounting cost are transferred as financial expenses.

MNOK	*Sale and leaseback*	*Other*	*Total*
Carrying amount as of 1 January 2023	**114**	**1**	**115**
Allocation	3	-	3
Provisions used	(3)	(1)	(4)
Dissolved	(8)	-	(8)
Carrying amount as of 31 December 2023	**106**	**0**	**106**

Current provisions

Warranty provisions

Warranty provisions are provisions for warranty costs on completed deliveries. Unused warranty provisions are dissolved upon the expiration of the warranty period. Warranty provisions are estimated based on a combination of experience figures, specific calculations and judgement. The warranty period usually extends from one to five years, but for some defence contracts the warranty period may be up to 30 years. Warranty costs are expensed concurrently with the percentage of completion of the customer contracts and are reclassified as provisions for warranty upon delivery.

Other provisions

Other provisions apply to conditions where there is disagreement between contractual parties, uncertainty related to product liability or products that are in an early life-cycle phase. In addition, onerous contracts are classified as other provision. The estimated amount shall cover the lower of the cost of fulfilling the customer contract and any compensation or penalties arising to fulfil it. There must be an actual loss rather than just a reduced profit. When a customer contract is expected to result in a loss, the loss is recognised in its entirety immediately.

Included in other provisions are also provisions for restructuring. Provisions for restructuring related to downsizing are recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring plan has been announced to the parties concerned. Restructuring costs consist of salary and social security tax when the employment relationship is terminated (including severance pay and gratuity). In addition to this are rent and other related costs and any one-off payments in the event of the premature termination of tenancy agreements for premises that are vacated.

MNOK	*Warranty*	*Other*	*Total*
Carrying amount as of 1 January 2023	**848**	**715**	**1 563**
Reclassified from other accounting lines	(1)	1	-
Allocation	356	270	**626**
Provisions used	(241)	(277)	**(518)**
Dissolved	(199)	(39)	**(238)**
Currency	12	4	**16**
Carrying amount as of 31 December 2023	**775**	**674**	**1 449**

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 23*	*31 Dec 22*
Accounts payable	2 868	2 522
Public charges owing	429	421
Calculated income tax payable	440	677
Accrued holiday pay	994	852
Withholding tax owed for employees	434	340
Other accruals[1]	1 387	1 135
Total	**6 552**	**5 948**

1) Other accruals relate to costs incurred for which invoices have not yet been received, salaries owed to employees and other non-interest-bearing liabilities.

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 23*	*31 Dec 22*
Guarantees issued by banks and insurance companies	8 217	3 390
Guarantees issued by Kongsberg Gruppen ASA (parent company)	13 332	16 710
Prepayments from and completion guarantees to customers	**21 549**	**20 100**

Kongsberg Gruppen ASA has non-committed framework agreements for guarantees with banks and insurance companies.

27 Auditor's fees

	2023				**2022**			
TNOK	*Parent company*	*Subsidiaries in Norway*	*Subsidiaries outside Norway*	*Total*	*Parent company*	*Subsidiaries in Norway*	*Subsidiaries outside Norway*	*Total*
Group auditor EY								
Statutory audit	2 016	11 234	11 725	24 975	2 055	11 478	11 166	24 699
Other assurance services	349	626	-	975	93	774	-	867
Tax consultancy	1 264	-	1 123	2 387	45	192	377	614
Other non-audit services	461	46	-	507	688	115	248	1 051
Total fees, EY	**4 090**	**11 906**	**12 847**	**28 844**	**2 881**	**12 559**	**11 791**	**27 231**
Other auditors								
Estimated audit fees	-	-	2 189	2 189	-	-	2 003	2 003

28 List of Group companies

The following companies have been consolidated:

Name of company	*Country of origin*	*Ownership stake 31 Dec 23*	*Ownership stake 31 Dec 22*
Kongsberg Gruppen ASA	Norway	Parent	Parent
Kongsberg Defence & Aerospace AS	Norway	100	100
Kongsberg Maritime AS	Norway	100	100
Kongsberg Discovery AS	Norway	100	100
Kongsberg Digital AS	Norway	83,4	100
Kongsberg Digital Holding ASA	Norway	83,4	100
FutureOn AS	Norway	83,4	10
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	Sold	100
Kongsberg Næringsbygg 5 AS	Norway	100	100
Kongsberg Næringsbygg 6 AS	Norway	Merged	100
Kongsberg Real Estate AS	Norway	100	100
Kongsberg Næringsbygg 11 AS	Norway	100	100
Kongsberg Næringsbygg 15 AS	Norway	100	100
Kongsberg Næringsbygg 16 AS	Norway	100	100
KNB12 Ulsteinvik AS	Norway	100	100
KNB13 Brattvåg AS	Norway	100	100
Kongsberg Seatex AS	Norway	Merged	100
Kongsberg Norcontrol AS	Norway	100	100
Visavi Technology AS	Norway	Merged	100
Simrad AS	Norway	100	100
Kongsberg Aviation Maintenance Services AS	Norway	50,1	50,1
Rygge 2 AS	Norway	50,1	50,1

Name of company	*Country of origin*	*Ownership stake 31 Dec 23*	*Ownership stake 31 Dec 22*
Rygge Eiendom AS	Norway	50,1	50,1
Kongsberg Renewables Technologies AS	Norway	100	100
Kongsberg Naval Services AS	Norway	100	100
Kongsberg Maritime Italy S.R.L	Italy	100	100
Kongsberg Maritime Netherlands B.V	Nederland	100	100
Kongsberg Maritime CM Sp. z o.o.	Poland	100	100
Kongsberg Maritime Polen Sp. z.o.o.	Poland	100	100
Kongsberg Defence Sp. z o.o.	Poland	100	100
Kongsberg Maritime Spain S.L.	Spain	100	100
Kongsberg Maritime GCS S.L.U	Spain	100	-
Kongsberg Defence OY	Finland	100	100
Kongsberg Maritime Finland OY	Finland	100	100
Kongsberg Maritime Germany GmbH	Germany	100	100
Kongsberg Maritime France SARL	France	100	100
Kongsberg Defence Switzerland AG	Switzerland	100	100
Kongsberg Norcontrol Ltd.	Great Britain	100	100
Kongsberg Maritime Ltd.	Great Britain	100	100
NanoAvionics UK Ltd	Great Britain	78,5	78,5
Kongsberg Discovery UK Limited	Great Britain	100	-
FutureOn Ltd.	Great Britain	83,4	10
Kongsberg Hungaria Kft.	Hungary	100	100
Navis Consult d.o.o.	Croatia	100	75
Kongsberg Maritime Hellas SA	Greece	100	100
Kongsberg Maritime Denmark A/S	Denmark	100	100
Coach Solutions ApS	Denmark	100	100
Kongsberg Maritime Sweden AB	Sweden	100	100
Kongsberg Maritime RUS LLC	Russia	Phasing out	Phasing out

Name of company	*Country of origin*	*Ownership stake 31 Dec 23*	*Ownership stake 31 Dec 22*
NanoAvionics	Lithuania	78,5	78,5
Kongsberg Maritime Turkey Denizcilik Sanayi Ve Ticaret Limited Şirketi	Tyrkey	100	100
Interconsult Bulgaria Ltd	Bulgaria	65	65
Kongsberg Geospatial Ltd.	Canada	100	100
Kongsberg Digital Simulation Ltd.	Canada	100	100
Kongsberg Maritime Canada Ltd.	Canada	100	-
Kongsberg Discovery Canada Ltd. (former Kongsberg Maritime Canada Ltd.)	Canada	100	100
Ulstein Maritime Ltd.	Canada	100	100
Kongsberg Digital Simulation Inc.	USA	100	100
Kongsberg Maritime Inc.	USA	100	100
Kongsberg Underwater Technology LLC	USA	100	100
Kongsberg Protech Systems USA Inc.	USA	100	100
Kongsberg Digital Inc.	USA	100	100
Kongsberg Defense & Aerospace Inc.	USA	100	100
Kongsberg Defense Systems Inc.	USA	100	100
Kongsberg Geospatial Corp.	USA	100	100
Kongsberg Integrated Tactical Systems Inc.	USA	100	100
NanoAvionics US LLC	USA	78,5	78,5
FutureOn LLC	USA	83,4	10
Kongsberg Maritime do Brazil Ltda	Brazil	100	100
FutureOn Ltda	Brazil	83,4	10
Kongsberg Maritime Mexico SA DE CV	Mexico	100	100
Kongsberg Defence Chile SpA	Chile	100	100
Kongsberg Maritime Chile SpA	Chile	100	-
Kongsberg Maritime Panama Corporation	Panama	100	100
Kongsberg Maritime Holdings Hong Kong Ltd	Hong Kong	100	100
Kongsberg Maritime Hong Kong Ltd.	Hong Kong	100	100
Kongsberg Maritime China Shanghai Ltd.	China	100	100

Name of company	*Country of origin*	*Ownership stake 31 Dec 23*	*Ownership stake 31 Dec 22*
Kongsberg Maritime China Jiangsu Ltd.	China	100	100
Kongsberg Maritime China Ltd.	China	100	100
Kongsberg Digital Technology Services Co. Ltd	China	100	100
Kongsberg Maritime CM Korea Ltd.	South-Korea	Merged	100
Kongsberg Maritime Korea Ltd.	South-Korea	100	100
Kongsberg Norcontrol Pte. Ltd.	Singapore	100	100
Kongsberg Maritime Pte. Ltd.	Singapore	100	100
Kongsberg Digital Pte. Ltd	Singapore	100	100
Kongsberg Maritime Japan Co Ltd.	Japan	100	100
Kongsberg Maritime India Private Ltd.	India	91	91
Kongsberg Digital Private Limited	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	100
Kongsberg Maritime Middle East DMCCO	UAE	100	100
Kongsberg Defence Australia Pty Ltd.	Australia	100	100
Kongsberg Defence Australia Mawson Lakes Property Pty Ltd.	Australia	100	100
Kongsberg Maritime Pty Ltd.	Australia	100	100
FutureOn Pty Ltd	Australia	83,4	10
Kongsberg Maritime South Africa Pty. Ltd.	South-Africa	100	100
Kongsberg Maritime Namibia Pty Ltd.	Namibia	100	100

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 2023, KONGSBERG had an outstanding balance from state-owned customers of MNOK 99, while other liability items in respect of state suppliers amounted to MNOK 12 as of 31 December 2023.

In 2023, KONGSBERG issued invoices to state customers for a total of MNOK 2,073. Goods and services purchased from state suppliers in 2023, amounted to MNOK 245.

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

Trade receivables from associated companies amounted to MNOK 28 as of 31 December 2023, while trade payables amounted to MNOK 2 as of 31 December 2023.

In addition, KONGSBERG has a long-term receivable from associated companies of MNOK 4.

In 2023, KONGSBERG issued invoices to associated companies for a total of MNOK 294. Goods and services purchased from associated companies in 2023 amounted to MNOK 10.

30 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 2023 financial statements. The same applies to EBIT.

Restructuring costs consist of salaries and social security tax upon termination of employment (such as severance pay 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 liabilities".

Net interest-bearing debt incl. leasing liabilities/EBITDA is net interest-bearing debt incl. leasing liabilities divided by 12-months rolling EBITDA.

Return On Average Capital Employed (ROACE) is defined as the 12-months 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 23*	*31 Dec 22*
Current assets	34 884	26 905
Current liabilities and provisions	(30 689)	(24 097)
Adjusted for:		
Cash and cash equivalents	(5 975)	(3 932)
Short-term interest-bearing loans	500	450
Short-term leasing liabilities	433	419
Net tax payable	393	660
Financial instruments classified as cash flow hedges	9	160
Working capital	**(445)**	**565**

31 Events after the balance sheet date

There are no significant events after the balance sheet date.

Statement of Income

Kongsberg Gruppen ASA

MNOK	*Note*	*2023*	*2022*
Operating revenues from subsidiaries	9	236	198
Other operating revenues		2	3
Total revenues		**238**	**201**
Personnel expenses	4, 5	(151)	(154)
Depreciation		(3)	(2)
Other operating expenses	4	(174)	(136)
Total operating expenses		**(328)**	**(292)**
Earnings before interest and tax		**(90)**	**(91)**
Interests from group companies		105	49
Net currency gains		(6)	36
Interests to Group companies		(4)	(1)
Interest income, bank and investment		5	9
Interest expenses, external loans		(158)	(62)
Other financial expenses		(10)	(23)
Group contribution		1 777	413
Net finance items		**1 709**	**422**
Earnings before tax		**1 619**	**331**
Income tax expense (+income/expense)	6	(29)	(73)
Earnings after tax		**1 590**	**257**
Allocations and equity transfers			
Proposed dividend		**(2 463)**	**(2 128)**
Transfer to other equity		**873**	**1 871**

Statement of Financial Position as of 31 December

Kongsberg Gruppen ASA

MNOK	*Note*	*2023*	*2022*
Assets			
Non-current assets			
Deferred tax assets	6	37	48
Fixed assets		9	13
Shares in subsidiaries	3	9 146	9 106
Shares in associated companies		11	11
Interest-bearing loans to Group companies	9	2 216	1 694
Other long-term receivables		16	13
Total non-current assets		**11 435**	**10 885**
Current assets			
Receivables from Group companies	9, 11	3 911	2 342
Other short-term receivables		290	224
Cash and cash equivalents	11	4 514	2 464
Total current assets		**8 715**	**5 030**
Total assets		**20 150**	**15 915**

MNOK	*Note*	*2023*	*2022*
Equity and liabilities			
Equity			
Shares capital		220	222
Share premiums		4 876	4 876
Total paid-in capital		**5 096**	**5 098**
Other equity		883	1 979
Total retained earnings		**883**	**1 979**
Total equity	**2**	**5 979**	**7 077**
Non-current liabilities			
Pension liabilities	5	207	234
Long-term interest-bearing loans	7	2 500	2 000
Total non-current liabilities		**2 707**	**2 234**
Current liabilities			
Dividend		2 463	2 128
Short-term interest-bearing loans	7	500	450
Liabilities to group companies	9, 11	8 319	3 808
Other current liabilities		182	218
Total current liabilities		**11 464**	**6 604**
Total equity and liabilities		**20 150**	**15 915**

Kongsberg, 14 March 24

Eivind Reiten	**Per A. Sørlie**	**Merete Hverven**	**Morten Henriksen**	**Kristin Færøvik**	**Rune Fanøy**	**Oda Ellingsen**	**Kjersti Rød**	**Geir Håøy**
Chairman of the Board	Deputy of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	Member of the Board	President and CEO

Statement of Cash Flow

Kongsberg Gruppen ASA

MNOK	*Note*	*2023*	*2022*
Earnings before tax		**1 619**	**331**
Depreciation		3	2
Income taxes paid	6	(67)	(7)
Net finance items		(1 709)	(422)
Changes in accruals, etc.		(62)	21
Net cash flows from operating activities		**(216)**	**(75)**
Cash flow from investing activities			
Purchase of equipment		-	(3)
Proceeds from aquiring subsidiaries		(34)	(26)
Interest income		73	60
Settlement of cross-currency swaps		(59)	1
Net cash flow used in investing activities		**(20)**	**32**
Cash flow from financing activities			
Payment of loans		(3)	1
Proceeds from interest-bearing loans		1 000	-
Repayment of interest-bearing loans		(450)	-
Interest paid		(123)	(59)
Other financiel items paid		(9)	(8)
Dividend paid		(2 128)	(2 736)
Additional dividend		13	21
Net disbursements for purchase/disposal of treasury shares		(6)	(9)
Share buy-back related to share buy-back programme		(267)	(483)
Contribution received		413	5 898
Changes in intercompany balances		3 846	(6 871)
Net cash flow from financing activities		**2 286**	**(4 247)**
Net increase (reduction) in cash and cash equivalents		**2 050**	**(4 290)**
Cash and cash equivalents at the beginning of the period		**2 464**	**6 754**
Cash and cash equivalents at the end of the period		**4 514**	**2 464**

Table continued on next column.

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 associated companies are measured at cost in the statutory accounts. The investment is evaluated at acquisition cost less any impairment. Impairment of such assets to fair value is done when a decrease in value cannot be considered to be temporary and is required pursuant to generally accepted accounting principles. Impairments are reversed when the basis for the impairment no longer applies.

Classification and valuation of statement of financial position items

Current assets and current liabilities include items due for payment within one year after the date of acquisition. Other items are classified as non current assets/non-current liabilities. Current assets are measured at the lower of cost and fair value. Current liabilities are recorded at their nominal values on the date of acquisition. Fixed assets are measured at acquisition cost less depreciation, but are written down when a decrease in value is not expected to be of temporary nature. Non-current liabilities are measured at nominal value at the date they are incurred.

Revenues

Revenues are recognised in the period when the services are rendered.

Hedges

Kongsberg Gruppen ASA enters into hedging contracts on behalf of subsidiaries and undertakes back-to-back agreements with external banks. See also note 10 “Currency hedging” and note 21 B "Currency risk and currency hedging" of the consolidated financial statement.

Receivables

Trade receivables and other receivables are capitalised at nominal values less provisions for expected loss. Provisions for bad debt are made on the basis of individual assessments of each receivable.

Foreign currency

Monetary items in a foreign currency are assessed using the exchange rate applicable at year-end. Gains and losses related to items in a foreign currency and that are part of the goods circulation are included in the operating profit/loss. Other gains and losses related to items in foreign currency are classified as financial income or costs.

Short-term investments

hort-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
Kongsberg Gruppen ASA has a defined contribution pension scheme for all teh employees in the company. In addition, the company has a closed collective, unfunded contribution plan for salaries exceeding 12G. The contributions are expensed as incurred.

The defined benefit plan
Kongsberg Gruppen ASA has a closed defined pension plan for salaries exceeding 12G for a few employees. The calculation is based on a number of assumptions including discount rates, future salary adjustments and actuarial assumptions on mortality and voluntary retirement. See also Note 5 “Pensions” for further information.

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 2021	**224**	**4 876**	**4 290**	**9 390**
Earnings after tax	**-**	**-**	**257**	**257**
Transactions with treasury shares	(2)	-	(389)	(391)
Additional dividend	-	-	(76)	(76)
Dividend for 2022	-	-	(2 128)	(2 128)
Actuarial gain/loss pensions	-	-	25	25
Equity as of 31 December 2022	**222**	**4 876**	**1 979**	**7 077**
Earnings after tax	**-**	**-**	**1 590**	**1 590**
Capital decrease	(2)		(498)	(500)
Transactions with treasury shares	-	-	251	251
Dividend for 2023	-	-	(2 463)	(2 463)
Actuarial gain/loss pensions	-	-	24	24
Equity as of 31 December 2023	**220**	**4 876**	**883**	**5 979**

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 2023 is 17,250.

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 Maritime AS [1]	1992	Kongsberg	100	4 206
Kongsberg Eiendom Holding AS	2015	Kongsberg	100	497
Kongsberg Martime China Ltd [2]	2016	Shanghai	100	-
Kongsberg Hungaria Kft [3]	2003	Budapest	10	-
Kongsberg Digital Holding ASA	2021	Lysaker	100	481
Kongsberg Renewables Technologies AS	2022	Lysaker	100	193
Kongsberg Discovery AS [1]	2023	Horten	100	2 563
Total				**9 146**

1) Kongsberg Discovery AS was demerged from Kongsberg Maritime AS.

2) Kongsberg Maritime China Ltd is transferred to Kongsberg Maritime AS.

3) The remaining shares in Kongsberg Hungaria Kft. are owned by Kongsberg Defence & Aerospace AS.

4 Personnel expenses and auditor's fees

For information on salary and remuneration to the Executive Management and Board members please refer to Note 10 "Personnel expenses, remuneration of Executive Management and the Board" in the consolidated financial statements and the "Remuneration report for Executive Management in KONGSBERG".

Personnel expenses

MNOK	*2023*	*2022*
Salaries	70	80
Social security expenses	11	19
Pension	14	12
Performance-based part of salary	30	17
Other benefits	26	26
Total personnel expenses	**151**	**154**
Number of full-time equivalents (FTEs)	57	71

Auditor's fees

TNOK	*2023*	*2022*
Group auditor EY		
Statutory audit	2 016	2 055
Other assurance services	349	93
Tax consultancy	1 264	46
Other non-audit services	461	688
Total fees, EY	**4 090**	**2 882**

5 Pensions

KONGSBERG has a service pension plan that consists of a defined contribution scheme and a closed defined benefit plan that is in comliance with laws and regulations. The service pension plans include all employees of the Group in Norway.

The defined contribution pension scheme

Kongsberg Gruppen ASA has a defined contribution pension scheme for all employees. The contribution rates are five per cent up to 7.1G and 11 per cent of salary between 7.1G and 12G. The company also has a collective, unfunded contribution plan for salaries exceeding 12G. The Group's deposits in this plan are 18 per cent of the portion of the base salary that exceeds 12G. On the operating-based schemes a savings profile with 50 per cent shares is used as return refernce. Special terms and conditions apply for executives. This is described in the "Remuneration report for Executive Management in KONGSBERG".The contributions are expensed as incurred.

The defined benefit plan

The Board approved in 2022 to convert the defined benefit pension plan and the conversion was executed in 2023. This implied that all the members of the scheme were issued paid-up policies and that the active members were transferred to the defined contribution pension scheme.The conversion resulted in a one-off accounting effect that was recognised as a net gain on settlement of the pension scheme in 2022. In addition, the Group has a collective defined benefit pension plan for salaries exceeding 12G. The collective defined benefit plan corresponds to about 60 per cent of the share of the final salary that exceeds 12G until the age of 77, and then the benefit is reduced by 50 per cent for the remaining lifetime. Special terms and conditions apply for Executive Management and are described in the 'Remuneration report for Executive Management in KONGSBERG'.

Risk coverage

Disability pension from the Group will provide an addition to the estimated disability benefits from national insurance. National insurance will cover 66 per cent of the pension basis up to 6G, while the Group plan covers 66 per cent of the pension basis between 6G and 12G. The Group plan also provides an additional three per cent of the pension basis from 0G to 12G, a pay increase of 25 per cent of G and any child supplement of four per cent per child (maximum three children). The 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.

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 expenses were calculated as follows:

MNOK	*2023*	*2022*
Expenses, defined benefit plans	7	6
Expenses, defined contribution scheme	7	6

The net pension liability appears as follows:

MNOK	*2023*	*2022*
Gross pension liabilities	182	232
Gross value of pension assets	-	(31)
Net pension liabilities	**182**	**201**
Social security expenses	25	33
Net carrying amount pension liabilities	**207**	**234**

6 Income tax

Income tax expense

MNOK	*2023*	*2022*
Tax payables	(12)	(73)
Change in deferred tax	(17)	-
Tax income/expense	**(29)**	**(73)**

MNOK	*2023*	*2022*
Earnings before tax	**1 620**	**331**
Expected tax calculated at 22% of earnings before tax	(356)	(73)
Adjustment in respect of prior years	-	(7)
Group contribution without tax effect	331	-
Witholding tax	(1)	-
Net permanent differences	(3)	7
Tax income-/expense	**(29)**	**(73)**

Deferred tax and deferred tax asset

MNOK	*2023*	*2022*
Pensions	46	51
Tax losses carried forward	-	-
Other	(9)	(3)
Net carrying amount deferred tax asset	**37**	**48**
Tax rate in Norway	22%	22%

Change in deferred tax recognised directly in equity is as follows:

MNOK	*2023*	*2022*
Pensions	7	7
Other	(13)	-
Total	**(6)**	**7**

7 Long-term interest-bearing loans and credit facilities

As of 31 December 2023, Kongsberg Gruppen ASA had the following loans and credit facilities:

MNOK	*Due date*	*Nominal interest rate*	*Carrying amount 31 Dec 23*	*Carrying amount 31 Dec 22*
Bond loan KOG09 - fixed interest	2.6.26	3.20%	1 000	1 000
Bond loan KOG13 - floating interest			-	500
Bond loan KOG14 - floating interest	26.2.26	5.61%	500	500
Bond loan KOG15 - fixed interest	31.5.30	4.85%	1 000	-
Total long-term interest-bearing loans			**2 500**	**2 000**
Bond loan KOG11 - fixed interest	5.12.23		-	450
Bond loan KOG13 - floating interest	6.6.24	5.85%	500	-
Total short-term interest-bearing loans			**500**	**450**
Total interest-bearing loans			**3 000**	**2 450**
Credit facility (undrawn borrowing limit)	22.3.28		2 500	2 500
Overdraft (unused)			1 500	1 000

"Kongsberg Gruppen ASA has a syndicated credit facility with Danske Bank, DNB, JP Morgan, Nordea and SEB. The credit facility is for general corporate purposes, and has an applicable Termination Date 22 March 2028. The interest rate is 3M NIBOR + a margin that depends on the ratio between net interest-bearing loans/EBITDA and can vary from 0.5 per cent to 2 per cent. The credit facilities require that net interest-bearing debt shall not exceed 4.75 times the EBITDA, but can be up to 5.25 times the figure for four quarters, of which 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 2023.

Kongsberg Gruppen ASA had four bond loans at the end of 2023. 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 interest conditions for the loans with fixed interest are 3.2 per cent for KOG09 and 4.85 per cent for KOG15.

The Group holds a overdraft facility of MNOK 1,500. As of 31 December 2023, 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 and Kongsberg Gruppen ASA (parent company guarantees). Kongsberg Gruppen ASA is responsible for all guarantees.

MNOK	*2023*	*2022*
Guarantees issued by banks and insurance companies	8 217	3 390
Guaranties issued by Kongsberg Gruppen ASA	13 332	16 710
Prepayments and completion guarantees to customers	**21 549**	**20 100**

Kongsberg Gruppen ASA has non-committed framework agreements for guarantees with banks and insurance companies.

9 Related parties

Operating revenues

MNOK	*2023*	*2022*
Kongsberg Maritime AS	129	105
Kongsberg Defence & Aerospace AS	102	86
Kongsberg Digital AS	4	6
Other Group companies	1	1
Total operating revenues - related parties	**236**	**198**

Operating revenues from related parties mainly comprises corporate charge and guarantees.

Interest-bearing loans to group companies

MNOK	*2023*	*2022*
Kongsberg Teknologipark AS	50	-
Kongsberg Næringseiendom AS	100	100
Kongsberg Næringsbygg 2 AS	54	54
Kongsberg Næringsbygg 3 AS	-	60
Kongsberg Næringsbygg 5 AS	96	96
Kongsberg Næringsbygg 6 AS	62	-
Kongsberg Næringsbygg 11 AS	153	102
Kongsberg Næringsbygg 12 AS	102	35
Kongsberg Næringsbygg 13 AS	19	19
Kongsberg Næringsbygg 15 AS	81	113
Kongsberg Næringsbygg 16 AS	280	-
Kongsberg Norcontrol Pte. Ltd.	8	12
Kongsberg Maritime do Brasil LTDA	24	23
Kongsberg Maritime Pty Ltd.	-	7
Kongsberg Maritime India Private Ltd	3	6
Navis Consult d.o.o	27	25
Kongsberg Maritime Finland OY	783	733
Kongsberg Martime Inc.	105	101
Kongsberg Maritime CM Private Ltd	-	7
Kongsberg Martime Germany GmbH	28	26
Kongsberg Martime Sweden AB	86	81
Kongsberg Maritime CM NZ Pty Ltd.	-	2
Kongsberg Martime Turkey Denizcilik Sanayi Ve Tivaret Limited Sirketi	2	3
Kongsberg Martime Korea Ltd.	-	73
Kongsberg Maritime France SARL	2	-
NanoAvionics	151	16
Other companies	-	-
Total	**2 216**	**1 694**

Current liabilities to group companies

MNOK	*2023*	*2022*
Kongsberg Defence & Aerospace AS	8	2
Kongsberg Maritime AS	6	-
Kongsberg Digital AS	-	4
Kongsberg Teknologipark AS	2	2
Kongsberg Næringsparkutvikling AS	-	1
Other companies	-	1
Subsidiaries deposits cash pool	8 303	3 798
Total	**8 319**	**3 808**

Current receivables from group companies

MNOK	*2023*	*2022*
Kongsberg Maritime AS	34	13
Kongsberg Defence & Aerospace AS	1 784	416
Kongsberg Maritime Sweden AB	1	1
Kongsberg Digital AS	1	1
Kongsberg Discovery AS	1	-
Kongsberg Maritime Finland OY	10	4
Kongsberg Maritime Korea Ltd.	-	1
Kongsberg Næringsbygg 11 AS	3	1
Kongsberg Næringsbygg 12 AS	2	-
Kongsberg Næringsbygg 15 AS	1	1
Kongsberg Næringsbygg 16 AS	5	-
Kongsberg Næringsbygg 5 AS	2	1
Kongsberg Næringseiendom AS	2	1
Kongsberg Maritime Inc.	3	2
Kongsberg Maritime CM US	-	2
NanoAvionics	3	-
Other companies	39	15
Subsidiaries draft cash pool	2 020	1 883
Total	**3 911**	**2 342**

10 Currency hedging

As of 31 December, the company had the following net sale of foreign currency hedges, divided by hedge category:

Amounts in millions	2023								2022							
	Value in NOK on agreed rates 31 Dec 23	*Fair value in NOK 31 Dec 23*	*Total hedged amount in USD 31 Dec 23*	*Average hedged rate in USD 31 Dec 23*	*Total hedged amount in EUR 31 Dec 23*	*Average hedged rate in EUR 31 Dec 23*	*Total hedged amount in GBP 31 Dec 23*	*Average hedged rate in GBP 31 Dec 23*	*Value in NOK on agreed rates 31 Dec 22*	*Fair value in NOK 31 Dec 22*	*Total hedged amount in USD 31 Dec 22*	*Average hedged rate in USD 31 Dec 22*	*Total hedged amount in EUR 31 Dec 22*	*Average hedged rate in EUR 31 Dec 22*	*Total hedged amount in GBP 31 Dec 22*	*Average hedged rate in GBP 31 Dec 22*
Hedge category																
Forward exchange contracts, cash flow hedges	1 145	(286)	111	6.8	34	12.1	0	0.0	2 974	(92)	313	9.1	27	10.4	(9)	11.5
Forward exchange contracts, fair value hedges	24 928	316	1 093	10.3	1 054	11.5	72	12.9	19 185	184	1 082	9.7	705	10.6	64	12.1
Total	**26 073**	**30**	**1 204**		**1 088**		**72**		**22 159**	**92**	**1 395**		**732**		**55**	

Fair value is referring to the net present value of the variance between the forward rate at 31 December 2023 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 2023, Kongsberg Gruppen ASA had no currency options.

Cross-currency swaps

Subsequent to the aquisition of shares in Patria Oyj in 2016 (MEUR 284.9), cross-currency swaps were entered in order to partially hedge net investment in foreign entity. The net investment in Patria is hedged with cross-currency swaps of MEUR 98 and forward exchange contracts of MEUR 42, a total of MEUR 140. The cross-currency swaps expires in 2024. As of 31 December 2023 the cross-currency swaps had a fair value of MNOK -105 (MNOK -54 per 31 December 2022). 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

	2023					2022				
Amounts in millions	*Value in NOK based on agreed rates 31 Dec 23*	*Fair value in NOK 31 Dec 23*	*Total hedged amount in USD 31 Dec 23*	*Total hedged amount in EUR 31 Dec 23*	*Total hedged amount in GBP 31 Dec 23*	*Value in NOK based on agreed rates 31 Dec 22*	*Fair value in NOK 31 Dec 22*	*Total hedged amount in USD 31 Dec 22*	*Total hedged amount in EUR 31 Dec 22*	*Total hedged amount in GBP 31 Dec 22*
Forward exchange contracts, cash flow hedges										
Kongsberg Defence & Aerospace	1 145	(286)	111	34	-	2 974	-92	313	27	(9)
Total cash flow hedges	**1 145**	**(286)**	**111**	**34**	**-**	**2 974**	**-92**	**313**	**27**	**(9)**
Forward exchange contracts, fair value hedges										
Kongsberg Maritime	5 907	112	339	231	2	6 410	33	376	278	1
Kongsberg Digital	897	11	58	15	4	420	8	14	6	11
Kongsberg Defence & Aerospace	13 961	88	543	607	58	11 219	191	671	345	51
Kongsberg Disocvery	2 400	54	140	71	9	-	-	-	-	-
(No internal counterparty)	1 762	51	13	131	1	1 136	(47)	21	77	1
Total fair value hedges	**24 928**	**316**	**1 093**	**1 054**	**72**	**19 185**	**184**	**1 082**	**705**	**64**
Total	**26 073**	**30**	**1 204**	**1 088**	**72**	**22 159**	**92**	**1 395**	**732**	**55**

Associated company

	2023				2022			
MNOK	*Value in NOK based on agreed rates 31 Dec 23*	*Fair value in NOK 31 Dec 23*	*Total hedged amount in USD 31 Dec 23*	*Total hedged amount in EUR 31 Dec 23*	*Value in NOK based on agreed rates 31 Dec 22*	*Fair value in NOK 31 Dec 22*	*Total hedged amount in USD 31 Dec 22*	*Total hedged amount in EUR 31 Dec 22*
Forward exchange contracts, fair value hedges								
Kongsberg Satellite Services	2 698	11	212	47	1 342	7	118	28

11 Cash and cash equivalents

MNOK	*Note*	*2023*	*2022*
Net deposit cash pool		2 406	2 461
Deposits outside cash pool		2 108	3
Total		**4 514**	**2 464**
Spesifications of net deposit cash pool			
Subsidiaries deposit cash pool	9	8 303	3 798
Parent's deposit cash pool		-	546
Subsidiaries draft cash pool	9	(2 020)	(1 883)
Parent's draft cash pool		(3 877)	-
Net deposit cash pool		**2 406**	**2 461**

Bank guarantees amounting to MNOK 15 have been furnished for funds related to withholding tax for employees.

The Group's liquidity management is centralised in Kongsberg Gruppen ASA and handled by the treasury department.

Kongsberg Gruppen ASA has cash pools with Danske Bank, JP Morgan in which several of the subsidiaries are included. Net deposits cash pool, represent total net deposits in the cash pools for all companies included in the cash pools. Total deposit on the cash pools for the parent company in 2023 is MNOK 3,877 compared to total draft 2022 MNOK 546.

Auditor's report 2023

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Stortorvet 7, 0155 Oslo
Postboks 1156 Sentrum, 0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Kongsberg Gruppen ASA

Opinion on the audit of the annual accounts

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 2023 and the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the balance sheet as at 31 December 2023, the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including material accounting policy information.

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 2023 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 2023 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our conclusion is consistent with our supplementary 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 37 years from the election by the general meeting of the shareholders in 1987.

Building a better working world

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 2023. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For 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	*Our audit response*
A large part of the Group's revenues are derived from customer contracts recognised over time. The process of measuring the progress towards complete satisfaction of the performance obligations and selecting the method of measuring this progress, involves judgement and estimates by the management. It may be uncertainty in relation to the transaction price, allocation of the transaction price, and in the estimated costs in fulfilling the contract. The recognition of revenue from customer contracts over time is a key audit matter, due the extent and complexity of ongoing projects in the Group with different duration, and where management exercises judgement to estimate the progress, including expected transaction price and costs to fulfil the contract.	We evaluated the application of accounting principles, methods for estimating the projects' progress, routines for monitoring projects and tested controls over estimating projects' progress, estimation of expected transaction price and costs to fulfil the contract. We discussed estimated total project costs, including provisions for guarantees, with project management. We evaluated these estimates against comparable projects and analysed the development in margins for selected projects and the project portfolios. For a selection of contracts, we tested estimated revenues against agreements, incurred costs against invoices and hours against project reports, and assessed the total estimated project costs. In addition, we have analysed actual margins on a selection of completed contracts against estimated total margins during the project period in order to evaluate management's accuracy in judgments and estimates. We refer to note 7 Revenue recognition of customer contracts in the consolidated financial statements for further information.

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Stortorvet 7, 0155 Oslo
Postboks 1156 Sentrum, 0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske Revisorforening

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 president and CEO) 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, that includes the statement on corporate governance and the statement on corporate social responsibility, contains the information required by 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 legal requirements is not included in the board of directors' report, that includes the statement on corporate governance and the statement on corporate social responsibility, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, that includes the statement on corporate governance and the statement on corporate social responsibility, is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the consolidated financial statements of the Group that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU. Management is responsible 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

EY
Building a better working world

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.
- 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.

Opinion on other legal requirements

Statement on compliance with requirements for a common electronic reporting format (ESEF)

Conclusion

As part of the audit of the annual accounts for Kongsberg Gruppen ASA, we have carried out an assurance assignment to obtain reasonable assurance that the annual accounts included in the annual report with file name 5967007LIEEXZXJ9HK73-2023-12-31-no have been prepared in all material respects in accordance with the requirements of Delegated Commission Regulation (EU) 2019/815 on a common electronic reporting format (the ESEF regulations) pursuant to regulations issued pursuant to section 5-5 of the Securities Trading Act; containing requirements for the preparation of the annual report in XHTML format.

In our opinion, the financial statements included in the annual report have essentially been prepared in accordance with the requirements of the ESEF regulations.

Management responsibility

Management is responsible for preparing the annual report in accordance with ESEF regulations. The responsibility includes an appropriate process, and such internal control management deems necessary.

Auditor's responsibilities

EY
Building a better working world

Our responsibility, based on audit evidence obtained, is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation. We conduct our work in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance about whether the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we perform procedures to obtain an understanding of the company's processes for preparing the financial statements in accordance with the ESEF Regulation. We test whether the financial statements are presented in XHTML-format. We evaluate the completeness and accuracy of the iXBRL tagging of the consolidated financial statements and assess management's use of judgement. Our procedures include reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 14 March 2024
ERNST & YOUNG AS

Anders Gøbel
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been prepared for information purposes only.)

Independent auditor's report – Kongsberg Gruppen ASA 2023

A member firm of Ernst & Young Global Limited

Appendix

About the Sustainability Section of the Report

KONGSBERG's 2023 Annual report is an integrated report, presenting our strategic ambitions, development across our different business areas, the environmental, social and governance (ESG) performance and financial statements. The reporting covers the period from 1 January to 31 December 2023. Any significant events after the balance date will also be included. The report was published on 21 March 2024 in two language versions, English and Norwegian.

Sustainability at KONGSBERG

This section of the report presents a transparent account on how KONGSBERG drives sustainable change, focusing on our commitments, strategic approach, ESG performance and forward-looking outlook. The structure of the sustainability section of the report was informed and guided by KONGSBERG's material topics that were identified in the materiality assessment concluded in Q4 2023.

Double materiality assessment

In 2022, we conducted our first materiality analysis based on an principles of double materiality. This was a crucial step in preparing the organisation for the implementation of the EU Corporate Sustainability Reporting Directive (CSRD) which will impose requirements on the disclosure of material ESG information. The proposed new European Sustainability Reporting Standards (ESRS) require reporting entities to take a double materiality approach. This approach involves an assessment of how our company is affected by the environment and society around us, as well as how the environment and society impact our risks and opportunities. We have updated our double materiality assessment based on the development of the ESRS during 2023. The process for deciding on material topics was established through a series of internal workshops, with contributions from different levels and functions across business areas and corporate functions.

The identified material ESG topics for reporting were reviewed by management and discussed and approved by the KONGSBERG board. A detailed list of topics assessed to be material can be found in the chapter "Engagement with stakeholders and material topics".

External verification
The sustainability section of the report has been externally audited with a limited level of assurance. The independent assurance statement for sustainability section was conducted by EY and is available in the appendix of the report.

Approval by the management and board
The Group's 2023 integrated report, including the sustainability section, has been reviewed and approved by the Corporate Executive Management and the Board of Directors.

GRI-Index
Our 2023 GRI-index is available here.

Engagement with stakeholders

KONGSBERG has a regular dialogue with its stakeholders, which include employees, investors, Governments, customers, local communities, suppliers, academia, civil society and intergovernmental organisations. This ongoing dialogue allows us to capture invaluable insight into our stakeholders' interests and expectations and to build respectful relationships and trust that support us in realising our ambitions and delivering on our strategy. An overview of KONGSBERG's engagement with stakeholders can be found in the chapter "Engagement with stakeholders and material topics".

Restatements

As a process of improving our reporting and the quality of the data in our climate accounts, there have been some restatements of the historical data and calculation methodology due to the changes in reporting principles. Wherever the changes have been applied, there is either an explanation or a disclaimer directly in the report or in the appendix.

Reporting boundaries

The information presented in the report covers KONGSBERG and all companies of which KONGSBERG owns at least 50 per cent.

We report for all non-office locations, and offices with more than 20 employees (as a minimum). From 2024 it will be mandatory to report for locations with more than 10 employees (as a minimum). Some business areas have already reported according to this threshold for 2023, and we expect that this have not made material impact to our climate accounts for 2023. The reporting cover 98 per cent of full time equivalents, and the emissions from excluded locations is estimated to be less than two per cent.

Reporting requirements and frameworks

KONGSBERG is committed to transparent reporting as a way of building trust with our stakeholders. To provide the most comprehensive and holistic overview of our approach and performance we comply to legislative reporting requirements and recognised reporting frameworks.

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

In our opinion, the Director's report and Sustainability section of the report for 2023 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. In 2023, we published our first report in line with the Norwegian Transparancy Act. This is available from our website, and anew report will be published by 30 June 2024 for the financial year 2023.

Global Reporting Initiative Standards (GRI)
The sustainability part of the report has been prepared with reference to the Global Reporting Initiative Standards (GRI) 2021 and covers all KONGSBER's material impacts across the environmental, social and governance spectrum.

Euronext's ESG Reporting Guide (2022)
Our reporting is in accordance with Euronext's (Oslo Stock Exchange) guide. This guide was based on the GRI Sustainability Reporting Guidelines. The Guidelines describe the expectations for conducting materiality assessment, corporate governance, communication and yearly update.

Sustainable Development Goals (SDGs)
The UN Sustainable Development Goals (SDG) set a common global agenda, and guide our sustainability priorities, strategy, and collaborative approach. KONGSBERG is committed to contributing to sustainable development and supports all 17 SDGs.

Reporting requirements and frameworks, cont.

UN Global Compact
KONGSBERG acceded to the UN Global Compact initiative in 2006. It requires that we annually report our activities and results related to the human rights, employee rights, environment and anti-corruption principles stated in the initiative through a *Communication on Progress* report (COP).

Greenhouse Gas Protocol
KONGSBERG's emission accounts are calculated in accordance with the Greenhouse Gas Protocol, the most comprehensive and widely used methodology for calculating emissions. In this year's report we increased the number of reporting units from 63 to 94. Moreover, we expanded scope 3 reporting to include all relevant categories.

The emissions' calculations are also prepared according to GRI Standards, GRI 305: Emissions 2016.

The EU Taxonomy
The EU Taxonomy regulation is a key element of the Sustainable Finance Action Plan established by the European Commission and set criteria to identify sustainable financial activities. Activities described and prioritised by the EU Taxonomy aim to make a step change in a sustainable direction where significant improvements are possible. As such, non-eligible activities are not synonymous with un-sustainable activities. KONGSBERG welcomes the introduction of the EU Taxonomy and will use the framework as guidance for strategy decisions and investments in the future. We report on all KPIs of the taxonomy for the mandatory scope, and on voluntary basis for the KPI related to revenue (turnover) for the remaining scope More details are available in the EU Taxonomy report.

Task Force on Climate-Related Financial Disclosures (TCFD)
The recommendations from the Financial Stability Board-appointed Task Force on Climate-Related Financial Disclosures (TCFD) is established as the central framework for how climate related risks and opportunities are analysed, managed and reported. We have integrated this framework into our risk assessment process to improve our climate related risk assessment and reporting on climate-related financial information. A detailed climate-related risk and opportunities overview and scenario analysis can be found in the chapter "Transition to Net-Zero Society".

Meld. St. 6 (2022-2023) (The white paper on ownership policy) 'Greener and more active state ownership — The State's direct ownership of companies'
The Norwegian state owns 50.004 per cent of the shares in KONGSBERG. The State's ownership share is managed by the Ministry of Trade, Industry and Fisheries. We have defined the contents of the report to meet the expectations outlined in the White Paper.

Global Reporting Initiative (GRI) Content Index 2023

KONGSBERG reports with reference to the GRI standard (2021) for the period 1 January 2023 to 31 December 2023. For full description of the individual disclosure, see GRI's website.

GRI		Reference page or response
General disclosures – Organisational profile		
2-1	Organisational details	209-210 Kongsberg Gruppen ASA Publicly listed company on the Oslo Stock Exchange **Headquarters**: Kirkegårdsveien 45 NO-3616 Kongsberg
2-2	Entities included in the organization's sustainability reporting	233
2-3	Reporting period, frequency and contact point	232-233, 257
2-4	Restatements of information	233
2-5	External assurance	232, 256
2-6	Activities, value chain and other business relationships	10, 21, 114-116
2-7	Employees	54, 91-93
2-9	Governance structure and composition	120, 126-129
2-10	Nomination and selection of the highest governance body	128, 133-134
2-11	Chair of the highest governance body	128, 131-134
2-12	Role of the highest governance body in overseeing the management of impacts	126, 131, 135-139
2-13	Delegation of responsibility for managing impacts	68, 99, 120, 135-137
2-14	Role of the highest governance body in sustainability reporting	68, 120, 131-137
2-15	Conflicts of interest	134
2-16	Communication of critical concerns	108, 120, 122
2-17	Collective knowledge of the highest governance body	136
2-18	Evaluation of the performance of the highest governance body	136-137
2-19	Remuneration policies	96-97, 136-137
2-20	Process to determine remuneration	96-97, 136-137
2-22	Statement on sustainable development strategy	6-7, 13-14, 52-55
2-23	Policy commitments	69, 103-104, 107, 109, 111-112, 114-118, 120, 123-124
2-24	Embedding policy commitments	51-124

Appendix / **Global Reporting Initiative (GRI) Content Index 2023**

GRI		Reference page or response
General disclosures – Organisational profile		
2-25	Processes to remediate negative impacts	103-104, 106, 108-109
2-26	Mechanisms for seeking advice and raising concerns	108
2-27	Compliance with laws and regulations	107, 109
2-28	Membership associations	55, 107, 119
2-29	Approach to stakeholder engagement	59
2-30	Collective bargaining agreements	93 I In Norway, all employees are covered directly or indirectly by the collective pay negotiations. For our employees outside Norway, local agreements and guidelines apply.
Material topics 2021		
3-1	Process to determine material topics	60
3-2	List of material topics	61
GRI 201: Economic Performance 2016		
3-3	Management of material topics	6-7, 10, 14, 16-17, 23-26, 29-34, 38-42, 45-48, 52-55
201-1	Direct economic value generated and distributed	146, 245
201-2	Financial implications and other risks and opportunities due to climate change	152-153, 172, 179-183
201-3	Defined benefit plan obligations and other retirement plans	170-173
201-4	Financial assistance received from government	245
GRI 203: Indirect Economic Impacts 2016		
3-3	Management of material topics	54-55
203-2	Significant indirect economic impacts	54-55
GRI 204: Procurement Practices 2016		
3-3	Management of material topics	54, 114-116
204-1	Proportion of spending on local suppliers	54, 114-115

Appendix / **Global Reporting Initiative (GRI) Content Index 2023**

GRI		Reference page or response
GRI 205: Anti-corruption 2016		
3-3	Management of material topics	18, 53, 61, 107-110, 114-115, 136
205-1	Operations assessed for risks related to corruption	18, 107-110, 114-116
205-2	Communication and training about anti-corruption policies and procedures	107-108, 116
205-3	Confirmed incidents of corruption and actions taken	107
GRI 206: Anti-competitive Behavior 2016		
3-3	Management of material topics	106-107
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	107, 110
GRI 207: Tax 2019		
3-3	Management of material topics	123-124
207-1	Approach to tax	54, 123-124
207-2	Tax governance, control, and risk management	123-124
207-3	Stakeholder engagement and management of concerns related to tax	123
207-4	Country-by-country reporting	54, 124, 185, 245 Disclosure is only partially aligned with the requirements.
GRI 302: Energy 2016		
3-3	Management of material topics	51-53, 55, 60, 69-70, 78
302-1	Energy consumption within the organization	4, 249
302-3	Energy intensity	78, 249

Appendix / **Global Reporting Initiative (GRI) Content Index 2023**

GRI		Reference page or response
GRI 304: Biodiversity 2016		
3-3	Management of material topics	86-87
304-2	Significant impacts of activities, products and services on biodiversity	86-89
GRI 305: Emissions 2016		
3-3	Management of material topics	51-53, 55, 63-74
305-1	Direct (Scope 1) GHG emissions	76-78, 248, 250-251
305-2	Energy indirect (Scope 2) GHG emissions	76-78, 248, 250-251
305-3	Other indirect (Scope 3) GHG emissions	76, 79-80, 248, 251-253
305-4	GHG emissions intensity	76
GRI 306: Waste 2020		
3-3	Management of material topics	81-85
306-1	Waste generation and significant waste-related impacts	4, 85
306-2	Management of significant waste-related impacts	82-85
306-3	Waste generated	4, 85
GRI 308: Supplier Environmental Assessment 2016		
3-3	Management of material topics	114-116
308-1	New suppliers that were screened using environmental criteria	116
308-2	Negative environmental impacts in the supply chain and actions taken	115-116
GRI 401: Employment 2016		
3-3	Management of material topics	91-97
401-1	New employee hires and employee turnover	92
GRI 402: Labor/Management Relations 2016		
3-3	Management of material topics	91-97
402-1	Minimum notice periods regarding operational changes	96

Appendix / **Global Reporting Initiative (GRI) Content Index 2023**

GRI		Reference page or response
GRI 403: Occupational Health and Safety 2018		
3-3	Management of material topics	98-102
403-1	Occupational health and safety management system	99
403-2	Hazard identification, risk assessment, and incident investigation	99
403-3	Occupational health services	99
403-5	Worker training on occupational health and safety	99
403-6	Promotion of worker health	99
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	98-100
403-8	Workers covered by an occupational health and safety management system	99
403-9	Work-related injuries	101
GRI 404: Training and Education 2016		
3-3	Management of material topics	18, 52-53, 94-95, 99, 107-109, 111, 116, 122, 136
404-2	Programs for upgrading employee skills and transition assistance programs	93
404-3	Percentage of employees receiving regular performance and career development reviews	95
GRI 405: Diversity and Equal Opportunity 2016		
3-3	Management of material topics	14, 40, 59, 91-92, 96, 136
405-1	Diversity of governance bodies and employees	91-92
405-2	Ratio of basic salary and remuneration of women to men	96-97
GRI 406: Non-discrimination 2016		
3-3	Management of material topics	103-104, 108
406-1	Incidents of discrimination and corrective actions taken	108
GRI 407: Freedom of Association and Collective Bargaining 2016		
3-3	Management of material topics	103-104, 114-116
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	103-104, 115-116

GRI		Reference page or response
GRI 408: Child Labor 2016		
3-3	Management of material topics	103-104, 114-116
408-1	Operations and suppliers at significant risk for incidents of child labor	10, 103-104, 116
GRI 409: Forced or Compulsory Labor 2016		
3-3	Management of material topics	103-104, 114-116
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	10, 103-104, 116
GRI 414: Supplier Social Assessment 2016		
3-3	Management of material topics	103-104, 114-116
414-1	New suppliers that were screened using social criteria	115-116
414-2	Negative social impacts in the supply chain and actions taken	115-116
GRI 415: Public Policy 2016		
3-3	Management of material topics	117-118
415-1	Political contributions	117
GRI 418: Customer Privacy 2016		
3-3	Management of material topics	121-122
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	122

Material topics

The table below shows KONGSBERG's material topics and relevant GRI Standards disclosures.

KONGSBERG's material topic	GRI Disclosure	GRI Description
Environment		
Climate	2-23	Policy commitments
	201-2	Financial implications and other risks and opportunities due to climate change
	302-1	Energy consumption within the organization
	302-2	Energy consumption outside of the organization
	302-3	Energy intensity
	305-1	Direct (Scope 1) GHG emissions
	305-2	Energy indirect (Scope 2) GHG emissions
	305-3	Other indirect (Scope 3) GHG emissions
	305-4	GHG emissions intensity
Responsible supply chain	306-1	Waste generation and significant waste-related impacts
	306-2	Management of significant waste-related impacts
	306-3	Waste generated
Biodiversity	304-2	Significant impacts of activities, products and services on biodiversity

KONGSBERG's material topic	GRI Disclosure	GRI Description
Social		
Health, safety and well-being	403-1	Occupational health and safety management system
	403-2	Hazard identification, risk assessment, and incident investigation
	403-3	Occupational health services
	403-5	Worker training on occupational health and safety
	403-6	Promotion of worker health
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
	403-8	Workers covered by an occupational health and safety management system
	403-9	Work-related injuries
Human rights	2-23	Policy commitments
	2-25	Processes to remediate negative impacts
	2-26	Mechanisms for seeking advice and raising concerns
	2-30	Collective bargaining agreements
	406-1	Incidents of discrimination and corrective actions taken
	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
	408-1	Operations and suppliers at significant risk for incidents of child labor
	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor
Caring for people	401-1	New employee hires and employee turnover
	402-1	Minimum notice periods regarding operational changes
	404-2	Programs for upgrading employee skills and transition assistance programs
	404-3	Percentage of employees receiving regular performance and career development reviews
	405-1	Diversity of governance bodies and employees
	405-2	Ratio of basic salary and remuneration of women to men
	406-1	Incidents of discrimination and corrective actions taken

KONGSBERG's material topic	GRI Disclosure	GRI Description
Governance		
Responsible business conduct	2-9	Governance structure and composition
	2-10	Nomination and selection of the highest governance body
	2-11	Chair of the highest governance body
	2-12	Role of the highest governance body in overseeing the management of impacts
	2-13	Delegation of responsibility for managing impacts
	2-14	Role of the highest governance body in sustainability reporting
	2-15	Conflicts of interest
	2-16	Communication of critical concerns
	2-17	Collective knowledge of the highest governance body
	2-18	Evaluation of the performance of the highest governance body
	2-19	Remuneration policies
	2-20	Process to determine remuneration
	2-22	Statement on sustainable development strategy
	2-23	Policy commitments
	2-24	Embedding policy commitments
	2-27	Compliance with laws and regulations
	2-29	Approach to stakeholder engagement
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices
Anti-corruption	2-23	Policy commitments
	205-1	Operations assessed for risks related to corruption
	205-2	Communication and training about anti-corruption policies and procedures
	205-3	Confirmed incidents of corruption and actions taken
Security and cybersecurity	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data

KONGSBERG's material topic	GRI Disclosure	GRI Description
Governance		
Responsible supply chain	2-6	Activities, value chain and other business relationships
	204-1	Proportion of spending on local suppliers
	308-1	New suppliers that were screened using environmental criteria
	308-2	Negative environmental impacts in the supply chain and actions taken
	414-1	New suppliers that were screened using social criteria
	414-2	Negative social impacts in the supply chain and actions taken
Political engagement	415-1	Political contributions
Tax and transparency	207-1	Approach to tax
	207-2	Tax governance, control, and risk management
	207-3	Stakeholder engagement and management of concerns related to tax
	207-4	Country-by-country reporting

Appendix / **Key Figures Sustainability**

Key Figures Sustainability

Financial value creation

MNOK	2023	2022	2021	2020	2019
Added value					
Salaries	10 610	8 600	7 760	7 472	6 908
Dividends	2 463	2 128	2 736	1 440	2 250
Dividends - % of earnings	66.3%	75.8%	119.5%	49.1%	313.8%
Interest to lenders	203	173	72	99	122
Retained earnings	1 255	681	-446	1 492	267
Other financial key figures					
Costs related to the purchase of goods and services	20 890	15 962	13 387	12 851	13 059
Financial support received from authorities	116	93	120	121	103
Income tax expense					
Norway	534	444	332	152	92
Rest of Europe	209	140	178	136	71
Americas	72	41	62	47	47
Asia, Africa and Australia	145	62	60	40	40
Total	959	687	632	374	250

Employees

	2023	2022	2021	2020	2019
Level of education					
Master's degree (%)	27	26	26	24	23
- of which doctorates (PhD)	1	1	1	1	1
Bachelor's degree (%)	43	34	36	31	30
Technicians (%)	11	12	10	9	7
Production workers (%)	9	15	15	14	16
Other (%)	9	13	12	21	21
Number of employees					
Number of employees, total	13 341	12 187	11 122	10 689	10 793
Number of full-time equivalents (FTEs)	13 226	12 081	10 940	10 565	10 704
Number of full-time employees	13 086	11 956	10 810	10 252	10 488
Number of part-time employees	255	231	312	437	305
Age					
Average age	42.5	42.4	43.9	43.2	43.5
Employees under age 30 (%)	17	16	12	12	12
Employees between ages 30 and 50 (%)	54	55	56	59	58
Employees over age 50 (%)	29	28	32	29	30
Percentage of women					
Woman as % of the number of employees	21.6	21.1	20.0	20.1	19.5
Women in managerial positions as a % of total managerial positions	21	20	19	19	21
Shareholder-elected women on the Board (%)	40	40	40	40	40
Turnover					
Turnover (employees who have resigned)	645	683	686	388	809
Turnover (%)	5.3	5.6	6.2	3.6	7.5
- Men	4.2	4.4	4.9	2.8	5.1
- Turnover men, of total men	5.3	5.6	6.1	3.5	6.6
- Women	1.1	1.2	1.3	0.9	2.4
- Turnover women, of total women	5.2	5.6	6.3	4.2	13.1

Health and safety

	2023	2022	2021	2020	2019
Sick leave as a % of hours worked	3.4	3.6	3.0	2.9	2.6
Sick leave for the Norwegian companies	4.0	4.2	3.2	3.2	3.1
Number of reported injuries per million hours worked (TRI)	1.9	2.0	2.2	1.7	2.3
Number of lost time days per million hours worked (ISR) (F-verdi)	14.3	12.7	30.0	21.2	31.4
Number of reported injuries leading to absence among employees	34	27	37	26	30
Total number of injuries among employees	188	117	79	103	111
Total number of near-accidents among employees	867	814	908	684	387
Registered work-related fatalities	0	0	0	0	0
Number of high-risk incidents per million hours worked (HRI)	0.5	0.4	0.3	0.4	

Climate and Environmental Accounts for 2023

Greenhouse gas (GHG) emissions (metric tonnes CO2e) [11]	Base year	2023	2022 [8]	2021	2020	2019	Change from 2022 (%)	Change from base year (%)
Scope 1 Direct emissions [1,3]		**1 444**	**3 173**	**2 447**	**1 076**	**1 255**	**-54.5%**	**15.1%**
Emissions from fossil fuels (Business Areas)	2019	1 045	1 145	631	1 036	1 207	-8.7%	-13.4%
Emissions from fossil fuels (Kongsberg Technology Park)	2019	399	2 028	1 816	40	49	-80.3%	714.3%
Scope 2 Indirect emissions (market based method) [1,3,9]		**28 535**	**48 890**	**53 056**	**51 034**	**54 974**	**-41.6%**	**-48.1%**
Emissions from electricity use (Business Areas)	2019	21 884	37 507	39 272	37 229	39 703	-41.7%	-44.9%
Emissions from electricity use (Kongsberg Technology Park)	2019	5 077	9 979	12 226	11 712	13 229	-49.1%	-61.6%
Emissions from district heating and district cooling purchased from external suppliers	2019	1 573	1 404	1 558	2 094	2 042	12.0%	-23.0%
Total Scope 1 and 2		**29 979**	**52 063**	**55 503**	**52 110**	**56 229**	**-42.4%**	**-46.7%**
Scope 3 Relevant value chain indirect emissions [4,5]		**18 280 984**	**18 040 748**	**13 873 541**	**41 657**	**33 782**	**1.3%**	**n.a**
Purchased goods and services (Category 1)	2021	1 868 339	1 059 914	1 456 421			76.3%	28.3%
Capital goods (Category 2)	2021	368	7 574	8 447			-95.1%	-95.6%
Fuel- and energy-related activities (not included in Scope 1 or Scope 2) (Category 3)	2021	2 463	2 728	2 485			-9.7%	-0.9%
Upstream transportation and distribution (Category 4) [2]	2020	18 732	17 283	17 270	21 931		8.4%	-14.6%
Waste generated in operations (Category 5)	2021	326	241	206			35.3%	58.3%
Business travel (Category 6) [6]	2019	16 585	15 737	6 430	7 979	33 782	5.4%	-50.9%
Employee commuting (Category 7)	2021	11 432	10 036	10 890			13.9%	5.0%
Upstream leased assets (Category 8)	2021	701	471	0			48.8%	100.0%
Downstream transportation and distribution (paid by customer) (Category 9) [2]	2020	11 262	10 863	8 328	11 747		3.7%	-4.1%
Use of sold products (Category 11)	2021	16 337 761	16 899 455	12 350 133			-3.3%	32.3%
End-of-life treatment of sold products (Category 12)	2021	132	160	160			-17.8%	-17.8%
Downstream leased assets (Category 13) [10]	2021	261	10	5			2510.0%	5120.0%
Investments (Category 15)	2021	12 624	16 276	12 766			-22.4%	-1.1%
Total Scope 1, 2 and 3		**18 310 963**	**18 092 811**	**13 929 044**	**93 767**	**90 011**		[7]
Share of Scope 1 GHG emissions under regulated emission trading schemes (%)		0	0	0	0	0	n.a	n.a
Scope 2 emissions from electricity use (location based method)		7 126	5 550	6 390	6 203	7 540	28.4%	-5.5%
Total Scope 2 emissions from electricity, including district heating and cooling (location based method)		8 699	6 954	7 948	8 297	9 582	25.1%	-9.2%

1) Sources: Fossil fuel emission factors from the Department for Environment, Food & Rural Affairs (DEFRA). Emissions related to electricity consumption have been calculated using both location-based market-based methods, with factors from the Association of Issuing Bodies (AIB), US EIA etc. The same sources were used for the 2019 - 2022 data.

2) CO2 from freight is reported from our four main transport service providers: DSV, DHL, JAS Greencarrier and Ahola transport. Well to Wheel (WTW) factors have been used to calculate emissions from transport services.

3) CO2 emissions (tonnes) for KONGSBERG. Emissions from consumption of fossil fuels for the production of district heating supplied by Kongsberg Technology Park are shown as direct emissions. Indirect emissions include consumption of electricity, district heating and cooling from external suppliers in the Business Areas, as well as consumption of electricity for production of district heating and district cooling in Kongsberg Technology Park. Produced district heating is consumed both by KONGSBERG companies and external companies in the park. Indirect emissions include consumption of electricity, district heating and cooling from external suppliers in the business areas. Emissions from electricity are calculated using the market-based calculation method. In previous reporting, KONGSBERG has used the location-based calculation of scope 2 emissions for electricity. The district heating figures in Poland for 2021 have been corrected with a new emission factor, which changes the related emission figures. Emission factors for district heating are specific to each plant, and are obtained from national district heating associations in the respective countries (e.g. Norwegian District Heating Association - fjernkontrollen.no for Norway)

4) Some scope 3 categories were reported for the first time for 2022, and some for the first time in 2023. In this report, all relevant scope 3 categories are calculated for 2021, 2022 and 2023

5) The categories that are not relevant are: Category 10 Processing of sold products and Category 14 Franchise business

6) Business travel includes flights

7) No percentage change has been calculated for scope 1, 2 and 3 as a whole, due to deviating base years

8) Figures for 2022 have been corrected compared to figures in previous annual reports by moving partly owned company KSAT from scope 1 and 2 to scope 3 category 15

9) For 2023, purchased guarantees of origin for 75 078 MWh, allocated to Norwegian electricity consumption in 2023, are taken into account.

10) The large increase in 2023 is due to improved data collection.

11) The GHG emissions are repoted as CO2 equivalents (CO2e) and include all greenhouse gases.

Climate and Environmental Accounts for 2023

Energy consumption (MWh) - base year 2019	**2023**	**2022**	**2021**	**2020**	**2019**	**Change from 2022 (%)**	**Change from base year (%)**
From non-renewable sources							
Fuel	952	8 713	6 199	1 721	2 173		
Natural gas	2 940	2 895	2 534	2 874	3 054		
Other non-renewable sources	2 613	1 753	1 368	1 600	364		
Purchased electricity	56 808	122 424	128 630	122 510	133 686		
Purchased heat and steam	15 794	7 105	7 348	6 294	6 813		
Purchased cooling	305	213	-	357	-		
Total from non-renewable sources	**79 412**	**143 103**	**146 079**	**135 356**	**146 090**	**-44.5%**	**-45.6%**
From renewable sources							
Renewable fuels (bio-fules)	1 778	2 709	275	230	220		
Purchased electricity	77 841	2 705	2 575	-	-		
Purchased heat and steam	603	5 990	6 993	-	-		
Purchased cooling	-	-	-	-	-		
Self-generated non-fuel energy[1]	14 800	15 495	14 813	14 347	13 274		
Total renewable sources	**95 022**	**26 899**	**24 656**	**14 577**	**13 494**	**253.3%**	**604.2%**
Total energy consumtion (renewable and non-renewable sources)	**174 434**	**170 002**	**170 735**	**149 933**	**159 584**	**2.6%**	**9.3%**

Produced energy (MWh) - base year 2019	**2023**	**2022**	**2021**	**2020**	**2019**	**Change from 2022 (%)**	**Change from base year (%)**
Self generated (non fuel) energy [1]	**25 090**	**27 043**	**26 846**	**26 214**	**24 810**	**-7.2%**	**1.1%**
Used by KONGSBERG units	14 800	15 495	14 813	14 347	13 274		
Sold to external companies located at Kongsberg Technology Park	10 290	11 548	12 033	11 867	11 536		

Energy intensity - base year 2019	**2023**	**2022**	**2021**	**2020**	**2019**	**Change from 2022 (%)**	**Change from base year (%)**
Energy consumption relative to net revenue (MWh/MNOK) [2]	4.29	5.35	6.22	5.85	6.87	-19.8%	-37.6%
Energy consumption relative to number of employees (MWh/employee)	13.1	13.9	15.4	14.0	14.8	-5.8%	-11.5%

1) At Kongsberg Technology Park heat is recovered from municipal sewage, heat exchangers etc., generating heat to KONGSBERG units and external companies located at Kongsberg Technology Park. KONGSBERG's own share of the consumption amounts to about 50-60% of the produced heat. From 2023 only KONGSBERG's consumption is included. Figures have been updated accordingly for previous years.

2) Energy consumption and net revenue.

Targets and milestones

Climate	**Targets and milestones**
Scope 1 Direct emissions	55% reduction by 2030
Scope 2 Indirect emissions (market based method)	80% of electricity consumption covered by guarantees of origin by 2025 100% of electricity consumption covered by guarantees of origin by 2030
Scope 3 Relevant value chain indirect emissions	
Purchased goods and services (Category 1) Capital goods (Category 2) Upstream transportation and distribution (Category 4)	67% of our suppliers (by spend) have science based targets by 2027
Upstream transportation and distribution (Category 4)	25% reduction in intensity (gCO2e per tonnekm) by 2030
Business travel (Category 6)[1]	30% reduction in intensity (emissions per employee) by 2030
Use of sold products (Category 11)	25% reduction in absolute emissions by 2030

Energy	**Targets and milestones**
Purchased electricity	80% of electricity consumption covered by guarantees of origin by 2025 100 % of electricity consumption covered by guarantees of origin by 2030
Energy consumption relative to number of employees (MWh/employee)	25% reduction in energy intensity by 2030

1) Business travel covers air travels

Basis for Preparation of the KONGSBERG Greenhouse Gas (GHG) Inventory

The purpose of this document is to outline the methodologies used, the emission factors, value chain inclusion, describe calculation methods, uncertainties along with description of process for data collection, assumptions and extrapolations used for the greenhouse gas emissions data, as published in the KONGSBERG annual report and other external communication on metrics and targets related to the GHG inventory.

The KONGSBERG GHG inventory has been prepared in accordance with the GHG protocol, which is the most comprehensive and widely used methodology for calculating emissions. The inventory is made according to the GHG Corporate Standard, the Corporate Value Chain (Scope 3) Standard, the Scope 2 guidance, and the Scope 3 Calculation Guidance. KONGSBERG has used the "operational control"[1] consolidation approach, which means that emissions from companies we control are included, in our case this applies to companies of which we own more than 50 per cent. We report on all locations that are not offices, and offices having more than 20 Full Time Equivalents (FTE), as a minimum. From 2024 the mandatory reporting boundary will be 10 FTE, as a minimum. Some of our business areas have reported according to this already for 2023, and we assume that this has not had a significant impact on the reporting for 2023. The reporting covers more than 98 per cent of all FTE, and emissions from excluded units is estimated to be under two per cent. The reporting period for our GHG metrics is aligned to our financial reporting period, from 1 January through to 31 December for each reporting year. Consumption data is reported from each business unit to their business area on a regular basis, and on an annual basis compiled for each business area and aggregated to a total for the group.

The carbon calculations have been made by using emission factors from Department for Environment, Food and Rural Affairs UK (DEFRA), Association of Issuing Bodies (AIB), U.S. Energy Information Administration (EIA), and Climate transparency reports etc. The Global Warming Potential (GWP) of the emission factors used in the calculation of CO2e are based on the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report[2] and over a 100-year period.

The aim of our reporting processes is to provide data that is complete, accurate and relevant to our operations. For any data that is subsequently found to be materially wrong in the reporting or where conversion factors may have materially changed, then this will be clearly indicated, and the data restated.

Our targets for reducing greenhouse gas emissions includes for scope 1, reducing emissions by 55 per cent by 2030, starting from a base year 2019. For Scope 2, we have committed to purchase guaranteed renewable electricity (100 per cent) by 2030, starting in 2023. The choice of base year 2019 for scope 1 and 2 is based on the fact that this was the last year before Covid-19 with comparable operations. We have chosen 2021 as the base year for our scope 3 targets due to challenges in obtaining reliable and complete historical data. However, there are two exceptions to this. For business travel, we have chosen 2019 as the base year, as this was the last year of comparable operations before the Covid-19 pandemic. For transport and distribution, we have chosen 2020 as the base year, as this was the first year we had comparable data. The engagement target where 67 per cent of our suppliers (by spend) should have science-based targets is to be achieved in 2027 (covering categories 1, 2 and 4). The target of a 25 per cent reduction in emissions from the use of sold products (category 11) shall be achieved by 2030.

Each year, we will measure and report progress towards our targets. We will present emissions for each category, every year from the base year to the reporting year. From the base year, we will present a linear reduction up to the year of goal achievement. It might vary for each year and each category, whether we are above or below the linear reduction path. Whether the reduction in emissions will occur immediately, or more towards the end of the period, will vary between categories, units and types of measures implemented. Each target and annual progress will be assessed on an ongoing basis throughout each reporting year and include an analysis of the need for further efforts to ensure that the target is achieved in time.

1) https://www.ipcc.ch/assessment-report/ar4/
2) Well-to-wake
3) Maritime Diesel Oil

Direct emissions (scope 1):

Scope 1 includes emissions from the use of fuel and gas for heating processes and fuel for vehicles and equipment, as well as from the production of district heating at Kongsberg Technology Park. The small amounts of emissions related to the burning of biofuels is included in scope 1, and their value chain emissions is included in scope 3 (Fuel and Energy related activities). No biogenic CO2emissions are reported in other scope 3 accounts. Out of scope emissions has not been calculated or included in this report.

Currently 0 per cent of scope 1 GHG emissions are regulated by emission trading schemes.

The higher Heating Value is applied for fuels used in scope 1 reporting.

Indirect emissions from electricity (scope 2):

Scope 2 includes emissions from electricity consumption and district heating or cooling from external suppliers. The CO2 emission factors used for electricity are presented according to both the market based and location-based method, in accordance with GHG Protocol scope 2 Guidance. Emission factors for district heating are site and supplier specific.

Purchases of guarantees of origin for electricity are made with approved certificates, in relation to electricity consumption in kWh and country.

Value chain emissions (scope 3):

The scope 3 emissions inventory accounts for indirect greenhouse gas emissions from sources that occur in our value chain. For scope 3, KONGSBERG has made a screening of all categories and established a GHG inventory that covers all relevant categories in the value chain.

The relevant categories are:

1. Purchased goods and services
2. Capital goods
3. Fuel and Energy related activities
4. Upstream transportation and distribution
5. Waste generated in operations
6. Business travel
7. Employee commuting
8. Upstream leased assets
9. Downstream transportation and distribution
11. Use of sold products
12. End-of-life treatment of sold products
13. Downstream leased assets
15. Investments

The categories that are not relevant are:

10. Processing of sold products
14. Franchises

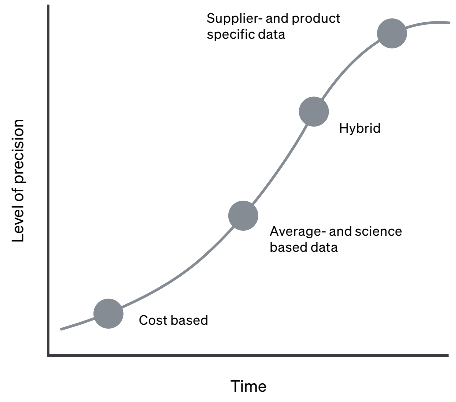
All relevant categories have been calculated and included in the inventory. Our calculations and estimates show that categories 1 Purchased goods and services, and 11 Use of sold products constitutes above 90 per cent of our total GHG inventory (scope 1, 2 and 3 emissions).

Purchased goods and services and Capital goods:

KONGSBERG has used a spend-based method where each spend is defined for which category the spend belongs to (Purchased goods and services or Capital goods), then categorised, mapped and matched with emission factors per product type. Spend that is covered by other categories is removed from the calculations to avoid double counting.

The definition of capital goods are fixed assets or plant, property, and equipment (PP&E). In financial accounting capital goods (sometimes called "capital assets") are typically depreciated or amortised over the life of the asset.

KONGSBERG will start by using spend based emission factors, which has a lower precision level, and will increase precision level over time in line with the illustration below.



Fuel and Energy related activities

The calculation uses the same consumption data as reported for scope 1 and 2, which is based on data from internal sources (invoices etc.). Emission factors for the value chain emissions (Well to tank) for all fuel consumption reported in scope 1 is applied. For all electricity consumption reported in scope 2, two additional emission factors are applied, one related to the value chain emissions for generation of the electricity, and one related to the transmission and distribution losses in the grid. The emission factors for the scope 3 emissions from electricity are country specific.

Upstream transportation and distribution

For the calculations of category 4 Upstream transportation and distribution, we have used supplier specific data and emissions calculations. We have gathered information about distance, mode of transport, weight and emissions calculated with a WTW[3] emission factor. The calculations made by the transport providers is fuel-based calculations.

Waste generated in operations

Waste data is gathered from each reporting site / location within KONGSBERG. The data contains information about type of waste, weight and disposal method, and we have used emission factors according to a Waste-type-specific method.

Business travel

For booking flights, KONGSBERG use different travel agents. The travel agents calculate CO2 emissions for all flights, and reports passenger km and emissions to KONGSBERG.

Employee commuting

For all Norwegian employees (covering approx. 60 per cent of the workforce) we have based our calculations on a survey / study on how our employees in sites in and around the Kongsberg municipality commute to work, and applied emission factors for each mode of transport multiplied with the average distance the workers commute with each type of transportation. For our locations outside Norway, we have used a global average emission factor per employee.

Upstream leased assets

Information is gathered from own operations related to buildings and square meters owned, but not used by KONGSBERG units. Calculations are done by applying actual consumption data, where our sites have visibility of the tenant's energy consumption. For buildings and square meters where there is no visibility of the consumption, an average consumption (from national statistics) has been applied per square meter and emissions calculated by adding national (location based) emission factor.

Downstream transportation and distribution

For the calculations of category 9 Downstream transportation, we applied an Average-data method as described in the GHG Protocol scope 3 calculation guidance. The average result of category 4 calculations were used as proxy for more generic emission factors. The average was then combined with number of shipments, with the assumption that the emissions and type of transports paid for by KONGSBERG and the ones paid for by customers are similar in nature.

Use of sold products

This category accounts for indirect emissions associated with the lifetime emissions occurring in the use phase of products sold within a given year.

Products from business areas Kongsberg Maritime and Kongsberg Defence & Aerospace were mostly treated as final products, with their own assumptions of use and emissions through their expected lifetime.

The following summary is a description of how "Emissions from Use of Sold Products" has been calculated for the products sold by Kongsberg Maritime.

Number of units delivered is accounted for by using data from our ERP system and sales orders. The most significant emission sources (propulsion and winch) have been included. Some ERP data have been considered insignificant and has not been included.

The excluded products are typicallly electronic equipment consuming a smaller amount of energy.

TotalCO2Year (Tons) calculated as:

- SUM (Number of Units delivered * Emissions for each product per year)

TotalCO2Life (Tons) calculated as:

- TotalCO2Year (Tons)*25 years

Sources:
ERP system: Number of units delivered from ERP sales order - Delivered products combined with a VesselSubTypeMapping

Ship Type: Mapping done manually.

Product Catalog: MaxRatedPower for each product (some assumptions made for missing data and validation has been done by Product Owner)

Journal Paper/Vessel Insight/AIS Data/Assumptions: Load Factor, Operation Factor (validation done by Product Owner)

IMO Report: Energy to Fuel Factor (0.185kg per 1Kwh) and MDO Emission Factor as 3.206

Assumptions:
MDO[4)] has been used as a default fuel source for initial reporting as the IMO DCS report indicates that uptake of sustainable fuel is currently insignificant.

For some of the products Max Rated power has been based on assumptions when data has not been available, validation has been done by Product Owners

A 25-year lifetime is assumed for all units. This assumption is in accordance with GHG protocol for calculating category 11 (Use of Sold Products) emissions.

Where Number of Units has not been available in the ERP system, the emissions have been calculated based on Revenue (average of similar products sold)

Internal sales, spare parts and upgrades have been removed from calculations to avoid duplicate reporting.

End-of-life treatment of sold products

All products sold during a reporting year are included in the reporting, and calculated by using their weight, and then divided into waste groups, and assumptions have been made on treatment methods combined with waste-type emission factors.

Downstream leased assets

This category is used for square meters occupied by KONGSBERG units without electricity measurement, and not included in scope 2. Data on amount of square meters are gathered from the units missing electricity measurement, emissions are calculated by using an average amount of electricity per square meter and a location based, country specific, emission factor for electricity.

Investments

In this category emissions are included for assets KONGSBERG wholly or partially owns, but does not have operational control over, and therefore not are included in main emissions calculations.

The data are the scope 1 and 2 emissions of joint ventures, associated companies and other subsidiaries KONGSBERG owns, but does not have operational control over, proportional to the equity share in those companies.

The emissions are gathered from the companies directly and divided by the equity share / percentage ownership.

Additional information

For the reporting year 2023, KONGSBERG had no use of GHG removals, storage, or use of carbon.

1) The GHG inventory is made for the consolidated accounting group including the parent and subsidiaries, where we have controlling interests, e.g. an ownership by more than 50 per cent.

2) https://www.ipcc.ch/assessment-report/ar4/

3) Well-to-Wheel / Well-to-Wake

4) Marine Diesel Oil

TCFD Reference Index

#	TCFD recommendation	Reference
Governance – *Disclose the organisation's governance around climate-related risks and opportunities*		
1.	Describe the Board's oversight of climate related risks and opportunities.	ASR[1] 3 – Transition to a zero-emission society (p.64) ASR 3 – Organisation and management systems (p. 120) ASR 4 – The Board's Report relating to "The Norwegian Code of Practice for Corporate Governance" (p. 136) CDP[2] C1 – Governance Code of Ethics and Business Conduct Supplier Conduct Principles
2.	Describe management's role in assessing and managing climate related risks and opportunities.	ASR 3 – Transition to a zero-emission society (p.64) ASR 3 – Organisation and management systems (p. 120) ASR 4 – The Board's Report relating to "The Norwegian Code of Practice for Corporate Governance" (p. 131) CDP C1 – Governance Code of Ethics and Business Conduct Supplier Conduct Principles
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 organisation has identified over the short, medium, and long term.	ASR 3 – Transition to a zero-emission society (p. 64-67) ASR 5 – Financial Statements 2023 / Note 4 / Climate risk (p. 154-155) ASR 5 – Financial Statements 2023 / Note 12 (p. 174) ASR 5 – Financial Statements 2023 / Note 14 (p. 179-181) ASR 5 – Financial Statements 2023 / Note 15 (p. 182-184) CDP C2 – Risks and opportunities
4.	Describe the impact of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.	ASR 3 – Transition to a zero-emission society (p. 63-74) ASR 3 - Climate results and comments (p. 75-80) ASR 5 – Financial Statements 2023 / Note 4 / Climate risk (p. 154-155) ASR 5 – Financial Statements 2023 / Note 12 (p. 174) ASR 5 – Financial Statements 2023 / Note 14 (p. 179-181) ASR 5 – Financial Statements 2023 / Note 15 (p. 182-184) CDP C2 – Risks and opportunities CDP C3 – Business Strategy

1) ASR: Annual- & Sustainability Report

2) CDP: CDP Climate Change Questionnaire response 2023

5.	Describe the resilience of the organisation's strategy, taking into consideration different climate related scenarios.	ASR 3 – Transition to a zero-emission society (p. 67) CDP C2 – Risks and opportunities CDP C3 – Business Strategy
Risk Management – ***Disclose how the organisation identifies, assesses, and manages climate-related risks***		
6.	Describe the organisation's processes for identifying and assessing climate related risks.	ASR 3 – Transition to a zero-emission society (p. 64) ASR 3 – Responsible supply chain (p. 114-116) CDP C2 – Risks and opportunities
7.	Describe the organisation's processes for managing climate related risks.	
8.	Describe how processes for identifying, assessing, and managing climate related risks are integrated into the organisation's overall risk management.	
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.	ASR 3 – Transition to a zero-emission society (p. 63-74) ASR 3 – Climate results and comments (p. 75-78) ASR Appendix – Basis for preparation of the KONGSBERG Greenhouse Gas (GHG) inventory (p. 250-253)
10.	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	ASR 3 – Transition to a zero-emission society (p. 64-67) ASR 3 – Climate results and comments (p. 75-80) ASR Appendix – Climate and environmental accounts for 2023 (p. 248) ASR Appendix – Basis for preparation of the KONGSBERG Greenhouse Gas (GHG) inventory (p. 250-253)
11.	Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	ASR 3 – Transition to a zero-emission society (p. 66, 68-70, 74) ASR 3 – Climate results and comments (p. 75-78) CDP C4 – Targets and performance

Auditor's Assurance Report Sustainability

EY
Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

Stortorvet 7, 0155 Oslo
Postboks 1156 Sentrum, Oslo Norway

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske Revisorforening

INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT

To the board of directors in Kongsberg Gruppen ASA

Scope

We have been engaged by Kongsberg Gruppen ASA to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Kongsberg Gruppen ASA's sustainability reporting as defined and specified in the Kongsberg Gruppen ASA's GRI Index (see page 235-240 in Kongsberg Gruppen ASAs Annual & sustainability report 2023) (the "Subject Matter") as for the year ended 31 December 2023.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the 2023 Annual report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Kongsberg Gruppen ASA

In preparing the Subject Matter, Kongsberg Gruppen ASA applied the relevant criteria from the Global Reporting Initiative (GRI) sustainability reporting standards (the "Criteria"). Kongsberg Gruppen ASA reports "with reference to" the GRI Standards 2021. The Criteria can be accessed at globalreporting.org and are available to the public. Such Criteria were specifically designed for companies and other organizations that want to report their sustainability impacts in a consistent and credible way. As a result, the Subject Matter information will not be suitable for another purpose.

Kongsberg Gruppen ASA's responsibilities

The Board of Directors and Chief Executive Officer (management) are responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance *Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)')*. This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control

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.

EY
Building a better working world

EY also applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Interviews with key personnel to understand the Company's reporting process for collecting information, collating and reporting the Subject Matter during the reporting period
- Test on a sample basis the calculation Criteria against the methodologies outlined in the Criteria
- Analysis of the Subject Matter data
- Comparison, on a sample basis, of Subject Matter data against supporting documentation
- Comparison of the presentation of the Subject Matter with the presentation requirements outlined in the Criteria.

We believe that our procedures provide us with an adequate basis for our conclusion. We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as for the year ended 31 December 2023 in order for it to be presented with reference to the Criteria.

Oslo, 14 March 2024
ERNST & YOUNG AS

Anders Gøbel
State Authorised Public Accountant

(This translation from Norwegian has been prepared for information purposes only.)

Financial Calendar

Annual general meetings
The ordinary Annual General Meeting will be held on Tuesday 7 May 2024.

Presentation of quarterly results
Q1: 30 April 2024

Q2: 10 July 2024

Q3: 24 October 2024

Ticker kode: KOG (Oslo Stock Exchange)

Publication to stock exchange
Release date for Annual Report and Sustainability Report 2023, 21 March 2024.

Contact Details

Kongsberg Gruppen ASA
Street adress:
Kirkegårdsveien 45,
3616 Kongsberg

Mailing adress:
P.O. Box 1000,
N-3601 Kongsberg

Phone: +47 32 28 82 00
E-mail: office@kongsberg.com
Org. nr. 943 753 709

Jan Erik Hoff
Group Vice President Investor Relations
Kongsberg Gruppen ASA

Phone: +47 991 11 916
E-mail: jan.erik.hoff@kongsberg.com

Ronny Lie
Chief Communication Officer
Kongsberg Gruppen ASA

Phone: +47 916 10 798
E-mail: ronny.lie@kongsberg.com

Marta Nevøy Bjørkstrand
Group Vice President Sustainability
Kongsberg Gruppen ASA

Phone: +47 958 87 855
E-mail: marta.nevoy.bjorkestrand@kog.kongsberg.com

Design: Mission AS

Photos:
Darin Russel / Lockheed Martin, p. 31
Håkon Mosvold Larsen / NTB, p. 36
Images gathered from Forsvarets mediebank / forsvaret.no, p. 28-36
Annika Byrde / NTB / Statsministerens konto, p. 117

In the event of any discrepancy between the Norwegian and English versions of KONGSBERG's Annual Report and Sustainability Report 2023, the Norwegian version is the authoritative one.

KONGSBERG