Nordic Credit Rating

CORPORATE

Norway

18 Apr. 2023

Kongsberg Gruppen ASA

Full Rating Report

LONG-TERM RATING

A-

OUTLOOK

Stable

SHORT-TERM RATING

N2

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RATING RATIONALE

Our 'A-' long-term issuer credit rating on Kongsberg Gruppen ASA, 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. While we regard the underlying trend in EBITDA margins as positive, the rating is constrained by cyclical weakness in the company's shipping and oil service operations and its small size in comparison with its peers.

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 new regulations and energy solutions will support demand for the company's green technology in the maritime segment. 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

- Increased proportion of income from defence at higher margins.
- Improved operating environment for the maritime segment.
- 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, 2019–2025e

NOKm	2019	2020	2021	2022	2023e	2024e	2025e
Revenues	23,245	25,612	27,449	31,803	36,096	39,706	43,677
NCR-adjusted EBITDA	2,279	3,241	4,019	4,498	4,960	5,873	6,698
NCR-adjusted EBITDA margin (%)	9.8	12.7	14.6	14.1	13.7	14.8	15.3
NCR-adjusted FFO	1,948	2,891	3,224	3,634	3,996	4,710	5,364
NCR-adjusted net debt	1,607	-720	-2,684	1,019	1,082	725	870
Total assets	39,022	39,230	39,310	43,225	43,694	46,175	48,758
NCR-adjusted net debt/EBITDA (x)	0.7	-0.2	-0.7	0.2	0.2	0.1	0.1
NCR-adjusted EBITDA/net interest (x)	13.7	17.7	24.5	25.4	23.2	26.0	29.6
NCR-adjusted FFO/net debt (%)	121	neg.	neg.	357	369	649	617
NCR-adjusted FOCF/net debt (%)	74	neg.	neg.	70	277	515	435

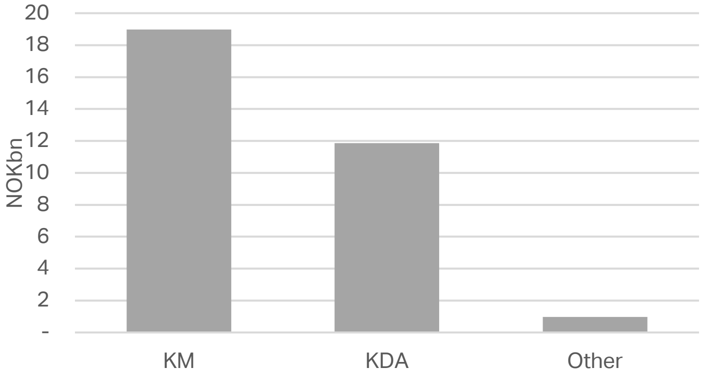
Based on NCR estimates and company data. e–estimate. FFO–funds from operations. FOCF–free operating cash flow. All metrics adjusted in line with NCR methodology.

ISSUER PROFILE

Kongsberg Gruppen provides high-tech systems and solutions to customers operating primarily in the shipping, energy, 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. As of the first quarter of 2023, the Sensors & robotics subsegment will be split from KM to form a fourth operating segment. The subsegment had NOK 3.3bn in revenues in 2022.

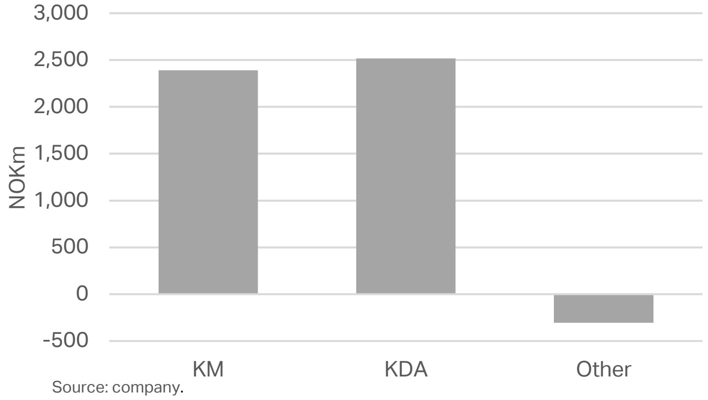
Kongsberg Gruppen has its roots in Kongsberg Våpenfabrikk, a defence company founded in 1814, and was previously wholly owned by the Norwegian government. It was partly privatised in 1993, when it was listed on the Oslo Stock Exchange. The government still holds a majority stake.

Figure 2. Kongsberg Gruppen revenues by business segment, 2022



Source: company.

Figure 3. Kongsberg Gruppen EBITDA by business segment, 2022



Source: company.

BUSINESS RISK ASSESSMENT

Business risk 'bbb'

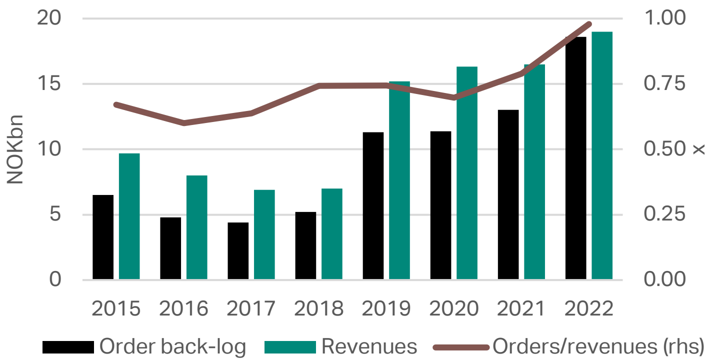
Kongsberg Gruppen's two largest business segments have different drivers and we discuss them separately below. KM was negatively affected by COVID-19's effect on oil demand, cruises and the general economy but is still benefiting from positive synergies since acquiring Rolls-Royce Commercial Marine in 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.

Green shipping and geopolitical tension create growth opportunities

Operating environment 'bbb-'

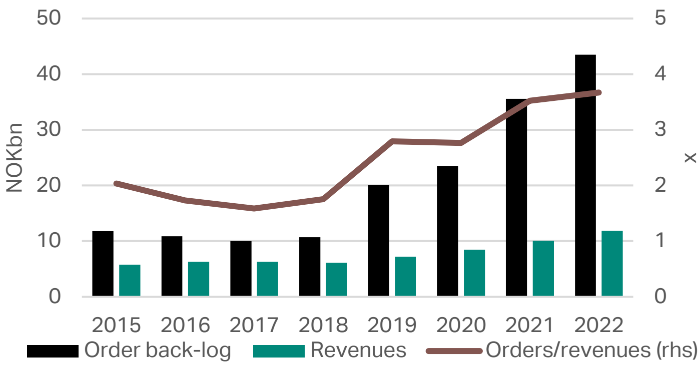
KM accounts for about 60% of company revenues and the ongoing cyclical downturn in shipping and oil services is continuing to have a negative impact on our view of the operating environment. The newbuild market, which has historically accounted for about half of KM's revenues, has been weak since 2016. KM's markets have been negatively 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. Strong demand for environmental upgrades has, however, led to stretched yard capacity.

Figure 4. KM revenues and order back-log, 2015-2022



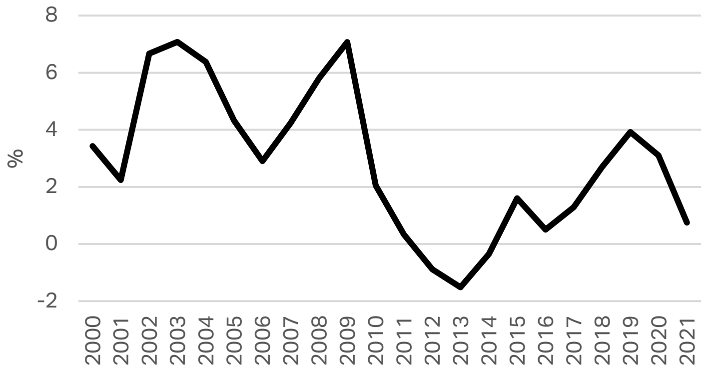
Based on company data.

Figure 5. KDA revenues and order back-log, 2015–2022



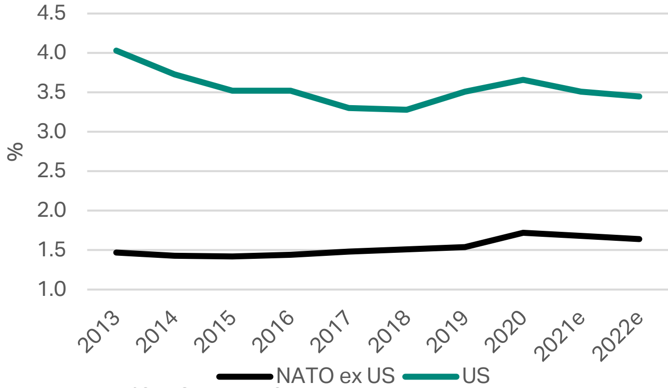
Based on company data.

Figure 6. Annual real growth in world defence spending, 2000–2021



Source: Stockholm International Peace Research Institute.

Figure 7. Defence expenditure* by NATO countries, 2013–2022e



*As proportion of GDP. Source: NATO.

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 has so far had minimal direct impact on KDA's sales but we believe it could have contributed to a stronger order book through accelerated defence investment plans. Germany, for example, plans to increase its budget to above 2% of GDP annually by 2024 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 150bn over the next 10 years.

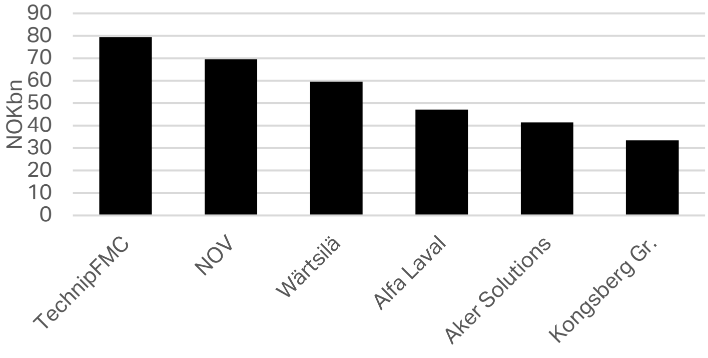
Focus on technology drives leadership position

Market position 'bbb+'

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.

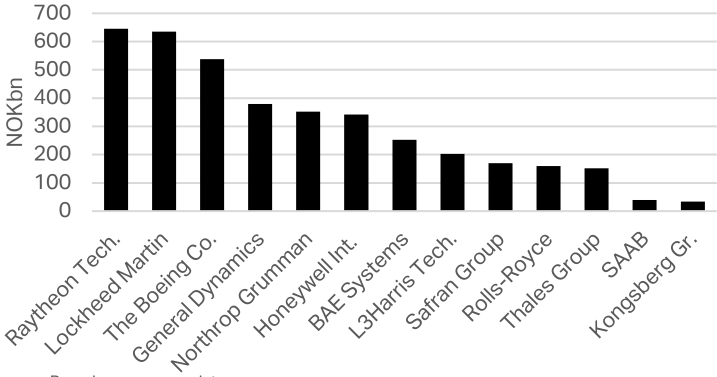
KM's market position improved after the acquisition of Rolls-Royce Commercial Marine in 2019, which effectively doubled business volumes; the segment is currently increasing its share of a subdued market through a broader offering of products and services. Due to the global scope of the maritime sector,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

Figure 8. KM peer group revenues, 2022



Based on company data.

Figure 9. KDA peer group revenues, 2022



Based on company data.

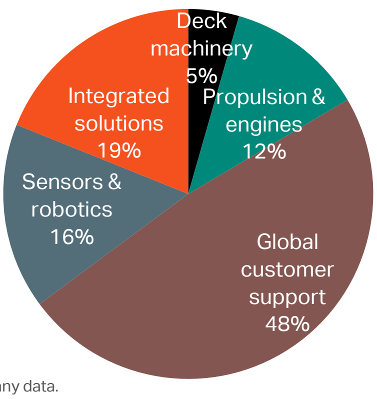
We believe that KDA has a competitive advantage as part of a government-controlled company from a NATO country. We also note that synergies between business units create cross-selling opportunities and greater scope for delivery, for example in competition for naval contracts. Significant barriers to 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 systems for weapons platforms as well as stand-alone systems 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'

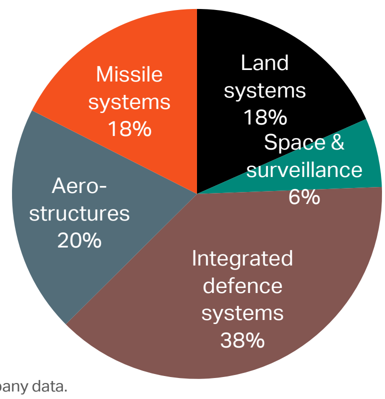
Kongsberg Gruppen has more than 12,000 employees and operates in 40 countries. However, the company is relatively small in comparison with major international competitors, particularly in the defence industry. With three distinct business segments, it is more diverse than many of its peers, which tend 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 cyclicality. 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, 2022



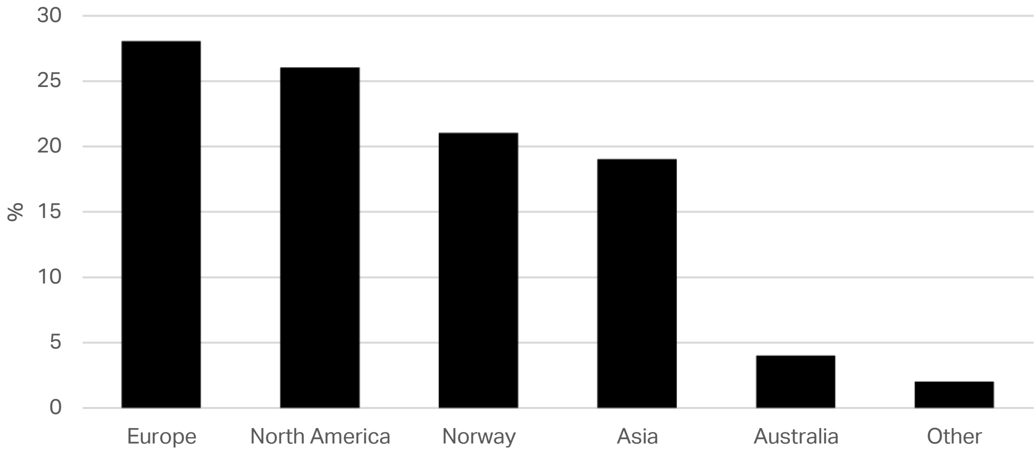
Based on company data.

Figure 11. KDA revenues by product area, 2022



Based on company data.

Figure 12. Kongsberg Gruppen geographic distribution of revenues, 2022



Based on company data.

Synergies and improved market conditions drive margins sharply higher

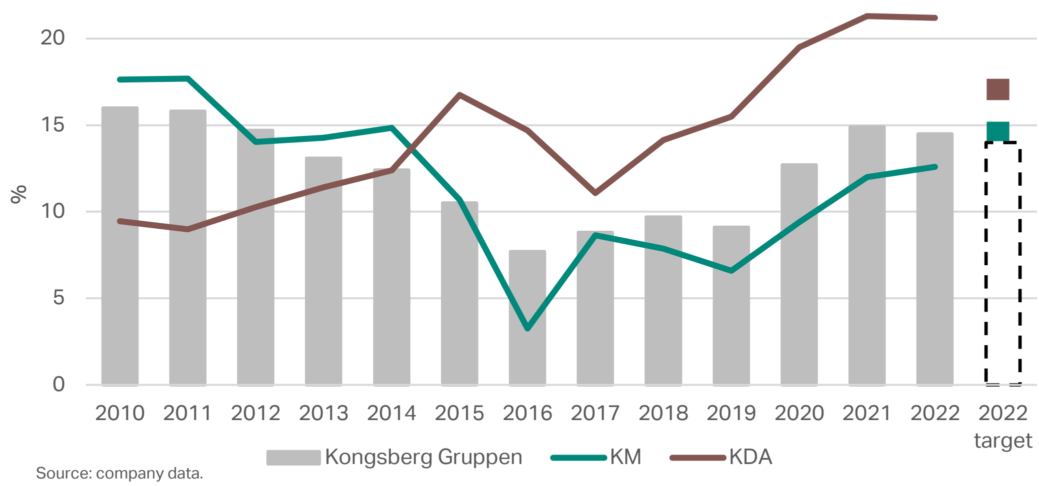
Operating efficiency 'bbb+'

While KM has a relatively cyclical business operation, KDA has low cyclicality 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's EBITDA margins displayed a negative trend in the first half of the last decade, before rising to 12.6% in 2022. KDA had stronger margins in the period, peaking at 21.3% in 2021 and 21.2% in 2022. In 2022, KM and KDA's margins were above the median of their respective industry peers (see figures 14 and 15). KM's EBITDA margin has increased sharply since 2019 thanks to synergies generated by the acquisition of Rolls-Royce Commercial Marine and improved market conditions. In 2025, KM is targeting an EBITDA margin of 14%, while KDA has a target of 17%, which is close to the sector average. Huge air defence volumes boosted margins in 2022, while 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 above NOK 40bn in revenues and an overall 12% EBIT margin in 2025.

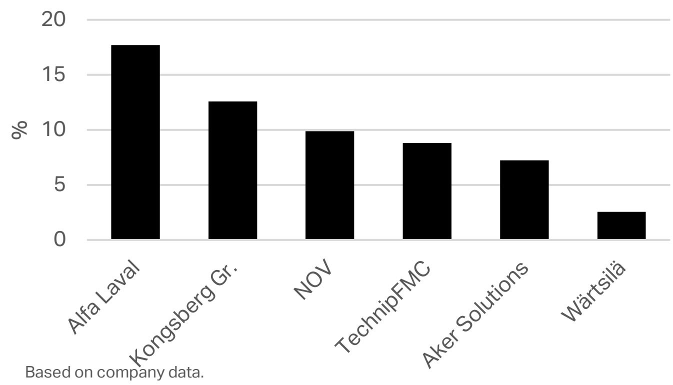
We believe that Kongsberg Gruppen's margin targets will be supported by the continuing effect of the company's "value capture" programme, increased economies of scope following the acquisition of Rolls-Royce Commercial Marine, and an expected cyclical upturn for KM. Other positive factors include the 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 21% 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 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, 2010-2022



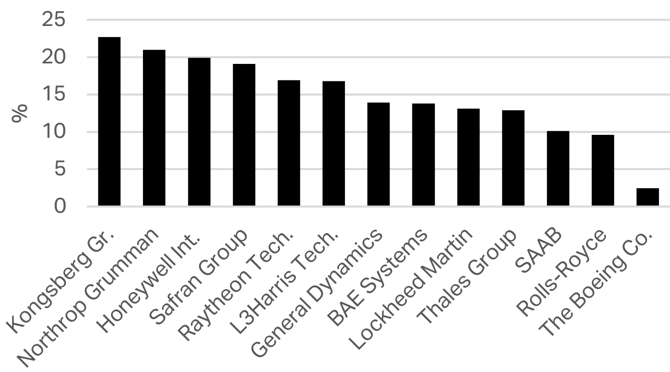
Source: company data.

Figure 14. KM peer group EBITDA margins, 2022



Based on company data.

Figure 15. KDA peer group EBITDA margins, 2022



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 0.5–2.5x 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 by 2025 and keep a leverage close to zero, 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.

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 40bn revenue target in 2025;
- meet its 12% EBIT margin target in 2025;
- make capital investments in tangible assets equivalent to annual depreciation (about NOK 1.3bn annually); and
- distribute a total of NOK 10.5bn in dividends (including share buy-backs) in 2023-2025, equivalent to 60% of reported EBITDA in that period.

On the basis of these assumptions, we estimate the following credit metrics for 2023-2025:

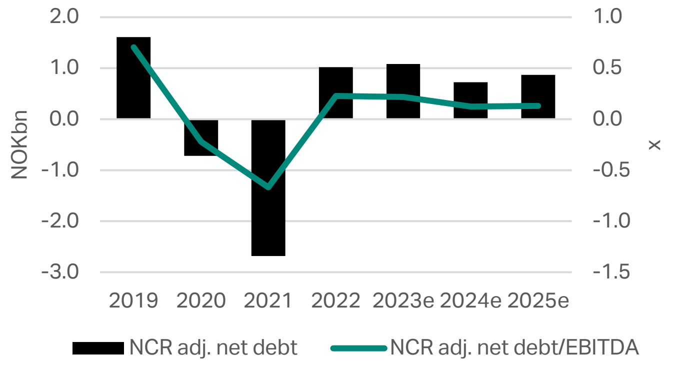
- NCR-adjusted net debt/EBITDA of 0.1–0.2x;
- NCR-adjusted EBITDA/net interest of 23.2–29.6x; and
- NCR-adjusted FFO/net debt of 277–515%.

Figure 16. NCR's adjustments to Kongsberg Gruppen's reported credit metrics, 2019-2025e

NOKm	2019	2020	2021	2022	2023e	2024e	2025e
EBITDA	2,112	3,248	4,087	4,602	5,053	5,956	6,770
Restructuring costs	217	86					
Dividends from JVs and associates	123	130	147	201	211	222	233
Capitalised development expenses	-173	-223	-214	-305	-305	-305	-305
NCR-adj. EBITDA	2,279	3,241	4,020	4,498	4,960	5,873	6,698
Net interest	-35	-41	-32	-49	-86	-98	-98
Financial costs from leasing	-131	-142	-132	-128	-128	-128	-128
NCR-adj. net interest	-166	-183	-164	-177	-214	-226	-226
NCR-adj. EBITDA	2,279	3,241	4,020	4,498	4,960	5,873	6,698
NCR-adj. net interest	-166	-183	-164	-177	-214	-226	-226
Current taxes	-165	-167	-632	-687	-749	-936	-1,107
NCR-adj. FFO	1,948	2,891	3,224	3,634	3,996	4,710	5,364
Changes in working capital	1,948	2,891	1,249	-2,122	306	329	-274
Capital expenditures in tangible assets	-216	-317	-576	-707	-1,271	-1,271	-1,271
Capital expenditures in intangible assets	-534	-535	-215	-400	-336	-336	-336
Capitalised development expenses	-176	-224	214	305	305	305	305
NCR-adj. FOCF	173	223	3,896	710	3,000	3,737	3,788
Cash and cash equivalents	5,654	7,420	8,118	3,932	3,869	4,226	4,081
NCR-adj. cash and equivalents	5,654	7,420	8,118	3,932	3,869	4,226	4,081
Gross debt	4,089	3,471	2,450	2,453	2,453	2,453	2,453
Long-term leasing liabilities	1,850	1,753	1,500	1,526	1,526	1,526	1,526
Short-term leasing liabilities	348	339	380	419	419	419	419
Retirement benefit obligations	974	1,137	1,104	1,104	553	553	553
NCR-adj. total debt	7,261	6,700	5,434	4,951	4,951	4,951	4,951
NCR-adj. cash and equivalents	-5,654	-7,420	-8,118	-3,932	-3,869	-4,226	-4,081
NCR-adj. net debt	1,607	-720	-2,684	1,019	1,082	725	870

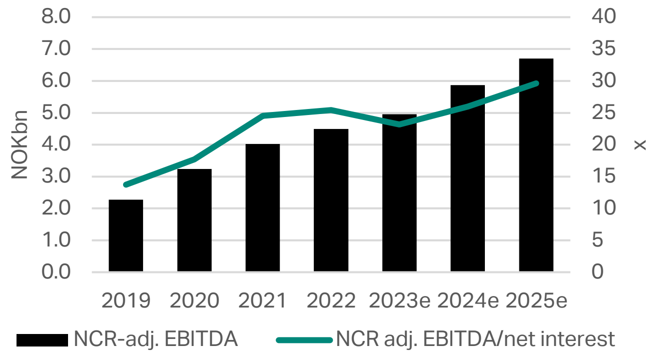
NCR estimates and company data. JVs–joint ventures.

Figure 17. Kongsberg Gruppen's NCR-adjusted net debt and net debt/EBITDA, 2019-2025e



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, 2019-2025e



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

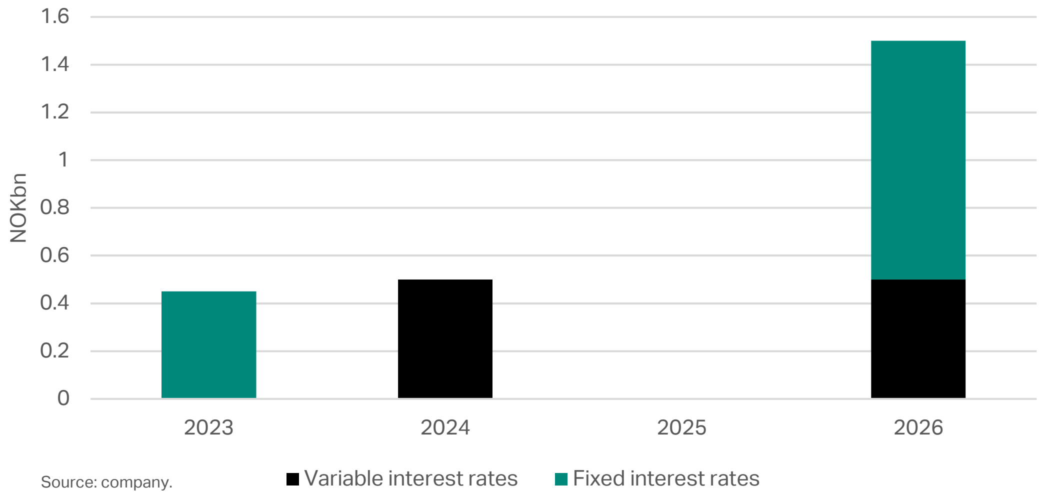
Financial strategy prevents capital build-up

Risk appetite 'a-'

Kongsberg Gruppen's strong cash position is partly due to NOK 3.8bn in prepayments of contracts (as of end-2022). 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 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, mostly with fixed interest rates (see Figure 19), and an undrawn NOK 2.5bn syndicated revolving credit facility maturing in 2028. 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 based on IFRS 16 and thus includes leasing. The company also has an undrawn NOK 1bn overdraft credit facility.

Figure 19. Kongsberg Gruppen bond maturity profile



Source: company.

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

Our 12-month liquidity analysis is based on a stressed scenario in which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect an investment grade company to cover all liquidity needs over the coming 12 months.

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 ready access to the capital markets.

We estimate the following primary liquidity sources for the 12 months from end-2022 totalling NOK 10.4bn:

- NOK 3.0, reflecting 75% of FFO;
- NOK 3.9bn in cash; and
- NOK 3.5bn through revolving credit and overdraft facilities.

This compares with the following uses of liquidity, totalling NOK 4.5bn:

- NOK 2.4bn in dividends and share buy-backs;
- NOK 0.45bn in bond maturities; and
- NOK 1.6bn 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, CO_2 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 energy 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. Funding is increasingly 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 believe it is not yet clear if this will lead to a real shift in accessible funding. We still believe that increasing investor focus on ESG issues could represent a challenge for Kongsberg Gruppen in terms of funding. 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. However, in this respect we do not take the government's ownership into account (see ownership analysis below).

Figure 20. 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 back-log 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).	Scope 1 and 2 emissions down by 4% from 2019-levels in 2022. Scope 1, 2 and 3 emissions down by 24% over the same period.

Source: company.

OWNERSHIP ANALYSIS

Ownership positive

Kongsberg Gruppen is majority 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 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 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 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 21. Kongsberg Gruppen ownership structure, 23 Mar. 2023

Owner	Share of votes and capital
Ministry of Trade, Industry and Fisheries	50.0%
Government Pension Fund of Norway	5.7%
Must Invest AS	2.5%
MP Pensjon PK	1.4%
State Street Bank and Trust Co.	1.3%
Other	39.1%
Total	**100%**

Based on company data.

ISSUE RATINGS

At end-2022, 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.

METHODOLOGIES USED

(i) Corporate Rating Methodology, 18 Feb. 2022.
(ii) Rating Principles, 24 May 2022.
(iii) Group and Government Support Rating Methodology, 18 Feb. 2022.

RELEVANT RESEARCH

(i) Soaring energy prices increase financial significance of green investments, 21 Dec. 2022.

Figure 21. Kongsberg Gruppen key financial data, 2019–2022

NOKm	2019	2020	2021	2022
INCOME STATEMENT				
Revenue	23,245	25,612	27,449	31,803
Gross profit	14,636	16,762	17,872	5,804
EBITDA	2,112	3,248	4,087	4,602
EBIT	1,029	1,905	2,863	3,309
Net financial items	-196	-50	59	187
Pre-tax profit	954	3,306	2,922	3,496
Net profit	**704**	**2,932**	**2,290**	**2,809**
BALANCE SHEET				
Property, plant and equipment	3,924	3,665	3,901	4107
Intangible assets	6,487	5,196	5,039	5,781
Interests in associates	3,247	3,465	3,609	3,868
Other non-current assets	2,521	2,482	2,137	2,564
Non-current assets	16,179	14,808	14,686	16,320
Cash and cash equivalents	5,654	7,420	8,118	3,932
Other current assets	17,189	17,002	16,506	22,973
Total current assets	22,843	24,422	24,624	26,905
Total assets	**39,022**	**39,230**	**39,310**	**43,225**
Total equity	12,810	13,301	13,618	13,744
Long-term borrowings	3,469	1,971	2,450	2,003
Long-term leasing liabilities	1,850	1,753	1,500	1,526
Other long-term liabilities	2,482	2,509	2,580	1,855
Non-current liabilities	7,801	6,233	6,528	5,384
Current liabilities	18,411	19,696	19,164	24,097
Total equity and liabilities	**39,022**	**39,230**	**39,310**	**43,225**
CASH FLOW STATEMENT				
Pre-tax profit	954	3,306	2,923	3,496
Adjustments not in cash flow	1,145	-181	1,164	1,105
Cash flow before changes in working capital	2,099	3,125	4,087	4,601
Changes in working capital	-216	-317	884	-3,495
Operating cash flow	1,883	2,808	4,971	1,106
Cash flow from investment activities	-5,051	2,392	-698	-1,343
Cash flow from finance activities	-1,258	-3,531	-3,490	-4,002
Cash and cash equivalents at beginning of year	10,038	5,654	7,420	8,118
Cash flow for year	**-4,384**	**1,766**	**698**	**-4,185**
Cash and cash equivalents at end of year	5,654	7,420	8,118	3,933

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

Figure 22. Kongsberg Gruppen 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		**N2**

Figure 23. Capital structure ratings

Seniority	Rating
Senior unsecured	A-

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