

Kongsberg Gruppen ASA

Full Rating Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N-1+

PRIMARY ANALYST

Geir Kristiansen
+4790784593
geir.kristiansen@nordiccreditrating.com

SECONDARY ANALYST

Mille Fjeldstad
+4799038916
mille.fjeldstad@nordiccreditrating.com

RATING RATIONALE

Our 'A-' long-term issuer credit rating on Kongsberg Gruppen ASA (Kongsberg Gruppen), a Norway-based defence and maritime technology supplier, is supported by the company's leading position in its niche markets, strong cash position and cash flow, and low financial gearing. It is constrained by cyclical weakness in the company's shipping and oil service operations, its small size in comparison with its peers, and its margins which are comparable with those of major competitors.

We lower our standalone credit assessment by one notch due to reduced availability of funding from investors adverse to defence industry activity, even though the Russian invasion of Ukraine appears to have made some investors rethink their position. Conversely, we add back a notch to reflect the likelihood that the majority owner, the Norwegian government, would support the company if needed. In sum, the adjustment factors are neutral.

STABLE OUTLOOK

The outlook is stable, reflecting our expectation that Kongsberg Gruppen will maintain its position as a strategic investment for the Norwegian government and that the government will maintain its controlling interest. We expect that the conflict in Ukraine will have only a moderate effect on most of the shipping industry. We also expect that spending on defence will increase and that demand for Kongsberg Gruppen's advanced solutions will remain high. In addition, we assume that the company will maintain strong financial credit metrics.

POTENTIAL POSITIVE RATING DRIVERS

- Commitment to credit metrics close to current levels.
- Increased proportion of income from defence at higher margins.
- A more positive investor attitude to defence companies.

POTENTIAL NEGATIVE RATING DRIVERS

- Reduction in government commitment.
- Increased financial gearing, leading to NCR-adjusted net debt/EBITDA above 1.5x over a protracted period.
- Lower profitability, leading to an EBITDA margin of below 10%.

Figure 1. Kongsberg Gruppen key credit metrics, 2019–2024e

NOKm	2019	2020	2021	2022e	2023e	2024e
Total revenue	23,245	25,612	27,449	30,468	34,734	38,902
NCR-adj. EBITDA	2,279	3,241	4,019	4,388	5,008	6,015
NCR-adj. EBITDA margin (%)	9.8	12.7	14.6	14.4	14.4	15.5
NCR-adj. FFO	1,948	2,891	3,224	3,481	3,936	4,687
NCR-adj. net debt	1,607	-720	-2,684	-1,124	-221	586
Total assets	39,022	39,230	39,310	40,726	43,407	46,004
NCR-adj. debt/EBITDA (x)	0.7	-0.2	-0.7	-0.3	0.0	0.1
NCR-adj. EBITDA/net interest (x)	13.7	17.7	24.5	21.9	20.4	21.1
NCR-adj. FFO/net debt (%)	121.2	neg.	neg.	neg.	neg.	800.3
NCR-adj. FOCF/net debt (%)	74.4	neg.	neg.	neg.	neg.	524.3

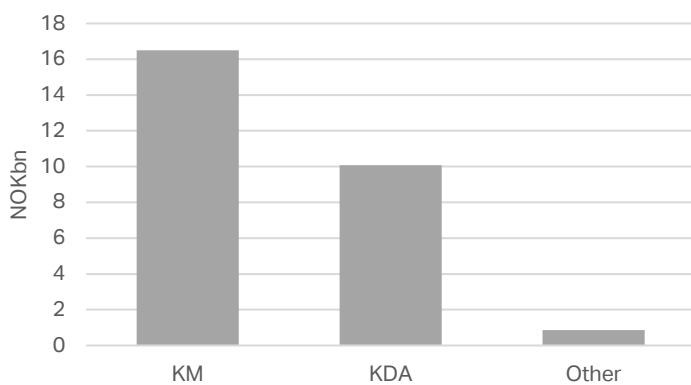
Based on NCR estimates and company data. e—estimate. FFO—funds from operations. FOCF—free operating cash flow. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

Kongsberg Gruppen provides high-tech systems and solutions to customers operating primarily in the shipping, oil and gas, fisheries, defence, aerospace and space industries. The company has three operating segments: Kongsberg Maritime (KM) delivers high tech products and systems for a large range of ocean-related activities; Kongsberg Defence & Aerospace (KDA) supplies advanced technology to customers in the defence, monitoring, space, and air traffic control businesses; and Kongsberg Digital (KDI) is a small, high-growth business which supplies maritime training simulators and digitisation solutions to the energy sector, among others. The company has about 11,000 employees and operates in 40 countries.

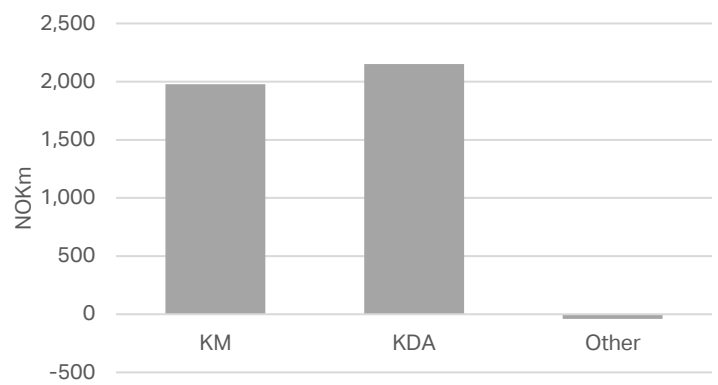
Kongsberg Gruppen has its roots in Kongsberg Våpenfabrikk, a defence company founded in 1814, and was previously wholly owned by the Norwegian government. It was partly privatised in 1993, when it was listed on the Oslo Stock Exchange. The government still holds 50.004% of the shares.

Figure 2. Kongsberg Gruppen revenues by business segment, 2021



Source: company.

Figure 3. Kongsberg Gruppen EBITDA by business segment, 2021



Source: company.

BUSINESS RISK ASSESSMENT

Business risk 'bbb'

Kongsberg Gruppen's two largest business segments have different drivers and we discuss them separately below. KM has been negatively affected by COVID-19's effect on oil demand, cruises and the general economy but has enjoyed positive synergies since acquiring Rolls-Royce Commercial Marine in 2019. KDA is growing due to higher global spending on defence and upgrades of weapons platforms. We expect KM and KDA's margins to remain solid. KDI is a niche business with long-term growth opportunities and is likely to remain at the investment phase for some years to come. Kongsberg Gruppen is considering spinning off KDI via an initial public offering or, alternatively, bringing in a strategic partner.

Global defence budgets growing and maritime markets improving

Operating environment 'bbb-'

KM accounts for about 60% of company revenues and the ongoing cyclical downturn in shipping and oil services is continuing to have a negative impact on our view of the operating environment. The newbuild market, which has historically accounted for about half of KM's revenues, has been weak since 2016. Offshore, tankers and passenger transport are among the major sectors negatively impacted by the global economic downturn. However, a rebound of the newbuild market started in 2021, mainly driven by demand for container vessels. Moreover, some key sectors have remained strong in the current climate, including naval operations, offshore wind farming, and fisheries. The strongest growth in demand in recent years has been for autonomous underwater vehicles and unmanned surface vessels, where KM is a market leader. We do not expect these segments to be adversely affected, even though some parts of the shipping industry, such as container vessels and oil tankers, could be adversely affected by the war in Ukraine. KM's markets have been impacted by increased regulatory and investor focus on environmental issues. This is particularly the case for oil services, which accounts for almost a quarter of segment revenues, but the increased scrutiny presents a challenge for shipping in general. However, KM offers a range of green technology products and services that provide its customers with tools to acquire green shipping credentials. These technologies

help KM to sustain a relatively strong order back-log and we expect them to remain the segment's main growth drivers.

Figure 4. KM revenues and order back-log, 2015-2021

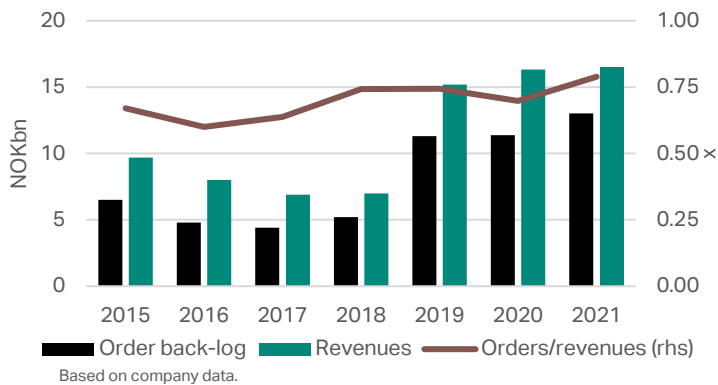


Figure 5. KDA revenues and order back-log, 2015-2021

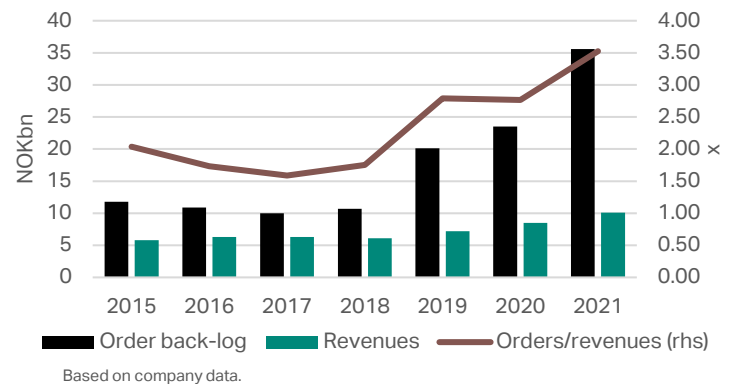


Figure 6. Annual real growth in world defence spending, 2000-2020

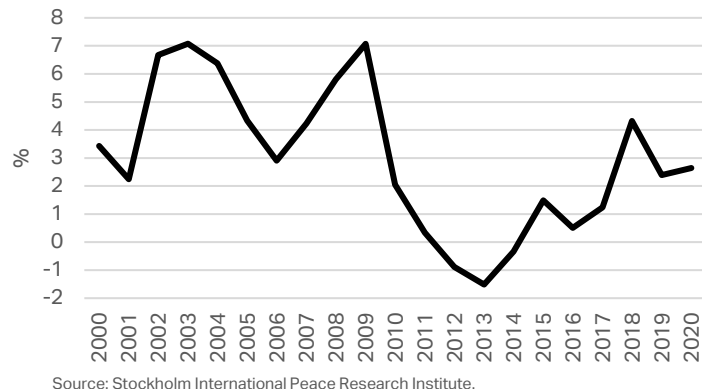
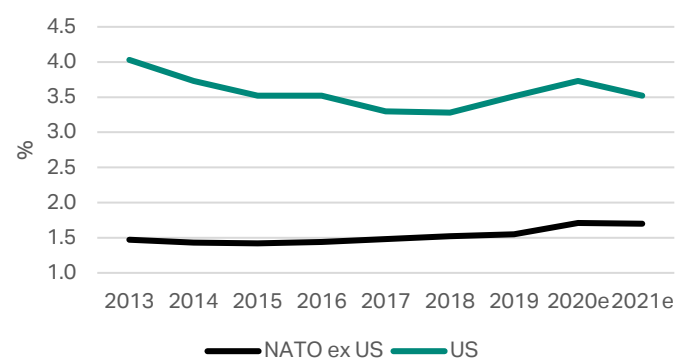


Figure 7. Defence expenditure* by NATO countries, 2013-2021e



KDA characteristically engages in long-term projects in a market dependent on government defence spending. The average compound annual growth rate in world defence spending has been 2.9% over the past 20 years but has been relatively volatile within that period, with geopolitical conditions pointing to higher rather than lower defence spending over the longer term. The Russian invasion of Ukraine is not impacting KDA's sales directly but has led to signals from NATO countries that defence budgets could increase. Germany, for example, plans to increase its budget to above 2% of GDP annually from 1.5% in 2021. The US has been pressuring its NATO allies to agree to increase defence spending to at least 2% of GDP annually, but there is still some way to go before that target is reached.

KDA expects that demand for technologically advanced weapons systems will remain strong. This represents an advantage for the segment, which specialises in hi-tech products, and has driven its strong order back-log. The segment has identified potential orders amounting to more than NOK 100bn over the next 10 years.

Focus on technology drives leadership position

Kongsberg Gruppen is a medium-sized player in the maritime technology market and a relatively small player in the defence and aerospace sector. We note that the company is a leader in high-end technology and a major player in its niche markets, with the ability to upgrade its products continually to meet customer requirements.

KM's market position improved after the acquisition of Rolls-Royce Commercial Marine in 2019, which effectively doubled business volumes; the segment is currently increasing its share of a subdued market through a broader offering of products and services. Due to the global scope of the maritime sector, the main competitors are major international companies that provide global service and support networks.

Market position 'bbb+'

Figure 8. KM peer group revenues, 2021

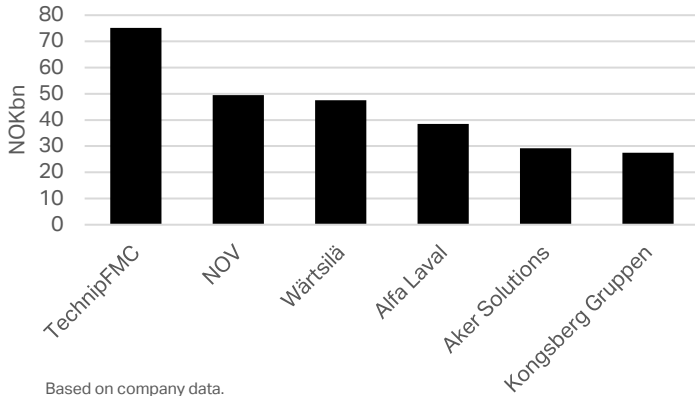
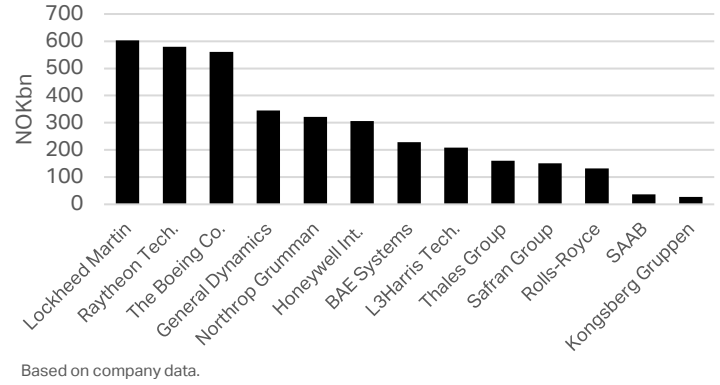


Figure 9. KDA peer group revenues, 2021



We believe that KDA has a competitive advantage as part of a government-controlled company from a NATO country. We also note that synergies between business units create cross-selling opportunities and greater scope for delivery, for example in competition for naval contracts. Significant barriers to entry exist in the defence and aerospace markets due to the advanced nature of the technologies involved and strict regulations restricting the export of weapons systems. KDA provides niche components for weapons platforms and encounters limited competition when customers choose a particular defence capability. The segment can, however, encounter local competition in some countries, particularly in the market for remote-controlled weapons stations. KDA has partnerships with some major defence companies, for example a strategic cooperation agreement with Raytheon for the NASAMS air defence system and with ThyssenKrupp Marine Systems on submarine combat systems.

Niche player with global reach

Size and diversification
'bbb'

Although Kongsberg Gruppen is relatively small in comparison with major international competitors, particularly in the defence industry, it is still the 26th largest Norwegian corporation in terms of revenues. With three distinct business segments, it is more diverse than many of its peers, which tend to focus exclusively on defence or maritime equipment. The company also has significant diversity within its own business areas and a worldwide reach. About one-fifth of revenues are generated in Norway, mainly due to the country's large oil services and shipbuilding industries as well as the company's position as a developer of advanced weapons systems for the Norwegian Armed Forces. We see it as a strength that defence contracts are mostly signed with government clients, which reduces cyclicity. An additional strength, in our view, is that about 50% of KM's revenues come from the relatively stable aftermarket.

Figure 10. KM revenues by product area, 2021

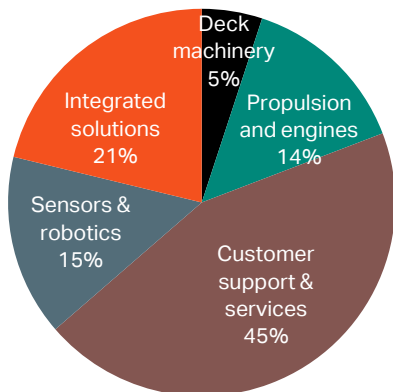


Figure 11. KDA revenues by product area, 2021

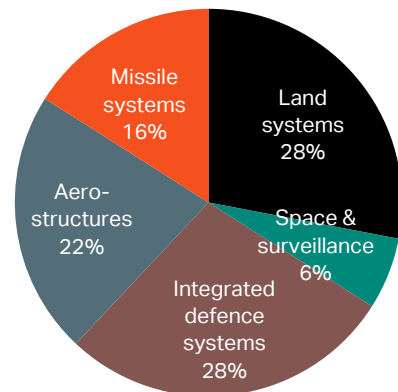
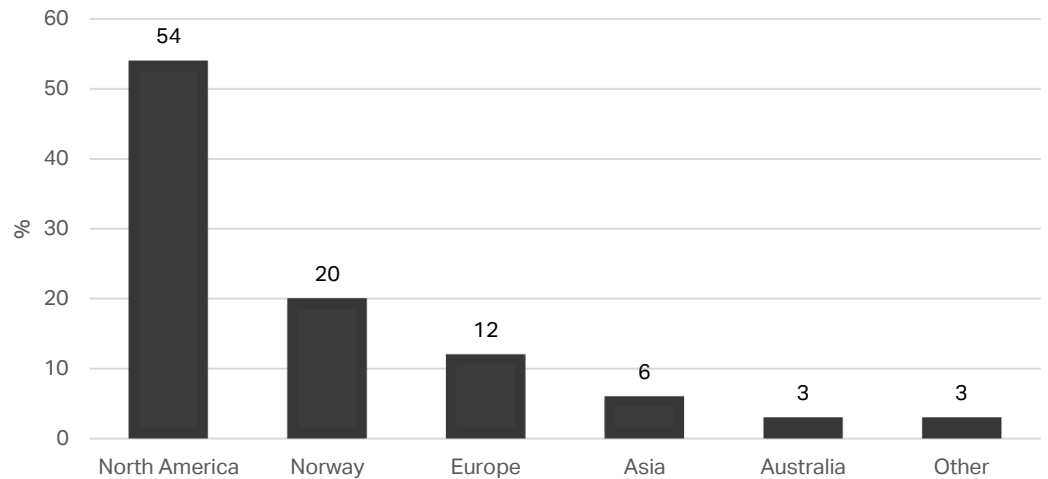


Figure 12. Kongsberg Gruppen geographic distribution of revenues, 2021



Based on company data.

Improved market conditions drive margins sharply higher

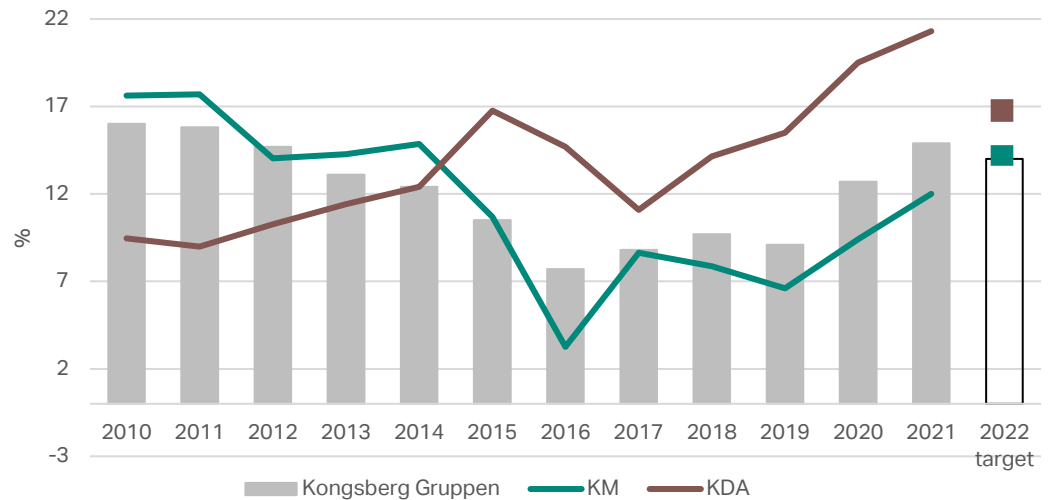
Operating efficiency
'bbb'

While KM has a relatively cyclical business operation, KDA has low cyclicity but is more dependent on large contracts. The profitability of each segment has historically had little correlation and this increases the company's general resilience to market turbulence. We note that Kongsberg Gruppen's last negative annual result was as long ago as 2000.

KM saw a negative trend in the EBITDA margin in the first half of the last decade before rising to 12% in 2021. KDA had stronger margins in the period, peaking at 21.3% in 2021. In 2021, KM and KDA's margins were above the median of their respective industry peers (see figures 14 and 15). In 2021, KM's EBITDA margin increased sharply to 12% from 6.6% two years earlier thanks to synergies generated by the acquisition of Rolls-Royce Commercial Marine and improved market conditions. In 2022, KM is targeting an EBITDA margin of 13%, while KDA has a target of 16%, which is close to the sector average. Relatively high projected sales of missiles to the Norwegian Armed Forces over the next few years will, according to the company, create a negative margin mix effect. Including KDI and real estate investments, Kongsberg Gruppen is targeting NOK 30bn in revenues and an overall 14% EBITDA margin in 2022.

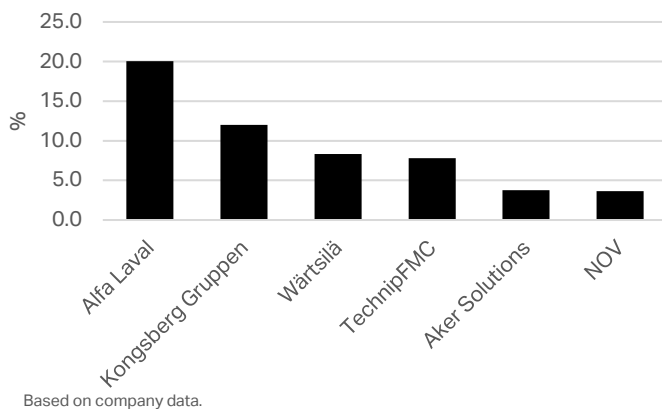
We believe that Kongsberg Gruppen's margin targets will be supported by the continuing effect of the company's "value capture" programme, increased economies of scope following the acquisition of Rolls-Royce Commercial Marine, and an expected cyclical upturn for KM. Other positive factors include the company's strong order book and the scalability of KDA's operations. In addition, the relatively weak Norwegian krone should prove an advantage, since about two-thirds of value creation and employee numbers are located in Norway, compared with only 18% of revenues. While cost levels are comparatively high in Norway due to high wages, salaries of skilled engineers are relatively moderate. We note that the labour market in Norway is more flexible than that in most other European countries, which is an advantage when large contracts make activity levels volatile.

Figure 13. Kongsberg Gruppen unadjusted EBITDA margin by main business area, 2010-2021



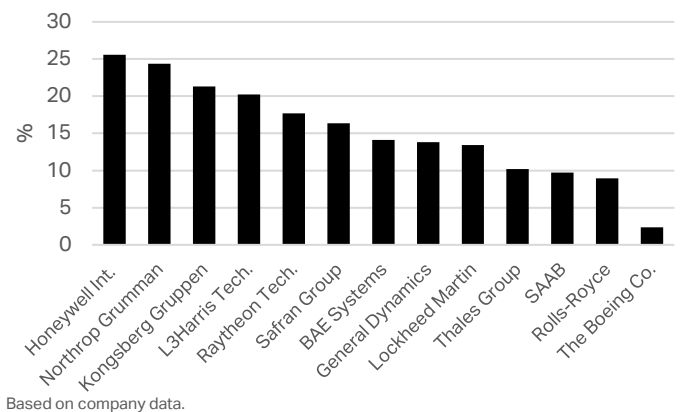
Source: company.

Figure 14. KM peer group EBITDA margins, 2021



Based on company data.

Figure 15. KDA peer group EBITDA margins, 2021



Based on company data.

FINANCIAL RISK ASSESSMENT

Financial risk 'a'

Our financial risk assessment reflects Kongsberg Gruppen's strong cash position and cash flow, and low gearing. We note that the strong cash position is partly due to prepayments of contracts. We take into account the fact that the company's risk appetite appears to be somewhat greater than warranted by its current credit metrics. This is illustrated by its relatively wide target range for debt/EBITDA of 0–2x and its expected high dividend payout ratio.

Ratio analysis 'aa-'

Strong credit metrics provide capital flexibility

We expect that Kongsberg Gruppen will achieve its margin and revenue targets and remain net cash positive in 2022 and 2023, in the absence of major acquisitions. Prepayments of large defence contracts, normally resulting in a pool of NOK 2-4bn, should also help Kongsberg Gruppen to expand its revenues without increasing financial gearing significantly. A prospective NOK 10bn vehicle contract from Qatar could be an exception, but we do not expect the contract to require any large build-up of working capital. We note, however, that the company's financial policy indicates a more aggressive approach. This is taken into account in our assessment of risk appetite.

Kongsberg Gruppen's credit metrics have shown moderate historical volatility, despite a weakening in 2016, when oil prices declined significantly. We believe that the company's focus on green technology in the maritime segment will contribute to increased stability.

In our base case we assume that the company will:

- meet its NOK 30bn revenue target in 2022;
- meet its 14% EBITDA margin in 2022 (we expect 14.5%);

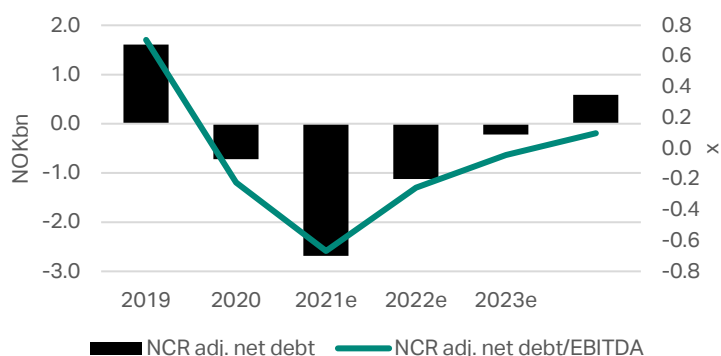
- make capital investments in tangible assets equivalent to 105% of annual depreciation (about NOK 1.3bn annually); and
- distribute a total of NOK 10.6bn in dividends (including share buy-backs) in 2022-2024 period equivalent to 78% of reported EBITDA in that time frame.

Figure 16. NCR's adjustments to Kongsberg Gruppen's reported credit metrics, 2019-2024e

NOKm	2019	2020	2021	2022e	2023e	2024e
EBITDA	2,112	3,248	4,087	4,418	5,036	6,030
Restructuring activities	217	86				
Dividends from JVs and associates	123	130	147	195	208	233
Capitalised research & development	-173	-223	-214	-225	-236	-248
NCR-adjusted EBITDA	2,279	3,241	4,020	4,388	5,008	6,015
Cash and cash equivalents	5,654	7,420	8,118	7,420	7,366	7,458
NCR-adj. cash and equivalents	5,654	7,420	8,118	7,420	7,366	7,458
Gross interest-bearing debt	4,089	3,471	2,450	3,555	4,555	5,555
Leasing liabilities	2,198	2,092	1,880	1,693	1,594	1,543
Retirement benefit obligations	974	1,137	1,104	1,049	996	947
NCR-adj. cash and equivalents	-5,654	-7,420	-8,118	-7,420	-7,366	-7,458
NCR-adjusted net debt	1,607	-720	-2,684	-1,124	-221	586
Net financial items	-217	-236	-185	-201	-245	-286
Other financial items	51	53	21			
NCR-adj. net interest	-166	-183	-164	-201	-245	-286
NCR-adjusted EBITDA	2,279	3,241	4,020	4,388	5,008	6,015
NCR-adj. interest	-166	-183	-164	-201	-245	-286
Current taxes	-165	-167	-632	-707	-828	-1,043
NCR-adjusted FFO	1,948	2,891	3,224	3,481	3,936	4,687
Changes in working capital	-216	-317	884	-636	-127	-282
Changes in capital spending	-710	-759	-769	-1,494	-1,554	-1,583
Capitalised research & development	173	223	214	225	236	248
NCR-adj. FOCF	1,195	2,038	3,553	1,575	2,490	3,070

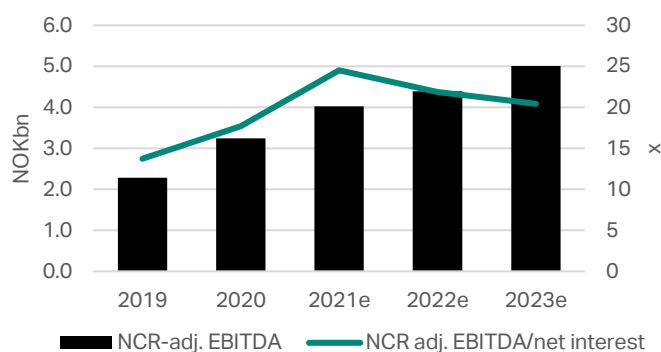
NCR estimates and company data. JVs=joint ventures.

Figure 17. Kongsberg Gruppen's NCR-adjusted net debt and net debt/EBITDA, 2019-2023e



Based on company data. e=estimate. All metrics adjusted in line with NCR methodology

Figure 18. Kongsberg Gruppen's NCR-adjusted EBITDA and EBITDA to net interest, 2019-2023e



Based on company data. e=estimate. All metrics adjusted in line with NCR methodology

Financial strategy prevents capital build-up

Kongsberg Gruppen's strong cash position is partly due to NOK 3.3bn in prepayments of contracts (as at end-2021). These prepayments reduce the need for interest-bearing debt to finance working capital and have a material impact on the company's credit metrics. We also expect material dividend payments, which increases our view of financial risk despite the strong financial metrics. The company

Risk appetite 'a'

seeks to pay an ordinary dividend per share that is either stable or grows year on year. In addition, Kongsberg Gruppen can pay out extraordinary dividends or buy back shares if the reported net debt/EBITDA ratio, excluding leases, falls well below the 0–2x target. In our forecast, we project this ratio will remain around zero, supporting our expectation of high dividend payments.

Kongsberg Gruppen's credit metrics are strong in comparison with its peer group average thanks to its strong cash flow generation and cash position. The company is funded by NOK 2.45bn in bonds with a balanced maturity profile and an undrawn NOK 2.5bn syndicated revolving credit facility maturing in 2027. The facility's covenants stipulate a net interest-bearing debt/EBITDA ratio of less than 4.75x (a level that could increase to 5.25x, but in no more than four individual or three consecutive quarters). The covenants are post IFRS 16 effects. The company also has an undrawn NOK 500m overdraft credit facility.

Kongsberg Gruppen has a history of bolt-on acquisitions and disposals of businesses deemed to be non-core or sub-scale. In 2020, it sold underwater technology company Hydroid to Huntington Ingalls Industries for an enterprise value of USD 350m. In 2019, it acquired AIM Norway, a state-owned company engaged in maintenance, repair and overhaul services within the aviation industry, for an enterprise value of NOK 151m. Rolls-Royce Commercial Marine was acquired in 2019 for an enterprise value of GBP 500m and financed by a NOK 5bn equity issue in 2018. We believe that Kongsberg Gruppen could continue to make significant transactions as the opportunity arises, without breaching its target debt/EBITDA ratio.

We see customer credit risk as a possible issue for both KM and KDI, as most of their customers operate in the highly cyclical energy and shipping businesses. Conversely, KDA acts mostly as a supplier or sub-supplier to governments whose ability to pay is virtually guaranteed. Contractual currency flows are hedged, while tenders can be currency hedged if final contracts are highly probable. The company's excess liquidity is placed with highly rated banks or investment grade money market funds.

ADJUSTMENT FACTORS

Adjustment factors
overall neutral

We adjust our standalone credit assessment by one notch due to our negative opinion of ESG factors. However, we accord one notch of positive adjustment to reflect our expectation of support from the majority owner, the Norwegian state, in an event of distress.

Liquidity

Liquidity adequate

We assess Kongsberg Gruppen's liquidity position as adequate, supported by the company's strong cash position and cash flow, good standing with banks, and good access to the capital markets.

We estimate the following primary liquidity sources for the 12 months from end-2021, totalling NOK 13.7bn:

- NOK 2.6bn, reflecting 75% of FFO;
- NOK 3.3bn in prepayments (KDA);
- NOK 4.8bn in other cash; and
- NOK 3.0bn through revolving credit and overdraft facilities.

This compares with the following uses of liquidity, totalling NOK 4.7bn:

- NOK 3.2bn in dividends and share buybacks; and
- NOK 1.5bn in capital investments.

Environmental, social and governance factors

ESG factors negative

The main ESG considerations likely to affect our credit rating on Kongsberg Gruppen are factors that could contribute to loss of revenue, increased operational costs, increased capital spending, loss of value of assets, decreased access to funding, or loss of operating rights. In this context, we assess issues such as KM's non-green customer base, regulatory risk, compliance issues, CO₂ emissions, and negative investor sentiment facing KDA as relevant. Kongsberg Gruppen's environmental efforts are, we believe, supportive of the company's overall competitive position, due to its focus on environmentally friendly products and optimisation tools, and its commitment to the UN-led Science Based Targets initiative.

We reduce our standalone credit assessment by one notch to reflect the possibility of restricted access to funding as a consequence of the company's defence business role. Increasingly funding is allocated away from sectors regarded as anti-social, including defence. We note that the Russian invasion of Ukraine has caused some investors to rethink their stance towards the defence industry, but are not yet certain that this will prove a lasting shift in sentiment. We still believe that increasing investor focus on ESG issues could represent a challenge for Kongsberg Gruppen in terms of funding. We note that issues such as unethical use of products or illegal weapons sales in secondary markets could increase the risk of sanctions, increased regulation, loss of clients, and even loss of operating rights. We do not, however, in this respect take the government's ownership into account (see ownership analysis below).

Figure 19. Kongsberg Gruppen ESG considerations

Issue	Risks	Mitigating factors	Results
KM's non-green customer base	Oil services and shipping could be negatively affected by transition away from fossil fuels, negatively affecting revenue base.	Focus on products which help the shipping industry to reduce emissions and acquire green credentials.	KM's order backlog is increasing.
Smaller investor base for defence companies	Reduced access to or more costly funding.	The Norwegian government's role as majority owner.	Able to carry out the Rolls-Royce Commercial Marine acquisition in 2019 through an equity issue in which the government participated.
Regulatory risk	Weapon sales to regimes under sanction could affect revenues or result in financial penalties or loss of operating rights.	KDA is compliant with UN conventions and is not engaged in the production of cluster bombs, nuclear weapons or land mines.	No major regulatory risk in recent years.
Breach of export regulations	Breach of US weapons export regulations in particular could prove extremely costly and lead to loss of contracts.	Monitoring of and strict adherence to current export regulations and internal code of ethics and business conduct. Majority owner has focus on compliance.	No breaches since a 1987 restructuring.
CO ₂ emissions	Any increase in related regulation and taxation could reduce operating efficiency and access to funding.	Aims for nearly 100% reduction of Scope 1 and 2 emissions and 25% reduction in Scope 3 emissions from logistics and 30% from business travel by 2030 (from 2019).	CO ₂ emissions down by 10% in 2021.

Source: Company.

OWNERSHIP ANALYSIS

Ownership positive

Kongsberg Gruppen is 50.004% owned by the Norwegian government, which we reflect with a one-notch uplift in our issuer rating. We view Kongsberg Gruppen as of 'strategic interest' to the government, which maintains a 'controlling ownership' stake under our definition. The rationale for the Norwegian government's ownership is to maintain a leading technology and industrial company and defence industry supplier with head office functions in Norway. At the same time, the government's goal as owner is the highest possible return over time. The Norwegian government's willingness and ability to support the company's strategy was underlined when it contributed NOK 2.5bn of a total NOK 5bn in new equity when Kongsberg Gruppen bought Rolls-Royce Commercial Marine in 2019. We note that this was not a distressed situation.

We believe that the Norwegian government will continue to attach importance to a secure national defence industry and that it is likely to support Kongsberg Gruppen in an event of distress. However, we also believe that in an event of bankruptcy, the Norwegian state would retain ownership of the defence technology which the company develops on behalf of the Norwegian Armed Forces.

Furthermore, situations could arise in which it is deemed politically imprudent to support the company. Accordingly, we cap the likelihood of support from the majority owner at one notch.

Figure 20. Kongsberg Gruppen ownership structure, 31 Dec. 2021

Owner	Share of votes and capital
Ministry of Trade, Industry and Fisheries	50.0%
Government Pension Fund of Norway	6.9%
Must Invest AS	2.4%
MP Pensjon PK	1.9%
Northern Trust Corp, London Branch	1.5%
Other	37.3%
Total	100%

Based on company data.

ISSUE RATINGS

At end-2021, unsecured debt accounted for 100% of total outstanding debt and we expect unsecured financing to remain at over 50%. Kongsberg Gruppen's long-term senior unsecured bonds are rated 'A-', the same level as the long-term issuer rating, reflecting the company's relatively flat debtor hierarchy.

Figure 21. Kongsberg Gruppen key financial data, 2018–2021

NOKm	2018	2019	2020	2021
INCOME STATEMENT				
Revenue	14,381	23,245	25,612	27,449
Gross profit	10,084	14,636	16,762	17,872
EBITDA	1,213	2,112	3,248	4,087
EBIT	764	1,029	1,905	2,864
Net financial items	80	-196	-50	59
Pre-tax profit	844	954	3,306	2,923
Net profit	704	704	2,932	2,291
BALANCE SHEET				
Property, plant and equipment	2,531	3,924	3,665	3,901
Intangible assets	2,889	6,487	5,196	5,039
Interests in associates	3,400	3,247	3,465	3,609
Other non-current assets	188	2,521	2,482	2,137
Non-current assets	9,008	16,179	14,808	14,686
Cash and cash equivalents	10,038	5,654	7,420	8,118
Other current assets	8,612	17,189	17,002	16,506
Total current assets	18,650	22,843	24,422	24,624
Total assets	27,658	39,022	39,230	39,310
Total equity	12,626	12,810	13,301	13,618
Long-term borrowings	4,020	3,469	1,971	2,450
Long-term leasing liabilities		1,850	1,753	1,500
Other long-term liabilities	1,970	2,482	2,509	2,580
Non-current liabilities	5,990	7,801	6,233	6,528
Current liabilities	9,042	18,411	19,696	19,164
Total equity and liabilities	27,658	39,022	39,230	39,310
CASH FLOW STATEMENT				
Pre-tax profit	844	954	3,306	2,923
Adjustments not in cash flow	431	1,145	-181	1,164
Cash flow before changes in working capital	1,275	2,099	3,125	4,087
Changes in working capital	914	-216	-317	884
Operating cash flow	2,189	1,883	2,808	4,971
Cash flow from investment activities	-382	-5,051	2,392	-698
Cash flow from finance activities	5,250	-1,258	-3,531	-3,490
Cash and cash equivalents at beginning of year	2,956	10,038	5,654	7,420
Cash flow for year	7,082	-4,384	1,766	698
Cash and cash equivalents at end of year	10,038	5,654	7,420	8,118

Based on company data and NCR estimates. e–estimate.

Figure 22. Kongsberg rating scorecard

Subfactors	Impact	Score
Operating environment	20.0%	bbb-
Market position	10.0%	bbb+
Size and diversification	10.0%	bbb
Operating efficiency	10.0%	bbb
Business risk assessment	50.0%	bbb
Ratio analysis		aa-
Risk appetite		a-
Financial risk assessment	50.0%	a
Indicative credit assessment		a-
Liquidity		Adequate
ESG		Negative
Peer comparisons		Neutral
Stand-alone credit assessment		bbb+
Support analysis		+1 notch
Issuer rating		A-
Outlook		Stable
Short-term rating		N-1+

Figure 23. Capital structure ratings

Seniority	Rating
Senior unsecured	A-

DISCLAIMER

Disclaimer © 2022 Nordic Credit Rating AS (NCR, the agency). All rights reserved. All information and data used by NCR in its analytical activities come from sources the agency considers accurate and reliable. All material relating to NCR's analytical activities is provided on an "as is" basis. The agency does not conduct audits or similar warranty validations of any information used in its analytical activities and related material. NCR advises all users of its services to carry out individual assessments for their own specific use or purpose when using any information or material provided by the agency. Analytical material provided by NCR constitutes only an opinion on relative credit risk and does not address other forms of risk such as volatility or market risk and should not be considered to contain facts of any kind for the purpose of assessing an issuer's or an issue's historical, current or future performance. Analytical material provided by NCR may include certain forward-looking statements relating to the business, financial performance and results of an entity and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "intends", "projects", "plans", "estimates", "aims", "foresees", "anticipates", "targets", and similar expressions. Forward-looking statements contained in any analytical material provided by NCR, including assumptions, opinions and views either of the agency or cited from third-party sources are solely opinions and forecasts which are subject to risk, uncertainty and other factors that could cause actual events to differ materially from anticipated events. NCR and its personnel and any related third parties provide no assurance that the assumptions underlying any statements in analytical material provided by the agency are free from error, nor are they liable to any party, either directly or indirectly, for any damages, losses or similar, arising from use of NCR's analytical material or the agency's analytical activities. No representation or warranty (express or implied) is made as to, and no reliance should be placed upon, any information, including projections, estimates, targets and opinions, contained in any analytical material provided by NCR, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained in any analytical material provided by the agency. Users of analytical material provided by NCR are solely responsible for making their own assessment of the market and the market position of any relevant entity, conducting their own investigations and analysis, and forming their own view of the future performance of any relevant entity's business and current and future financial situation. NCR is independent of any third party, and any information and/or material resulting from the agency's analytical activities should not be considered as marketing or a recommendation to buy, sell, or hold any financial instruments or similar. Relating to NCR's analytical activities, historical development and past performance does not safeguard or guarantee any future results or outcome. All information herein is the sole property of NCR and is protected by copyright and applicable laws. The information herein, and any other information provided by NCR, may not be reproduced, copied, stored, sold, or distributed without NCR's written permission.

NORDIC CREDIT RATING AS

nordiccreditrating.com