

## LISTING PROSPECTUS



# KONGSBERG

## KONGSBERG GRUPPEN ASA

(a public limited liability company incorporated under the laws of Norway)

### Listing of

**FRN Kongsberg Gruppen ASA Senior Unsecured Open Bond Issue 2018/2021**

**ISIN NO 0010837586**

and

**FRN Kongsberg Gruppen ASA Senior Unsecured Open Bond Issue 2018/2024**

**ISIN NO 0010837602**

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The information in this prospectus (the "**Prospectus**") relates to, and has been prepared in connection with the listing on Oslo Børs, a stock exchange operated by Oslo Børs ASA (the "**Oslo Stock Exchange**"), of (i) the FRN senior unsecured bonds 2018/2021 with ISIN NO 0010837586 and (ii) the FRN senior unsecured bonds 2018/2024 with ISIN NO 0010837602 (together the "**Bonds**") issued by Kongsberg Gruppen ASA ("**Kongsberg Gruppen**", the "**Issuer**" or the "**Company**" and together with its subsidiaries the "**Group**" or "**Kongsberg**") on 6 December 2018 pursuant to the bond agreements dated 3 December 2018 (the "**Bond Agreements**") between the Issuer and Nordic Trustee AS (the "**Bond Trustee**" or "**Trustee**") (the "**Bond Issue**").

**This Prospectus does not constitute an offer to buy, subscribe for or sell the securities described herein. This Prospectus serves as a listing prospectus as required by applicable laws and no securities are being offered or sold pursuant to this Prospectus.**

Investing in the Issuer and the Bonds involves a high degree of risk. Prospective investors should read the entire document and, in particular, consider Section 1 "Risk factors" below when considering an investment in the Issuer.

### Managers

Arctic Securities AS

Nordea Bank Abp, filial i Norge

The date of this Prospectus is 20 March 2019

## IMPORTANT INFORMATION

This Prospectus has been prepared by the Issuer solely in connection with the listing on the Oslo Stock Exchange of the Bonds (the "**Listing**").

The Financial Supervisory Authority of Norway (*Nw.: Finanstilsynet*) (the "**NFSA**") has reviewed and approved this Prospectus in accordance with Sections 7-7 and 7-8 of the Norwegian Securities Trading Act of 29 June 2007 no. 75 (*Nw. Verdipapirhandelloven*), as amended (the "**Norwegian Securities Trading Act**"). The Prospectus was approved by the NFSA on 20 March 2019. The NFSA has not checked or approved the accuracy or completeness of the information included in this Prospectus. The approval by the NFSA only relates to the information included in accordance with pre-defined disclosure requirements. The NFSA has not conducted any form of review or approval relating to corporate matters described in or referred to in this Prospectus.

This Prospectus has been prepared in accordance with the Norwegian Securities Trading Act and the bond rules issued by Oslo Stock Exchange and comprises, inter alia, the information requested in (i) the checklist for registration documents applicable to debt and derivative securities with a denomination per unit of at least EUR 100 000 (Annex IX) and (ii) the checklist for securities documents (Annex XIII).

For definitions of certain other terms used throughout this Prospectus, see Section 10 "Definitions and glossary".

The information contained herein is current as at the date hereof and subject to change, completion and amendment without notice. In accordance with Section 7-15 of the Norwegian Securities Trading Act, significant new factors, or material mistakes or inaccuracies relating to the information included in this Prospectus, which are capable of affecting the assessment by investors of the Bonds between the time of approval of this Prospectus by the NFSA and the listing of the Bonds on the Oslo Stock Exchange, will be included in a supplement to this Prospectus. Neither the publication nor distribution of this Prospectus shall under any circumstances imply that there has been no change in the Group's affairs or that the information herein is correct as at any date subsequent to the date of this Prospectus.

No person is or has been authorized by the Company to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Bonds, and if given or made, such information or representation must not be relied upon as having been authorized by the Company.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Bonds in any jurisdiction. This Prospectus may not be distributed or published in any jurisdiction except under circumstances that will result in compliance with applicable laws and regulations. Persons in possession of this Prospectus are required to inform themselves of and observe any such restrictions. In addition, the Bonds may be subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Any failure to comply with these restrictions may constitute a violation of applicable securities laws.

This Prospectus is not an offer to sell nor a request to buy bonds.

The content of this Prospectus is not to be construed as legal, credit, business or tax advice. Each investor should consult its own legal, credit, business or tax adviser as to a legal, credit, business or tax advice. In making an investment decision, investors must rely on their own examination of the Group and the Bonds, including the merits and risks involved.

This Prospectus shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo District Court as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Prospectus.

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## **1 RISK FACTORS**

*An investment in the Bonds involves inherent risk. Before making an investment decision, investors should carefully consider the risk factors and all information contained in this Prospectus, including the Financial Information and related notes. The risks and uncertainties described in this Section 1 are the principal known risks and uncertainties faced by the Group as of the date hereof that the Company believes are the material risks relevant to an investment in the Bonds. An investment in the Bonds is suitable only for investors who understand the risks associated with this type of investment and who can afford to lose all or part of their investment. The absence of negative past experience associated with a given risk factor does not mean that the risks and uncertainties described herein should not be considered prior to making an investment decision in respect of the Bonds. If any of the following risks were to materialise, individually or together with other circumstances, it may cause inability of the Issuer to pay interest, principal or other amounts on or in connection with the Bonds.*

*Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:*

- (i) have sufficient knowledge and experience to make a meaningful evaluations of the Bonds, merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement;*
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Bonds and the impact such investment will have on its overall investment portfolio;*
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;*
- (iv) understand thoroughly the terms of the Bonds and the behavior of any relevant financial markets; and*
- (v) be able to evaluate (either alone or with the assistance of financial advisors) possible scenarios for economic, interest rate and other factors that may affect its investment decision and its ability to bear the applicable risks.*

*The Bonds are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to the investor's overall portfolio. A potential investor should not invest in the Bonds which are complex financial instruments unless it has the expertise (either alone or with the assistance of financial advisors) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact the investment will have on the potential investor's overall investment portfolio.*

*The Bonds have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state of the United States. Subject to certain exemptions, a holder of the Bonds may not offer or sell the Bonds in the United States. The Company has not undertaken to register the Bonds under the U.S. Securities Act or with any securities regulatory authority of the United States or to effect any exchange offer for the Bonds in the future. Furthermore, the Company has not registered the Bonds under any other country's securities laws other than Norway. It is each bondholder's obligation to ensure that the offers and sales of its Bonds comply with applicable securities laws and regulations.*

*The order in which the risks are presented does not reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, results of operations, cash flows, financial condition and/or prospects. The risks mentioned herein could materialise individually or cumulatively. The information in this Section 1 is as of the date of this Prospectus.*

### **1.1 Risks related to the industry in which Kongsberg operates**

#### **Risk related to the various markets in which Kongsberg operates**

The activities of Kongsberg are international with delivery of high-tech products, systems and solutions with related services, primarily to customers in the offshore market, merchant marine, fishery, government and defence market. Market risk can therefore vary somewhat within these different segments and markets.

The offshore market comprises exploration, development, production and transport of oil and gas. There are also support functions such as supply services, operational support, as well as maintenance and service on platforms and

vessels. Kongsberg is a supplier of products and services for all these segments. The demand for energy and oil price development will impact the willingness to invest in this market. The investment levels could also vary between the various geographical areas depending on e.g. oil reserves and the level of exploration and production activities. The negative trends in the oil and offshore market have increased corporate risk and affected the corporate activity level, and this has in particular affected Kongsberg Maritime in 2016 and 2017. Lower shipbuilding activity has led to increased competition and lower prices, and involves a risk for loss of market positions. This, together with more challenging oil and gas fields and increased cost focus in general, may have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

Kongsberg's main activity in the fishing market is to provide sonars and echo sounders for fish finding and trawl instrumentation. Kongsberg is increasingly offering vessel systems. The fishery market is in a world perspective relatively stable with a limited numbers of players within fish finding. Reduced demand or loss of market shares will have effect on Kongsberg's business.

Science and hydrography are key government market segments to Kongsberg. These are international markets where Kongsberg provide sensor systems for geophysical mapping and biomass estimation as well as vessel solutions. The markets are relatively stable with steady growth. Main risk to Kongsberg would be loss or market position because of protectionism, cost levels or technology disruptions such as robotization or digitalization. Reduced market share would have significant effect on Kongsberg's business.

The merchant marine market includes a wide range of vessels, each very cyclical but not necessarily following the same cycles, from simple cargo ships to advanced tankers. Passenger ships in cruise and ferry traffic are also an important part of the market. Contracting of new ships is closely linked with the expected development in world trade and transport demand. Global economy development influences the demand for seaborne transportation of people, energy, raw materials and manufactured products. The type of ship and the geographical areas also influence the market. Reduced demand for seaborne transportation may have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

Within the defence market, Kongsberg delivers products and systems for land-based, air-based and sea-based defence. Due to strict security requirements and protection of various countries' own defence industry, it may in many cases be challenging for defence suppliers to win defence contracts outside their home country. Such protectionism and strict security requirements may have impact on Kongsberg's ability to secure contracts in the international market place.

#### **Risk related to cyclical fluctuations**

Cyclical fluctuations influence the industries and markets in which Kongsberg operates to various degrees and at different points in time. Historically, this has primarily been due to changes in the level and pattern of global economic growth, the highly competitive nature of the international industries in which Kongsberg operates and changes in the supply and demand for its systems and solutions. As such, the operations of Kongsberg may be adversely affected by general downturns in the general economic and market conditions in the countries and regions where it operates. Kongsberg's performance and growth depends heavily on the demand for offshore oil and gas and seaborne trade as well as defence spending, national and international. A decrease in such demand may materially adversely affect Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

#### **Risk related to competition**

Increased competition in the markets where Kongsberg operates may lead to reduced profitability and/or expansion opportunities, and its market shares and competitive position in these markets may erode in the future. Any new markets that are entered into could include participants that have greater experience or financial strength than Kongsberg, and it may thus not be successful in entering such new markets. Consolidations among companies operating in Kongsberg's markets, especially within maritime, increases the threat of being marginalized. Further, rapid shifts in technology forces companies to make quick strategy movements. Inability to follow the technology shifts could eventually marginalize companies and reduce their competitive position. If any of these risks were to materialise, it may have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

#### **Geopolitical risk**

Kongsberg has activity in a number of region world-wide, including in Europe, North and South America, Africa and Asia. As a result, its operations are subject to a variety of country, regulatory and political risks, particularly in connection with its operations in emerging markets. These risks include potential political and economic uncertainty, application of foreign exchange controls, price controls, corruption, nationalisation, expropriation, regulatory changes, crime and the lack of enforcement thereof, political insurrection, governmental interference, currency fluctuations, restrictions and devaluations, punitive or unpredictable taxation, trade barriers, export duties and quotas and other restrictive government actions, hostility from local populations, restrictions on the ability to repatriate dividends from subsidiaries, natural disasters and other catastrophic events, and changes in law and government policy. The financial risks of operating in emerging markets also include risks related to inflation, devaluation, price volatility, currency convertibility and country default.

Furthermore, the legal systems in the emerging markets in which Kongsberg operates may be less predictable than those in more developed markets, as the laws of and courts in those markets may not be fully developed in the enforcement of contracts and other types of commercial disputes. Third parties or governments could also seek to hold Kongsberg liable for obligations of related parties based on legal principles that differ from those which would be applied by courts in more developed markets. Any of these factors could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects by causing interruptions in its operations, by increasing the costs of operating in these countries or by limiting its ability to.

### **Environmental risk**

The activities of a number of Kongsberg's customers are subject to environmental regulations pursuant to a variety of international conventions and state and municipal laws and regulations. The systems and solutions delivered by Kongsberg are to a large degree critical to the operation of the vessel. A system failure may therefore potentially be a risk to other systems or parts causing errors or to the very extreme, accidents or operational failures. For example, if an error occurs on a system installed on an oil rig, this could cause oil spills. Litigation or criminal investigations relating to such events may involve companies in the Group. Kongsberg may incur significant costs, fines and liabilities due to any such litigation or investigation in addition to loss of reputation. This could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

Additionally, Kongsberg owns a significant amount of real property with a long history of industrial operations and under Norwegian law, Kongsberg could be required to remediate or be held responsible for all of the costs relating to any contamination discovered at Kongsberg's past or present real property.

In general, environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increase capital expenditures and operating cost. Environmental laws and regulations may result in a material increase in the cost of operating Kongsberg's units or otherwise materially adversely affect its business, profitability, cash flows and financial condition.

## **1.2 Risks related to Kongsberg**

### **Kongsberg's future business performance depends on its contract portfolio**

Kongsberg's revenue is derived from contractual arrangements and its business areas use various contractual formats. Kongsberg delivers a large variety of products and services both in respect of size, contract period, and complexity, and to different segments. Agreed contract terms might imply risk of losses upon cancellation of contracts or consequential damages for any dysfunctionality of the product or services. Contract losses could also materialise as a consequence of cost overrun of fixed price contracts. Some of Kongsberg's contracts are also long term frame agreement that contain no or limited minimum purchase obligations and there can be no assurance that any revenue will be derived from such contracts.

Kongsberg's ability to renew or extend existing contracts or enter into new contracts will largely depend on prevailing market conditions. If Kongsberg is unable to enter into new contracts that start immediately after the end of its current contracts or if new contracts are entered into on terms less favourable compared to existing contract terms, or which leave Kongsberg with mobilisation or demobilisation costs that cannot be fully recovered, it could have a material adverse effect on Kongsberg's business, results of operations, cash flow, financial condition and/or prospects.

### **Kongsberg's contracts may be subject to early termination**

Some of Kongsberg's existing customers have, and future customers may have, the right to terminate their contracts without cause in compliance with applicable notice periods. In addition, under certain circumstances, Kongsberg's existing contracts permit, and future contracts may permit, a customer to terminate its contract early without the payment of any termination fee, as a result of non-performance, delay, quality of deliverables, or force majeure events. Many of these events are beyond Kongsberg's control. Early termination of contracts may reduce the revenue received by any businesses affected by the termination, which may have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

During periods of challenging market conditions, Kongsberg may be subject to an increased risk of its customers seeking to repudiate or delay commencement of their contracts, including through claims based on anticipated actual or alleged non-performance. If Kongsberg's customers cancel their contracts with Kongsberg and Kongsberg is unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are suspended for an extended period of time, Kongsberg's backlog could be reduced, which may have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Unforeseen or unanticipated risks, costs or timing when bidding on or managing contracts could adversely affect Kongsberg's business, results of operations, cash flows, financial condition and/or prospects**

In preparation for a tender for a new contract, Kongsberg assesses its current capacity, and, if it is awarded the contract, it determines how to deploy resources in order to perform its obligations under the contract. Kongsberg's financial and operating performance depends on making accurate assumptions and estimates, as well as identifying key issues and risks (including, but not limited to, the degree of complexity of the project assumptions regarding inter alia utilisation of equipment, operational expenses, mobilisation costs, tax payments, availability of skilled personnel and availability of critical equipment with long lead times) with respect to potential projects at the tender stage of the project, and ensuring that the pricing and contractual arrangements in relation to each project adequately safeguard Kongsberg against, or compensate it for, such risks. Assumptions are particularly necessary when tendering for a new customer or entering new product or geographic markets, as Kongsberg does not yet have the experience on which it can base its assumptions for the tender. In tenders where the response time is long, typically within defence, the risks generally increases, especially political risks and currency risks. Kongsberg must manage project risks efficiently and adapt to changes that occur during the life of a project. Even when a risk is properly identified, Kongsberg may be unable to or may not accurately quantify it. Unforeseen or unanticipated risks or incorrect assumptions when bidding for a contract may lead to increased costs for Kongsberg which could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Risks related to project management**

Kongsberg's value creation primarily comprise delivery of systems and solutions of high technological complexity, and the delivery is typically organised as projects. Effective project management is therefore a key success factor in reducing operating risk, particularly in development contracts where the risk of the project not being completed is high. Kongsberg has established project management goals based on internal and external "best practices", and project managers attend an internal training program. The projects' revenues are based on contracts, and uncertainty is largely related to estimating the remaining costs and determining the percentage of completion, but also counterparty risk and warranty obligations. Kongsberg has established principles for categorising projects in terms of technological complexity and development content. This forms the basis for an assessment of implementation risk and recognition of revenue in the projects. Failure to manage project in a satisfactory manner could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Any failure in a customer's infrastructure or applications as a result, or alleged result, of the Group's service or solution's failure, or any other breach of the Group's customer contracts, could result in a claim for substantial damages against the Group and/or result in significant reputational harm**

Many of the Group's engagements involve projects and services that are critical to the customers' operations. Any failure in an infrastructure component or application that the Group has designed, built, operates or supports, or has operated or supported in the past, could result in a claim for substantial damages against the Group and/or significant reputational harm, regardless of the Group's responsibility for the failure. The Group attempts to limit by contract its liability for damages arising from negligent acts, errors, mistakes or omissions in rendering its services and solutions. However, there can be no assurance that such damages are subject to a contractual limitation on liability or that any such contractual limitations on liability will be enforceable or will otherwise protect the Group from liability for

damages. In some cases, the Group has also entered into customer contracts that do not contain provisions regarding limitations of liability or contain unbalanced indemnity provisions. Many of Kongsberg's contracts related to the defense industry are based on various standard purchase regulations and/or defense purchase standards adopted by different governments. In the same manner as other suppliers, Kongsberg must adhere to these and may as a consequence from time to time have a somewhat limited possibility to influence the terms in these governmental standard type purchase regulations. Certain categories of damages are typically not limited in amount (for example, breach of confidentiality, gross negligence, wilful misconduct or infringement of third-party intellectual property rights). Any failure in systems that the Group has designed, built, operates or supports, or operated or supported in the past, could result in a claim for substantial damages against the Group and/or significant reputational harm, regardless of the Group's responsibility for the failure.

Although the Group has product liability insurance coverage, there can be no assurance that any such coverage will continue to be available on reasonable terms or in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage for any future claim. The successful assertion of one or more large claims against the Group that exceed any available insurance coverage, or changes in the Company's insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Undetected errors or defects in the Group's products, systems or solutions could adversely affect the Group's performance and reduce the demand for its products and services**

The Group's products, systems or solutions, as well as hardware, software and services provided by subcontractors, could contain errors or defects that the Group has not been able to detect. Such errors could adversely affect the performance of the products, systems or solutions and negatively impact the demand thereof. Despite testing by the Group and users of the offered software, errors have occurred and will likely continue to occur in the Group's products, systems and solutions from time to time. If errors or defects are discovered, the Group may have to incur significant capital expenditures to eliminate them and may not be able to successfully correct them in a timely manner or at all. Errors and defects could also result in a loss of, or delay in, market acceptance of the relevant products, systems or solutions, adverse client reactions, negative publicity and could damage the Group's reputation. Hence, any defects or errors in the Group's products, systems or solutions could result in the loss of orders or a delay in the receipt of orders, and could result in reduced operating revenue, delays in market acceptance, diversion of development resources, product liability claims or increased service and warranty costs, any of which could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Disruptions of deliveries by Kongsberg's suppliers or sub-contractors could increase operating costs, decrease revenues and adversely impact Kongsberg's operations. In addition, consolidation of suppliers may limit Kongsberg's ability to obtain supplies and services when needed at an acceptable cost or at all**

Kongsberg relies, and will in the future continue to rely, on a significant supply of consumables, spare parts and equipment to operate, maintain, repair, upgrade and deliver its equipment and systems and perform its services. Certain parts and equipment that Kongsberg uses in its operations may be available from only a small number of suppliers, manufacturers, sub-contractors or service providers, or in some cases must be sourced through a single supplier, manufacturer, sub-contractor or service provider. A disruption in the deliveries from such third-party suppliers, manufacturers, sub-contractors or service providers, capacity constraints, production disruptions, price increases, quality control issues, recalls or other decreased availability of parts and equipment could adversely affect Kongsberg's ability to meet its commitments to customers, adversely impact Kongsberg's operations and revenues or increase Kongsberg's operating costs.

This may limit Kongsberg's ability to obtain supplies and services when needed, at an acceptable cost or at all. Cost increases (also due to change of suppliers), delays or unavailability could materially adversely affect Kongsberg's future operations, which may in turn have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Kongsberg's earnings and business are subject to risk caused by counterparties in contracts, and failure and misrepresentation of such counterparties causing them not to meet their obligations could cause loss to Kongsberg or otherwise materially and adversely affect the business of Kongsberg**

The ability of each counterparty to perform its obligations under a contract with Kongsberg will depend on a number of factors that are beyond Kongsberg's control and may include, among other things:



- general economic conditions;
- the condition of the maritime, defence and other industries to which the counterparty is exposed;
- the overall financial condition of the counterparty; and
- various expenses.

Should a counterparty, especially one of Kongsberg's major customers, fail to honour its obligations under its agreements with Kongsberg, Kongsberg could sustain significant losses, which could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Kongsberg's business involves numerous operating hazards and Kongsberg's own insurance may not be adequate to cover Kongsberg's losses**

The operations of Kongsberg are subject to hazards inherent in the industries where it operates, equipment defects, fires, explosions and pollution. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by employees, third parties or customers and suspension of operations. Operations may also be suspended because of machinery breakdowns, abnormal conditions, and failure of subcontractors to perform or supply goods or services, or personnel shortages.

Although Kongsberg carries protection and indemnity insurance, all risks may not be adequately insured against, and any particular claim may not be paid. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material.

Kongsberg may also be unable to procure adequate insurance coverage at commercially reasonable rates in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. Any uninsured or underinsured loss could harm Kongsberg's business, financial condition and operating results. In addition, Kongsberg's insurance may be voidable by the insurers as a result of certain of Kongsberg's actions.

Kongsberg's insurance coverage will not in all situations provide sufficient funds to protect Kongsberg from all liabilities that could result from its operations. The amount of Kongsberg's insurance cover may be less than the related impact on enterprise value after a loss. Kongsberg's coverage includes policy limits. As a result, Kongsberg retains the risk for any losses in excess of these limits. Any such lack of reimbursement may cause Kongsberg to incur substantial costs. In addition, Kongsberg could decide to retain substantially more risk in the future. Moreover, no assurance can be made that Kongsberg has, or will be able to maintain in the future, adequate insurance against certain risks. If a significant accident or other event occurs and is not fully covered by Kongsberg's insurance or any enforceable or recoverable indemnity from a customer, it could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Kongsberg conducts a portion of its operations through joint ventures and strategic co-operations, exposing it to risks and uncertainties, many of which are outside its control**

The Group conducts a portion of its operations through joint ventures, where control may be shared with unaffiliated third parties, such as e.g. (i) the joint venture in connection with Kongsberg's 50% share ownership in Kongsberg Satellite Services AS, (ii) the joint venture in connection with Kongsberg's 50% share ownership in KTA Naval Systems AS ("**kta**"), (iii) the joint venture in connection with Kongsberg's 49.9% share ownership in BK Systems QSTP-LLC, and (iv) the joint venture in connection with Kongsberg's 49.9% share of ownership in Patria Oyj. ("**Patria**"). As with any joint venture arrangement, differences in views among the joint venture participants may result in delayed decisions or in failures to agree on major issues. Kongsberg's obligations in respect of, and Kongsberg's ability to receive any dividends from, its joint ventures depend on the terms and conditions of its shareholders' agreements and its relationships with its respective joint venture partners. There can be no assurance that Kongsberg will continue its relationships with its joint venture partners or that its joint venture partners will want to pursue the same strategies as Kongsberg.

Kongsberg also cannot control the actions of its joint venture partners, including any non-performance, default or bankruptcy of such partners, and Kongsberg typically shares liabilities on a joint and several basis with its joint venture partners under these joint venture arrangements. If Kongsberg's partners do not meet their contractual

obligations, the joint venture may be unable to adequately perform and deliver its contracted services, requiring Kongsberg to make additional investments or perform additional services to ensure the adequate performance and delivery of services to the customer. Kongsberg could be liable for both its own obligations and those of its partners, which may result in reduced profits or, in some cases, significant losses on the project. Additionally, these factors could have a material adverse effect on the business operations of the joint venture and, in turn, Kongsberg's business operations, reputation, results of operations, cash flows, financial condition and/or prospects.

Operating through joint ventures in which the Group has a minority interest could result in the Group having limited influence over, and limited or no control of, the governance, performance and cost of operations in these companies. The joint ventures that Kongsberg does not control may make business, financial or investment decisions contrary to Kongsberg's interests, strategy or decisions, different from those, which Kongsberg itself may have made. This may expose Kongsberg to additional operational, financial, legal or compliance risks. Further, these joint ventures may not be subject to the same requirements regarding internal controls and internal control reporting that Kongsberg follows. As a result, internal control issues may arise, which could have a material adverse effect on Kongsberg's financial condition and results of operation. Additionally, in order to establish or preserve relationships with joint venture partners, Kongsberg may agree to risks and contributions of resources that are proportionately greater than the returns Kongsberg could receive, which could reduce its income and returns on these investments compared to what Kongsberg may have received if the risks and resources Kongsberg contributed were always proportionate to its returns. This could in turn have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Kongsberg relies on third parties, including subcontractors, to complete some parts of its projects and may be adversely affected by the sub-standard performance or non-performance of those third party subcontractors**

Kongsberg engages third-party subcontractors to perform some parts of its projects. The Group may not have the skills to perform the work undertaken by its subcontractors and any inability to hire qualified subcontractors could hinder the successful completion of a project. Further, the Group's employees may not be able to monitor or control the performance of these subcontractors as efficiently as they could if that work was performed by Kongsberg itself. Kongsberg may suffer losses on contracts if the amounts it is required to pay for subcontractor services exceed its original estimates. While Kongsberg seeks to mitigate the risks associated with subcontractors by imposing contractual obligations on its subcontractors that mirror those it has with its customers, obtaining insurance cover for the entire project and (in some cases) requesting bank guarantees to cover non-performance by subcontractors of the relevant parts of the projects, the subcontracting of work exposes Kongsberg to risks associated with non-performance, delayed performance or sub-standard performance. If any such risk were to materialise, this could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Kongsberg may not be able to successfully implement its strategies**

Maintaining and expanding Kongsberg's operations and achieving its other objectives involve inherent costs and uncertainties and there is no assurance that Kongsberg will achieve its objectives. There is no assurance that Kongsberg will be able to undertake these activities within its expected time-frame, that the cost of any of Kongsberg's objectives will be at expected levels or that the benefits of its objectives will be achieved within the expected timeframe or at all. Kongsberg's strategies may also be affected by factors beyond its control, such as volatility in the world economy and in each of its markets, the capital expenditure and investment by its customers and the availability of acquisition opportunities in a market. Any failures, material delays or unexpected costs related to the implementation of Kongsberg's strategies could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Loss of key personnel or the failure to obtain or retain highly skilled personnel could materially adversely affect Kongsberg's operations**

Kongsberg's success depends on its retention of key personnel and its ability to recruit, retain and develop skilled personnel for its business. The demand for personnel with the capabilities and experience required in technology industry is high, and success in attracting and retaining such employees is not guaranteed. There is intense competition for skilled personnel and there are, and may continue to be, shortages in the availability of engineers and other appropriately skilled people at all levels. Shortages of qualified personnel or Kongsberg's inability to obtain and retain qualified personnel could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Labour interruptions could have a material adverse effect on Kongsberg's operations**

As of 31 December 2018, the Group had 6,842 employees. Labour interruptions may materially impact Kongsberg. Although the Group has not experienced any labour disruptions in connection with its own personnel since 2006, there can be no assurance that labour disruptions by the Group's employees will not occur in the future. Further, unionised employees of third parties on whom the Group relies may be involved in strikes or other forms of labour unrest, causing operational disruptions for the Group. Such industrial actions could result in additional costs to Kongsberg, as well as limitations on Kongsberg's ability to provide services to its customers, which may have a material adverse impact on its business, results of operations, cash flows, financial condition and/or prospects.

**Kongsberg's labour costs and related operating costs could increase as a result of a number of factors**

A number of factors could increase Kongsberg's labour costs and potentially affect other costs of operations. For example, high growth within the industry in recent years has increased the cost of qualified personnel and equipment. There may also be increased costs related to local content requirements. Kongsberg's incurrence of additional labour related costs could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Damage to Kongsberg's reputation and business relationships may have an adverse effect beyond any monetary liability**

Kongsberg's business depends on customer goodwill, Kongsberg's reputation and on maintaining good relationships with its customers, joint venture partners, suppliers, employees and regulators. Any circumstances that publicly damage Kongsberg's goodwill, injure the Group's reputation or damage the Group's business relationships may lead to a broader adverse effect on its business and prospects than solely the monetary liability arising directly from the damaging events by way of loss of business, goodwill, customers, joint venture partners and employees.

**Kongsberg relies on information technology systems to conduct its business, and disruption, failure or security breaches of these systems could adversely affect its business and results of operations**

Kongsberg relies heavily on information technology ("IT") systems in order to achieve its business objectives. Kongsberg relies upon industry accepted security measures and technology such as access control systems to securely maintain confidential and proprietary information maintained on its IT systems, and market standard virus control systems. However, as a high-tech company, Kongsberg is constantly exposed to external threats associated with data security and is under constant pressure from different external players. There is a risk of virus attacks, attempts at hacking, social manipulation and phishing scams, as well as theft of intellectual property or sensitive information belonging to Kongsberg or its business partners. Further, Kongsberg's portfolio of hardware and software products, solutions and services and its enterprise IT systems may be vulnerable to damage or disruption caused by circumstances beyond its control, such as catastrophic events, power outages, natural disasters, computer system or network failures, cyber-attacks or other malicious software programmes.

The failure or disruption of Kongsberg's IT systems to perform as anticipated for any reason could disrupt Kongsberg's business and result in decreased performance, significant remediation costs, transaction errors, loss of data, processing inefficiencies, downtime, litigation, and the loss of suppliers or customers. A significant disruption or failure could have a material adverse effect on Kongsberg's business operations, financial performance and financial condition.

**The Group may not be able to keep pace with a significant step change in technological development**

Kongsberg operates in markets that are highly susceptible to technological developments. Such technological developments have resulted in, and will likely continue to result in, substantial improvements in equipment functions and performance throughout the industry. As a result, Kongsberg's future success and profitability will be dependent in part upon its ability to:

- improve existing services and solutions;
- address the increasingly sophisticated needs of its customers; and
- anticipate major changes in technology and industry standards and respond to technological developments on a timely basis.

If Kongsberg is not successful in acquiring new equipment or upgrading its existing systems and solutions, or the technical skill set of its employees, on a timely and cost-effective basis in response to technological developments or changes in industry standards, this could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Policies, procedures and systems to safeguard employee health, safety and security may not be adequate or sufficiently implemented or adhered to**

Kongsberg has detailed and specialised policies, procedures and systems to safeguard employee health, safety and security. Kongsberg aims to follow best practices for employee health, safety and security in every country in which Kongsberg operates. However, if these policies, procedures and systems are not adequate, or employees or contractors do not receive adequate training or instructions, or Kongsberg's safety policies are not implemented properly in local jurisdictions, the consequences could be severe including injury or loss of life, which could impair Kongsberg's reputation and operations and cause it to incur significant liability. Distance from certain principal locations can create further difficulty for the Group in implementing and impressing upon local workforces its policies on matters such as health and safety, and can present challenges in the supervision of its sub-contracted employees. Failure to deliver consistently high standards across all fields of operations could create risks for Kongsberg, including legal action and reputational risks, and could impact its success in winning future contracts. This could in turn have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Kongsberg's operations may be affected by adverse weather and other natural conditions**

Inclement weather conditions may impact Kongsberg's operational performance. Extreme weather conditions may lead to more challenging operating conditions for systems and equipment delivered by Kongsberg, and hence lead to increased probability of failure to perform with resulting potential liabilities. Accordingly, adverse weather and other natural conditions may have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

### **1.3 Risks related to the Transaction**

**Completion of the Transaction is subject to regulatory clearances in a number of jurisdictions and the Transaction may hence be delayed or may not be completed at all. A delay or cancellation of the Transaction could negatively affect the business, results of operation and financial condition of Kongsberg**

Completion of the Transaction (as defined in Section 4.5.1 "Overview") is subject to clearance by regulatory authorities in several jurisdictions and accordingly subject to a condition that is beyond the control of the Company; see Section 4.7 "Condition for completion of the Transaction". Kongsberg has in the sale and purchase agreement (the "**Purchase Agreement**") entered into with Rolls-Royce plc on 6 July 2018 regarding the Transaction, undertaken towards Rolls-Royce to use its reasonable endeavours, and take reasonable steps and do what is reasonably necessary, to secure the required regulatory clearances, but no assurance can be given that the Condition will be satisfied in time for the Transaction to be consummated in the first quarter or early in the second quarter of 2019, or prior to the Long Stop Date (see Section 4.9 "Termination of the Purchase Agreement"). Accordingly, the Transaction may be consummated later than currently expected or may not be consummated at all.

If the Transaction is consummated later than currently expected, the operational and financial effects of the Transaction will be delayed and the period of Transaction related uncertainty for employees, customers, suppliers, partners and other stakeholders will be extended. Further, Kongsberg may incur additional costs and expenses in obtaining the required regulatory clearances. A delay in obtaining the clearances could thus negatively affect the business, results of operation, cash flows, financial condition and/or prospects of Kongsberg.

If the Transaction is not consummated, transaction costs, including inter alia costs of advisors and costs relating to the Bond Issue and Rights Issue (as defined in Section 4.8 "Financing of the Transaction"), and the use of key management personnel's time and attention, will have been incurred without the expected benefits and at the expense of other business opportunities. In addition, Kongsberg will not realise the benefits the Company expects to realise by the Transaction. Failure to complete the Transaction could also be negatively perceived in the investor market and result in a decline of the market value of the Shares and bonds issued by the Company. If the above risks materialise, it could negatively affect the business, results of operation, cash flows, financial condition and/or prospects of Kongsberg.

**The carve-out of Rolls-Royce Commercial Marine from Rolls-Royce and the subsequent integration of the acquired business into Kongsberg is a comprehensive and complex task, and Kongsberg may not be successful in this task**

The carve-out of Rolls-Royce Commercial Marine from Rolls-Royce is a comprehensive and complex task. As the acquisition of Rolls-Royce Commercial Marine is an acquisition of a combination of companies and asset transfers, and the acquired business has not been operated as a separate unit in the past, there is no guarantee that the carve-out will be successful and include all assets, rights and know-how required to conduct the acquired business in an undisturbed manner following the Transaction.

Further, the acquisition of Rolls-Royce Commercial Marine represents an acquisition of a size and complexity not experienced by Kongsberg before and in order for the acquisition to be successful, Kongsberg must succeed in integrating Rolls-Royce Commercial Marine into the Group in a manner enabling the business of both Rolls-Royce Commercial Marine and Kongsberg Maritime to be continued in a manner not negatively affecting the businesses and enabling Kongsberg to achieve the desired synergies. Rolls-Royce Commercial Marine is also depended on certain key personnel and a success integration of Rolls-Royce Commercial Marine will to some extent be dependent on Kongsberg's ability to retain such key personnel following the completion of the Transaction. Kongsberg will face foreseen and may also face unforeseen risks and challenges when integrating Rolls-Royce Commercial Marine into its existing business.

The financial performance of Rolls-Royce Commercial Marine has in the later years been weak. Improvement of the financial performance of that business is partly dependent on a successful integration and achievement of planned synergies. The expected synergies and other benefits from the Transaction may not be achieved or not be achieved in the time frame in which they are expected. Achieving the anticipated synergies and other benefits from the Transaction depends in part on Kongsberg's ability to integrate Rolls-Royce Commercial Marine in an effective and cost-efficient manner. Kongsberg's failure to do so may result in significant costs and diversion of management's time from on-going business. No assurance can be given that the integration of Rolls-Royce Commercial Marine into the Group will be successful. Unsuccessful integration may have a material adverse effect on the business, results of operations, cash flows, financial conditions and/or prospects of Kongsberg. The implementation and integration costs are expected to amount to approximately NOK 450 million, but the actual costs may significantly exceed this estimate.

**Kongsberg may not achieve the expected synergies and other benefits from the Transaction**

When resolving to acquire Rolls-Royce Commercial Marine, Kongsberg made certain assumptions inter alia with respect to synergies to be achieved, retention of employees, customers, suppliers and other business partners, customer future preferences and demand for products and solutions, market developments and other circumstances. There is a risk that some or all of the assumptions made will not be fulfilled, which may have a material adverse effect on the business, results of operations, cash flows, financial conditions and/or prospects of Kongsberg.

**Kongsberg's operating results and financial condition may be adversely affected if Rolls-Royce Commercial Marine does not perform as expected**

The operating results and financial condition of Kongsberg may be negatively affected by the failure to achieve the financial results projected for Rolls-Royce Commercial Marine in the near or long term following completion of the Transaction. The acquisition of Rolls-Royce Commercial Marine could also give rise to amortisation expenses related to intangible assets and Kongsberg may have to implement acquisition-related impairments that could reduce the Group's profitability. This could in turn have a material adverse effect on the business, results of operations, cash flows, financial conditions and/or prospects of Kongsberg.

**Kongsberg is acquiring an ongoing business with a number of exposures relating to the period prior to Completion**

By the acquisition of Rolls-Royce Commercial Marine, Kongsberg is acquiring liabilities and other exposures relating to that business and which stems from periods prior to Completion. The Company's protection against such liabilities and other exposures under the Purchase Agreement is limited both by the scope of the warranties provided by Rolls-Royce and by the amount and time limitations applicable to these warranties. In addition, the representations and warranties do not extend to matters known by Kongsberg, including specific matters identified by Kongsberg in the due diligence. Pre-Completion liabilities and other exposures may accordingly have a material adverse effect on the business, results of operations, cash flows, financial conditions and/or prospects of Kongsberg.

### **The Group will incur Transaction related costs**

The Group has incurred and will incur transaction costs and expenses in connection with the Transaction. Moreover, management resources may be diverted in an effort to complete the Transaction. If the Transaction is not completed, Kongsberg will have incurred costs for which it will have received little or no benefit. Furthermore, if the Transaction is not completed, Kongsberg may experience negative reactions from the financial markets, the media and its shareholders, potential investors, customers, employees and other stakeholders. Each of these factors may materially and adversely affect the trading price of the Shares and could have a material adverse effect the business, results of operations, cash flows, financial condition and/or prospects of Kongsberg.

### **Risks related to agreements with Rolls-Royce**

As part of the Transaction, Rolls-Royce and Kongsberg intend that several agreements shall be entered into with effect from Completion, including a transitional services agreement, teaming agreements, a framework supply agreement, license agreements, trading agreements and local sale and purchase agreements. The full terms and conditions of all these agreements have not been finally agreed between the parties, and thus there is a risk that one or more of these agreements will not materialise or that such agreements will be entered into on terms and conditions less favourable to Kongsberg than currently expected by the Company.

## **1.4 Risks related to laws, regulation and litigation**

### **Kongsberg may become subject to legal proceedings or investigations that could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects**

Kongsberg may become subject to criminal or civil proceedings related to, among others, product liability, environment, health and safety, anti-competitive, anti-corruption, trade sanctions or other similar laws or regulations or other forms of commercial disputes. If Kongsberg is not successful in resolving such matters in its favour, they may have a significant effect on Kongsberg's financial position or profitability. Violation of applicable laws and regulations could result in substantial fines or penalties and costs of corrective work operations. There may also be significant costs associated with bringing or defending lawsuits, and management's attention to such matters may divert their attention from Kongsberg's operations. Proceedings, liabilities or actions could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

### **Technology disputes involving Kongsberg, Kongsberg's suppliers or sub-suppliers could impact Kongsberg's operations**

The products and services provided by Kongsberg utilise patented or otherwise protected intellectual property, and thus, involve a potential risk of infringement of third party rights. It is not uncommon for industry participants to pursue legal action to protect their intellectual property. Kongsberg is not currently aware of material patents that create a risk of Kongsberg infringing third party rights. However, in Norway or in other jurisdictions there can be no assurance that other industry participants will not pursue legal actions against Kongsberg to protect their intellectual property. There may also be significant costs associated with defending such claims, and management's attention to such matters may divert their attention from Kongsberg's operations. Where such industry participants pursue legal action, it could also result in limitations on Kongsberg's ability to use the patented technology or require Kongsberg to pay a fee for the continued use of intellectual property.

In the event that one of Kongsberg's suppliers or sub-suppliers, or the Group, becomes involved in a dispute over infringement of intellectual property rights relating to assets owned or used by Kongsberg, Kongsberg may lose access to repair services, replacement parts, or could be required to cease use of the relevant assets or intellectual property. The Group could also be required to pay royalties or other fees for the use of such assets or intellectual property. The consequences of technology disputes involving Kongsberg's suppliers could materially adversely affect Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

In addition, Kongsberg, may choose to pursue legal action to protect Kongsberg's intellectual property and/or proprietary technology. If the Group is unable to protect and maintain its intellectual property rights, or if there are any successful intellectual property challenges or infringement proceedings against Kongsberg, its ability to differentiate its service offerings could diminish. There are currently no such material cases ongoing, but there is no guarantee that such cases or claims will not be raised in the future. Also, from time to time, Kongsberg may pursue action to challenge patents and/or proprietary technology of competitors, suppliers and others. Should these cases not succeed, Kongsberg may be subject to legal costs and may not be able to use the patented technology or may have to pay a fee for the continued use of such patents.

The consequences of any of the intellectual property disputes with third parties described above could materially adversely affect Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**A change in tax laws of any country in which Kongsberg operates from time to time, or complex tax laws associated with international operations which Kongsberg may undertake from time to time, could result in a higher tax expense or a higher effective tax rate on Kongsberg's earnings**

Kongsberg is subject to taxation by Norwegian tax authorities and the relevant governmental authorities in the other countries in which Kongsberg conducts operations through various subsidiaries. Tax laws and regulations are highly complex and subject to interpretation and change. Any change in taxation regime or interpretation of present tax regulations may affect the payable or deferred taxes of Kongsberg, and thereby have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

It should also be noted that Kongsberg, when computing its tax obligations and filing tax returns etc. in Norway and other countries, is required to take various tax accounting and reporting positions on matters that are not entirely free from doubt and for which Kongsberg has not received binding rulings from the local tax authorities. If additional taxes are imposed on Kongsberg, it may have a material adverse effect on the business, results of operations, cash flows, financial condition and/or prospects of Kongsberg.

**A loss of a major tax dispute or a successful tax challenge to Kongsberg's operating structure or to Kongsberg's tax payments, among other things, could result in a higher tax rate on Kongsberg's earnings, which could have a material adverse effect on Kongsberg's earnings and cash flows**

From time to time, Kongsberg's tax payments may be subject to review or investigation by tax authorities of the jurisdictions in which Kongsberg operates. If any tax authority successfully challenges Kongsberg's operational structure, intercompany pricing policies, the taxable presence of its subsidiaries in certain countries, or if Kongsberg loses a material tax dispute in any country, or any tax challenge of Kongsberg's tax payments is successful, Kongsberg's effective tax rate on its earnings could increase substantially and Kongsberg's earnings and cash flows from operations could be materially adversely affected. There are, for instance, several transactions taking place between the companies in Kongsberg, which must be carried out in accordance with arm's length principles in order to avoid adverse tax consequences. Statutory documentation on a transfer pricing policy with the aim of determining arm's length prices for intercompany transactions has been established in order to minimise this risk. However, there can be no assurance that the tax authorities will conclude that the Group's transfer pricing policy calculates correct arm's length prices for intercompany transactions, which could lead to an adjustment of the agreed price, which would in turn lead to an increased tax cost for Kongsberg.

**Laws and regulations could hinder or delay Kongsberg's operations, increase Kongsberg's operating costs and reduce demand for its systems and solutions**

Kongsberg is subject to complex laws and regulations, including environmental regulations that can adversely affect the cost, manner or feasibility of doing business. Kongsberg's operations are subject to government oversight and regulation in the form of international conventions, export regulations, sanctions, national, state and local laws and regulations in force in the jurisdictions in which Kongsberg Gruppen and its subsidiaries operate, as well as in the countries of their registration. Because such conventions, export regulations, laws and regulations are often revised, Kongsberg cannot predict the ultimate cost of complying with such conventions, laws and regulations or the impact thereof. Kongsberg may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to: maintenance and inspection; development and implementation of emergency procedures; and insurance coverage or other financial assurance of Kongsberg's ability to address pollution incidents. Hence, such laws and regulations could hinder or delay Kongsberg's operations, increase Kongsberg's operating costs and reduce demand for its systems and solutions. This could in turn have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**The Group may be exposed to liabilities under various laws and regulations regarding anti-corruption and anti-bribery and with international sanctions regimes**

Kongsberg is subject to laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties for the purpose of obtaining or retaining business. Although the Group has policies and procedures designed to ensure that it operates in compliance with applicable laws and regulations, there can be no assurance that such policies or procedures will work effectively all of the time or protect them against liability for actions taken by their employees, consultants, sales agents or distributors, because these parties are not always

subject to the Group's control. Existing safeguards, such as the Group's anti-bribery and anti-corruption policies, and any future improvements may prove to be ineffective, and the Group's employees, consultants, sales agents or distributors may engage in conduct for which the Group might be held responsible. Violations of anti-corruption and anti-bribery laws and sanction regimes could result in severe criminal or civil sanctions being imposed on the Group and the Group may be subject to other liabilities and reputational harm, as well as to debarment from public procurement procedures. In addition, regulatory and governmental bodies may seek to hold the Group liable for successor liability violations of these laws committed by companies in which it invests or that it acquires. Any of the foregoing could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

In its pursuit of future business opportunities, Kongsberg makes use of agents and market representatives and has entered into several agency agreements or similar representative arrangements in a number of jurisdictions outside Norway to promote sales and solicit orders, as well as to gather information about local market conditions and developments. The use of agents and representatives implies a risk for Kongsberg related to compliance with applicable laws and regulations, including anti-corruption, anti-money laundering and anti-trust. Although Kongsberg has implemented policies and procedures to mitigate these risks, involving inter alia use of standard form engagement agreements, due diligence of potential new agents and audits of appointed agent's books and records, there can be no assurances that such policies and procedures will work efficiently, nor protect Kongsberg against liability, allegations, investigations, commencement of legal proceedings or loss of reputation arising from or in connection with actions or omissions taken by such agents or representatives.

### **1.5 Risks related to financing and market risk**

#### **In order to execute Kongsberg's growth strategy, Kongsberg may require additional capital in the future, which may not be available**

To the extent Kongsberg does not generate sufficient cash from operations, Kongsberg may need to raise additional funds through debt or additional equity financings to execute Kongsberg's growth strategy and to fund capital expenditures. Adequate sources of capital funding may not be available when needed or may not be available on favourable terms. Kongsberg's ability to obtain such additional capital or financing will depend in part upon prevailing market conditions as well as conditions of its business and its operating results, and those factors may affect its efforts to arrange additional financing on satisfactory terms. If Kongsberg raises additional funds by issuing additional shares or other equity or equity-linked securities, it may result in a dilution of the holdings of existing shareholders. If funding is insufficient at any time in the future, Kongsberg may be unable to fund maintenance requirements and acquisitions, take advantage of business opportunities or respond to competitive pressures, any of which could adversely impact Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

#### **Kongsberg's existing or future debt arrangements could limit Kongsberg's liquidity and flexibility in obtaining additional financing, in pursuing other business opportunities or the Company's ability to declare dividends to its shareholders**

As at 31 December 2018, the book value of Kongsberg's current and non-current borrowings was NOK 4,332 million, representing 25.5% of its total equities and liabilities. The current indebtedness and future indebtedness that Kongsberg may incur could affect Kongsberg's future operations, as a portion of Kongsberg's cash flow from operations will be dedicated to the payment of interest and principal on such debt and will not be available for other purposes. Covenants contained in Kongsberg's debt agreements require the Company, its subsidiaries and/or Kongsberg to meet certain financial measures. These may affect Kongsberg's flexibility in planning for, and reacting to, changes in its business and limit Kongsberg's ability to dispose of assets or use the proceeds from such dispositions, withstand current or future economic or industry downturns or compete with others in the industry for strategic opportunities.

In addition, such financial measures do and could further place restrictions on Kongsberg's ability to declare dividends to its shareholders. Kongsberg's ability to meet its debt service obligations and to fund planned expenditures will be dependent upon Kongsberg's future performance, which will be subject to general economic conditions, industry cycles and financial, business and other factors affecting Kongsberg's operations, many of which are beyond Kongsberg's control. Kongsberg's future cash flows may be insufficient to meet all of its debt obligations and contractual commitments, and any such insufficiency could adversely affect Kongsberg's business.

To the extent that Kongsberg is unable to repay its indebtedness as it becomes due or at maturity, Kongsberg may need to refinance its debt, raise new debt, sell assets or repay the debt with the proceeds from equity offerings.



Additional indebtedness or equity financing may not be available to Kongsberg in the future for the refinancing or repayment of existing indebtedness, and Kongsberg may not be able to complete asset sales in a timely manner sufficient to make such repayments.

**If Kongsberg is unable to comply with restrictions and the financial covenants in agreements governing its indebtedness, there could be a default under the terms of these agreements, which could result in an acceleration of repayment of funds that have been borrowed**

If Kongsberg is unable to comply with restrictions and covenants in the agreements governing its indebtedness or in current or future debt financing agreements, there could be a default or cancellation under the terms of those agreements. Kongsberg's ability to comply with such restrictions and covenants, including meeting financial ratios and measures, is dependent on its future performance. If a default occurs under these agreements, lenders could terminate their commitments to lend or accelerate the outstanding loans and declare all amounts borrowed due and payable. Borrowings under debt arrangements that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable. In addition, certain of Kongsberg's financing agreements include change of control provisions which if triggered could result in Kongsberg having to immediately prepay all amounts, including interest, accrued and owing under the relevant facility. If any of these events occur, Kongsberg cannot guarantee that its assets will be sufficient to repay in full all of its outstanding indebtedness, and Kongsberg may be unable to find alternative financing. Even if Kongsberg could obtain alternative financing, that financing might not be on terms that are favourable or acceptable. The occurrence of such events may have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Interest rate and currency rate fluctuations could affect Kongsberg's cash flow and financial condition**

Interest rate fluctuations could affect Kongsberg's cash flow and financial conditions. This is in principal driven by two exposures, interest bearing debt, fixed to floating interest rate SWAPS and FX forward contracts used for hedging future income and expenses in foreign currencies. Kongsberg's existing debt consists primarily of NOK bond loans. Kongsberg has issued bonds with fixed margin plus 3 month NIBOR (meaning the Norwegian Interbank Offered Rate administered by Finance Norway (Nw.: Finans Norge) and calculated in cooperation with the Oslo Stock Exchange) as well as fixed interest rate bonds. When issuing new bonds Kongsberg could be impacted of both changes in credit spreads and interest rates. Kongsberg has entered into fixed to floating interest rate SWAPS which increases the exposure to interest rate fluctuations.

The NOK value of future income and expenses in foreign currencies are impacted of both current exchange rates as well as differences in interest rate levels between NIBOR and interest rate levels in other currencies.

Kongsberg trade FX forwards to mitigate FX risk in cash flows from projects where income currency differs from cost currency, or when cash flows differs from the functional currency of the entity. The terms of the FX forwards are decided by the actual FX spot rate and the interest rate differential between income currency and cost currency. When interest rate in income currency is higher than cost currency the FX forward rate will be lower than FX spot rate – and vice versa. This differential can be seen as the cost of hedging. In cases where hedging tenors are long and interest rate differential is high, the cost of hedging can be material and thus represents a significant risk for Kongsberg. Interest rate and currency exchange fluctuations can therefore materially adversely affect Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Liquidity risk**

Liquidity risk is the risk that Kongsberg may not be able to meet its liabilities as they fall due. Kongsberg's policy on overall liquidity is to ensure that there are sufficient cash and other liquid funds available which, when combined with committed credit facilities, are sufficient to meet short-term funding requirements. An insufficient liquidity position may have a material adverse effect on the operations and development of Kongsberg, which in turn may have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

**Credit risk**

Kongsberg routinely executes a large volume of transactions involving daily settlement of substantial amounts, many of which expose Kongsberg to the risk of contractual default by a counterparty. Kongsberg's profitability, cash flows and financial condition may have a materially adverse effect, should its counterparties fail to meet their contractual obligations. Further, a general downturn in financial markets and economic activity may result in a higher volume of

late payments and outstanding receivables. Even though Kongsberg seeks to recover all outstanding receivables, the amounts of write-offs may increase and have a materially adverse effect on the nosiness, results of operations, cash flows, financial condition and/or prospects of Kongsberg.

### **Currency risk**

Kongsberg has a significant share of its revenues outside Norway and a large share of the cost-base in Norway, and its accounting and reporting currency is the Norwegian krone. Currency fluctuations could therefore have a material adverse effect on its business, results of operations, cash flows, financial condition and/or prospects. This may also give a disadvantage towards competitors operating in specifically U.S. Dollars and Euro. Currency fluctuations in general has increased significantly in recent years and can have a substantial impact on Kongsberg's operating costs directly. Currency fluctuations during tendering processes until signing of contract may also affect profitability. Hedging of currency towards contracts is a normal part of the financial operation of Kongsberg. Cancellation of contracts, third party or customers bankruptcies may impact the hedged positions and may accordingly also impact the profitability if such conditions are not cloused in the contracts. Currency risk can also appear in relation to bidding processes where customers do not accept currency risk clauses in the contract nor accept to carry the currency risk their selves. Such risk can affect the profitability to Kongsberg and in turn have a material adverse effect on its business, results of operations, cash flows, financial condition and/or prospects.

### **Risk for over-capitalisation**

If the Transaction is not completed, then the Company will have raised financing through the Rights Issue and the Bond Issue for which it has no actual need and the Company may by reason of this have a lower return on capital employed than it otherwise would have had.

## **1.6 Risks related to the Kongsberg group structure**

### **The Company is dependent upon cash flow from subsidiaries to meet its obligations and in order to pay dividends to its shareholders**

The cash that Kongsberg obtains from its subsidiaries is the principal source of funds necessary to meet its obligations. Contractual provisions or laws, including laws or regulations related to the repatriation of foreign earnings, as well as Kongsberg's subsidiaries' financial condition and, operating requirements, potential restrictive covenants in future debt arrangements and debt requirements, may limit Kongsberg's ability to obtain cash from subsidiaries or joint ventures that it requires to pay its expenses or meet its current or future debt service obligations or to pay dividends to its shareholders. The Norwegian Public Limited Liability Companies Act of 13 June 1997 no. 45 (Nw. *Allmennaksjeloven*), as amended (the "**Norwegian Public Companies Act**"), also imposes certain legal restrictions on dividends, loans and advances from Norwegian subsidiaries that may affect the ability of Kongsberg's subsidiaries to transfer funds to the Company. Applicable tax laws may also subject such payments to Kongsberg by subsidiaries to further taxation.

While Kongsberg currently not is subject to any restrictions materially limiting its ability to transfer cash from its subsidiaries or joint ventures, Kongsberg may become subject to such restrictions in the future. As a result, Kongsberg may not be permitted to make the necessary transfers from its subsidiaries or joint ventures to meet its obligations or to pay dividends to its shareholders may mean that, even though Kongsberg may have sufficient resources on a consolidated basis to meet such obligations or to pay dividends to its shareholders, Kongsberg may not be permitted to make the necessary transfers from its subsidiaries or joint ventures to meet such obligations or to pay dividends to its shareholders. Likewise, Kongsberg may not be able to make necessary transfers from its subsidiaries in order to provide funds for the payment of its obligations, for which Kongsberg is or may become responsible under the terms of the governing agreements of Kongsberg's indebtedness. A payment default by Kongsberg, or any of the Group's subsidiaries, on any debt instrument would have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects.

### **Kongsberg's financial condition may be materially adversely affected if Kongsberg fails to successfully integrate acquired assets or businesses, or is unable to obtain financing for acquisitions on acceptable terms**

Kongsberg believes that acquisition opportunities may arise from time to time, and that any such acquisition could be significant. At any given time, discussions with one or more potential sellers may be at different stages. However, any such discussions may not result in the consummation of an acquisition transaction, and Kongsberg may not be able to identify or complete any acquisitions or make assurances that any acquisitions Kongsberg makes will perform

as expected or that the returns from such acquisitions will support the investment required to acquire or develop them. Kongsberg cannot predict the effect, if any, that any announcement or consummation of an acquisition would have on the trading price of the Shares.

Any future acquisitions could present a number of risks, including:

- the risk of using management time and resources to pursue acquisitions that are not successfully completed;
- the risk of failing to identify material problems during due diligence;
- the risk of over-paying for assets;
- the risk of failing to arrange financing for an acquisition as may be required or desired;
- the risk of incorrect assumptions regarding the future results of acquired operations;
- the risk of failing to integrate the operations or management of any acquired operations or assets successfully and timely; and
- the risk of diversion of management's attention from existing operations or other priorities.

In addition, the integration and consolidation of acquisitions requires substantial human, financial and other resources, including management time and attention, and may depend on Kongsberg's ability to retain the acquired business' existing management and employees or recruit acceptable replacements. Ultimately, if Kongsberg is unsuccessful in integrating any acquisitions in a timely and cost-effective manner, Kongsberg's business, results of operations, cash flows, financial condition and/or prospects could be materially adversely affected.

#### **Kongsberg has engaged in divestments that may subject it to associated risks and liabilities**

Kongsberg has provided certain representations, warranties and indemnities in connection with the businesses it has sold. As a result, Kongsberg may be subject to the risk of liability for breach of representations and warranties and/or indemnity obligations in favour of the respective buyers. While Kongsberg does not currently believe there will be claims under these representations, warranties and indemnities, it is possible that claims could be made against Kongsberg in the future. If such a claim or claims were successful, it could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial position and/or prospects.

#### **1.7 Risks related to Rolls-Royce Commercial Marine**

##### **Rolls-Royce Commercial Marine is subject to a number of operational risks and market risks**

Rolls-Royce Commercial Marine operations are similar to those of Kongsberg Maritime and it operates in the same market as Kongsberg Maritime. The operational risks and the market risks related to Rolls-Royce Commercial Marine are therefore materially the same as the operational and market risks pertaining to Kongsberg. The general risk factors described in Section 1.1 "Risks related to the industry in which Kongsberg operates", Section 1.2 "Risks related to Kongsberg" and Section 1.4 "Risks related to laws, regulation and litigation" therefore generally apply correspondingly to Rolls-Royce Commercial Marine. If any such risk materialise with respect to Rolls-Royce Commercial Marine, this may have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial position and/or prospects.

##### **Rolls-Royce Commercial Marine may become subject to claims and litigation that could have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects**

Rolls-Royce Commercial Marine is and may in the future become subject to claims and litigation from customers and other third parties in the ordinary course of its business. Such third party claims are regularly solved without any significant costs for Rolls-Royce Commercial Marine, and Rolls-Royce Commercial Marine has liability insurance cover reducing its exposure against such claims. While neither of these claims currently are deemed to be significant, it cannot be excluded that the claims will be increased and neither Rolls-Royce Commercial Marine and Kongsberg can predict with certainty the outcome or effect of any of these claims or other litigation matter Rolls-Royce Commercial Marine may become subject to in the future. If Rolls-Royce Commercial Marine is unsuccessful in its defence of

significant claims and such claims are not covered or only partly covered by insurance, the outcome of such litigations may have a material adverse effect on Kongsberg's business, results of operations, cash flows, financial condition and/or prospects. There may also be significant costs associated with defending against claims and also significant deductibles under insurances, and management's attention to these matters may divert their attention from Kongsberg's operations.

#### **Ongoing cost cutting program**

Rolls-Royce Commercial Marine has an ongoing cost cutting program, Ship Shape, which it will continue to carry out prior to completion of the Transaction. Although Kongsberg will work closely with Rolls-Royce Commercial Marine on the ongoing efforts, there are no guarantees that the program will achieve the savings effects previously communicated and outlined by Rolls-Royce.

#### **Investments and development of technologies**

Similar to Kongsberg, Rolls-Royce Commercial Marine has invested and is planning to invest significant capital and resources in the development of new maritime technologies, such as autonomy and remote asset management. Although Kongsberg is a firm believer in the future prospects and potential vital application of these technologies, there are no guarantees that they will be adopted by the market or whether Kongsberg and Rolls-Royce Commercial Marine will be successful in developing them. Further, it can be no guarantee that the technology of Rolls-Royce Commercial Marine is fully up to date and/or satisfies the expectations of the customers, and it might accordingly be necessary for Kongsberg to make additional significant investments in such technology in order for it to be well received by the market.

### **1.8 Risks related to the Bonds**

#### **The Company's indebtedness under the Bonds**

Following the issuance of the Bonds, the Company will have increased indebtedness which could have negative consequences for the bondholders as:

- (i) the Company's ability to obtain additional financing for working capital, capital expenditure, asset acquisitions or general corporate purposes and its ability to satisfy its obligations under the Bonds may be impaired in the future;
- (ii) the Company may be more vulnerable to general adverse economic and industry conditions;
- (iii) the Company may be at a competitive disadvantage compared to its competitors with less indebtedness or comparable indebtedness at more favorable interest rates and as a result, it may not be better positioned than its competitors to withstand economic downturns; and
- (iv) the Company's ability to refinance indebtedness may be limited or the associated costs may increase.

#### **Risks related to the market for the Bonds**

There is no existing market for the Bonds and there can be no assurance that an active trading market will develop or be sustained. If a market does develop for the Bonds, it may not be liquid. Therefore, investors of the Bonds may experience challenges when trading in the Bonds, and may not be able to trade and sell the Bonds in the secondary market at all, or at prices that will provide them with a yield comparable to similar investments in that have developed in the secondary market. Lack of liquidity in the secondary market may adversely affect the market value of the Bonds. Generally, weak global credit market conditions could contribute to a lack of liquidity in the secondary market for instruments similar to the Bonds. A failure in the market for securities similar to the Bonds could adversely affect the market value of the Bonds.

#### **The market value of the Bonds may fluctuate**

The market value of the Bonds depends of a number of interrelated factors, including economic, financial and political events in Norway and elsewhere, including factors affecting capital markets generally and the Oslo Stock Exchange where the Bonds are traded. As such, the market value of the Bonds may decrease or fluctuate significantly and may not always reflect the underlying assets value of the Company. A number of factors beyond the Group's control may impact the Group's performance and thus the price of the Bonds. Furthermore, any change in market sentiment regarding the Group may be due to speculation about the Group's business in the media or investment community, changes in the Group's profit estimates, the publication of research reports by analysts, and changes in general market conditions. If any of these factors occurs, the pricing of the Bonds could be materially and adverse affected.

If the trading volume and price of the Bonds fluctuate significantly, it could cause potential investors to lose a significant part of their investment. Thus, any prospective investor must be able to suffer such economic risk, and/or to withstand a complete loss of an investment in the Bonds.

#### **Risk of being unable to repay the Bonds**

During the lifetime of the Bonds, the Company will be required to make payments on the Bonds. The Company's ability to generate cash flow from operations and to make scheduled payments on and repay the Bonds will depend on the Group's future financial performance. The future performance of the Group will be affected by a range of economic, competitive, governmental, operating and other business factors, many of which cannot be controlled, such as general economic and financial conditions in the business or the economy at large. A significant reduction in operating cash flows resulting from changes in economic conditions, increased competition or other events could increase the need for additional or alternative sources of liquidity and could have a material adverse effect on the Group's business, financial condition or results of operations, as well as its ability to service its debt, which includes the Company's ability to service the Bonds, and other obligations.

If the Group is unable to generate sufficient cash flow to service its indebtedness, it will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing indebtedness or seeking equity capital. The Company cannot assure investors that any of these alternative strategies could be effected on satisfactory terms, if at all, or that they would yield sufficient funds to make required payments on the Bonds (nor any indebtedness incurred by its subsidiaries). In addition, any failure to make scheduled payments of interest and principal on outstanding indebtedness is likely to result in a reduction of credit rating, which could harm the ability to incur additional indebtedness on acceptable terms. Inability to effect alternative strategies to service the Group's indebtedness, including the Bonds, may have a material adverse effect on the Group's business, results of operations, financial position and/or prospects.

#### **The bond conditions may be amended**

The Bond Agreements contain provisions for calling for meetings of bondholders in the event that either of the Company, the bondholders representing at least 1/10 of the Voting Bonds (as such term is defined in the Bond Agreements), the Oslo Stock Exchange or the Bond Trustee so requests, in writing. At the meeting of bondholders it may, on behalf of all bondholders, be resolved to amend any of the terms and conditions applicable to the Bonds, subject to a quorum being formed at the relevant bond meeting. Such provisions permit defined majorities to bind all bondholders, including bondholders who does not attend and vote at the relevant meeting of bondholders and bondholders who vote in a manner contrary to the majority. There can be no assurance that amendments to the terms and conditions of the Bonds will not be made, nor can the result of any such amendments be anticipated. Any such amendments may be a disadvantageous to bondholders.

#### **Upon the occurrence of a Change of Control Event, the Group may have insufficient funds to make the required repurchase or redemption, as applicable, of the Bonds**

Upon the occurrence of a Change of Control Event or a De-listing (as such term is defined in the Bond Agreements), each individual bondholder shall, subject to certain conditions being met, have the right to require that the Company purchases some or all of the Bonds held by that bondholder at a price equal to 101% of par (plus accrued and unpaid interest). However, it is possible that the Company will have insufficient funds at the time of the relevant Change of Control Event or De-listing to repurchase the Bonds. The Company's failure to repurchase the Bonds would constitute an event of default under the Bond Agreements.

#### **Insolvency of the Company**

As the Company is incorporated under the laws of Norway, an insolvency proceeding relating to the Company, even if it is brought in another jurisdiction, would likely involve Norwegian insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of those of other jurisdictions with which investors are familiar. Investors should also note that the process of making a claim as creditor of the Company under Norwegian law may be complex and time consuming, and could result in substantial reductions in payments to holders of the Bonds.

#### **Settlement risk**

There is a risk that the settlement of trades in the Bonds in the secondary market will not take place as agreed. The settlement risk consist of the failure by the buyer to pay for Bonds or the failure by the seller to deliver Bonds.

**The terms and conditions of the Bond Agreements will allow for modification of the Bonds or waivers or authorizations of breaches and substitution of the Company which, in certain circumstances, may be affected without consent of the bondholders**

The Bond Agreements contain provisions for calling meetings of bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all bondholders, including bondholders who did not attend and vote at the relevant meeting and bondholders who voted in a manner contrary to the majority.

The Bond Trustee, as trustee on behalf of the bondholders, may without the consent of bondholders, agree to certain modifications of the Bond Agreement and other Finance Documents (as defined in the Bond Agreement) which, in the opinion of the Bond Trustee, are proper to make.

**Applicable law may limit the transfer of cash among entities within the Group**

Applicable law may limit the amounts that some members of the Group will be permitted to pay as dividends or distributions on their equity interest and limitations of the ability to transfer cash among entities within the Group may result in, even though the entities in aggregate have sufficient resources to meet their obligations, a non-permission for the Company to make the necessary transfers within the Group to meet its payment obligations as they become due.

**Exchange rate risks and exchange control**

Subject to the Bond Agreements, the Company will pay principal and interest on the Bonds in NOK. This presents certain risks relating to currency conversions if a prospective investor's financial activities are principally denominated in a currency or currency unit (the "**Investor's Currency**") other than NOK. Such risks include, inter alia, the risk that exchange rates may significantly change (including changes due to devaluation of NOK or revaluation of the Investor's Currency) because of economic, political and other factors beyond the Company's control, as well as the risk that authorities with jurisdiction over the Investor's Currency may impose or modify current exchange controls. An appreciation in the value of the Investor's Currency relative to NOK would decrease (i) the Investor's Currency equivalent yield on the Bonds, (ii) the Investor's Currency equivalent value of the principal payable on the Bonds, and (iii) the Investor's Currency equivalent market value of the Bonds. Furthermore, governmental and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, prospective investors may receive less interest or principal than expected, or, no interest or principal at all.

**Investors may not be able to sell their Bonds at their preferred time or price due to registration requirements of certain jurisdictions**

The Company relied upon exemptions from registration under the U.S. Securities Act, applicable state securities laws and UK and EU securities laws in the placement of the Bonds. As a result, in the future, the Bonds may be transferred or resold only in a transaction registered under or exempt from the registration requirements under the aforementioned legislation. Accordingly, investors of the Bonds may not be able to sell their Bonds at their preferred time or price. The Company cannot assure investors as to the future liquidity of the Bonds and, as a result, investors bear the financial risk of their investments in the Bonds.

**Prospective investors may not be able to recover in civil proceedings for U.S. securities laws violations**

The Bonds are issued by the Company, as a company incorporated under the laws of Norway. All members of the Company's executive management and directors currently reside outside of the United States, and all of its assets are currently located outside the United States. As a result, prospective investors may be unable to effect service or process within the United States, or to recover on judgements of United States' courts in any civil proceedings under the U.S. federal securities laws or other applicable laws and regulations for securities laws violations.

**Enforcement of rights as a bondholder across multiple jurisdictions may prove difficult**

It may be difficult or impossible for bondholders to bring an action against the Group or the assets of the Group. Upon the occurrence of an event of default under the Bond Agreements, any enforcement proceedings could be subject to lengthy delays resulting in, inter alia, increased custodial costs and/or adverse tax consequences. The costs of enforcement in foreign jurisdictions, particularly if proceedings are on-going simultaneously in different jurisdictions, can be high. Even if the bondholders are successful in bringing an action in these jurisdictions, local laws may prevent or restrict the bondholders from enforcing a judgment against the Group's assets or the assets of its directors and/or officers.

**Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its own legal advisors to determine whether and to what extent (i) the Bonds constitute a legal investment for that investor, (ii) the Bonds can be used for collateral for various types of borrowings, and (iii) other restrictions applicable to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

**Risk related to changes in laws and administrative practice**

The Bond Agreements are based on prevailing Norwegian law as at the date of the issue of the Bonds. No assurance can be given as to the impact of any judicial decision or amendments in Norwegian legislation or administrative practice after the date of issue of the Bonds. Changes in law, regulations or administrative practice, or the interpretation thereof, after the date of this Prospectus may affect the Bonds in general, the rights of the holders of Bonds as well as the market value of the Bonds.

## **2 RESPONSIBILITY FOR THE PROSPECTUS**

### **2.1 Persons responsible for the information**

Persons responsible for the information given in this Prospectus are as follows:

Kongsberg Gruppen ASA  
Kirkegårdsveien 45, 3616 Kongsberg, Norway

Post address: P.O. Box 1000, 3601 Kongsberg, Norway

### **2.2 Declaration of responsibility**

This Prospectus has been prepared in connection with the listing of the Bonds on the Oslo Stock Exchange.

The Company accepts responsibility for the information contained in this Prospectus. The Company confirms that, after having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

20 March 2019

Kongsberg Gruppen ASA

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Geir Håøy  
Chief executive officer



### 3 GENERAL INFORMATION

#### 3.1 Other important investor information

The Company has furnished the information in this Prospectus. No representation or warranty, express or implied is made by the Managers as to the accuracy, completeness or verification of the information set forth herein, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. The Managers assume no responsibility for the accuracy or completeness or the verification of this Prospectus and accordingly disclaims, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which it might otherwise be found to have in respect of this Prospectus or any such statement.

Neither the Company nor the Managers, or any of their respective affiliates, representatives, advisers or selling agents, is making any representation to any bondholder regarding the legality of an investment in the Bonds. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of an investment in the Bonds.

Investing in the Bonds involves a high degree of risk. See Section 1 "Risk factors".

##### 3.1.1 *Industry and market data*

This Prospectus contains statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data pertaining to the Group's future business and the industries and markets in which it may operate in the future. Unless otherwise indicated, such information reflects the Company's estimates based on analysis of multiple sources, including data compiled by professional organisations, consultants and analysts and information otherwise obtained from other third party sources, such as annual financial statements and other presentations published by listed companies operating within the same industry as the Company may do in the future. Unless otherwise indicated in the Prospectus, the basis for any statements regarding the Company's competitive position in the future is based on the Company's own assessment and knowledge of the potential market in which it may operate.

The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified. The Company does not intend, and does not assume any obligations to update industry or market data set forth in this Prospectus. The Company confirms that no statement or report attributed to a person as an expert is included in this Prospectus.

Industry publications or reports generally state that the information they contain has been obtained from sources believed to be reliable, but the accuracy and completeness of such information is not guaranteed. The Company has not independently verified and cannot give any assurances as to the accuracy of market data contained in this Prospectus that was extracted from these industry publications or reports and reproduced herein. Market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgments by both the researchers and the respondents, including judgments about what types of products and transactions should be included in the relevant market.

As a result, prospective investors should be aware that statistics, data, statements and other information relating to markets, market sizes, market shares, market positions and other industry data in this Prospectus (and projections, assumptions and estimates based on such information) may not be reliable indicators of the Company's future performance and the future performance of the industry in which it operates. Such indicators are necessarily subject to a high degree of uncertainty and risk due to the limitations described above and to a variety of other factors, including those described in Section 1 "Risk factors" and elsewhere in this Prospectus.

##### 3.1.2 *Other information*

In this Prospectus, all references to "**NOK**" are to the lawful currency of Norway, all references to "**USD**" or "**U.S. Dollar**" are to the lawful currency of the United States of America ("**U.S. or United States**"), all references to "**GBP**" are to the lawful currency of the United Kingdom and all references to "**Euro**" or "**EUR**" are to the lawful common

currency of the European Union (the "**EU**") member states who have adopted the Euro as their sole national currency. No representation is made that the NOK, USD, GBP and EUR amounts referred to herein could have been or could be converted into NOK, USD, GBP or EUR as the case may be, at any particular rate, or at all. The financial information is published in NOK.

### *3.1.3 Rounding*

Certain figures included in this Prospectus have been subject to rounding adjustments (by rounding to the nearest whole number or decimal or fraction, as the case may be). Accordingly, figures shown for the same category presented in different tables may vary slightly. As a result of rounding adjustments, the figures presented may not add up to the total amount presented.

## 4 BUSINESS OF THE GROUP

### 4.1 Introduction

Kongsberg is an international technology group, with roots dating back to 1814, that delivers advanced and reliable solutions that improve safety, security and performance in complex operations and under extreme conditions. Kongsberg operates mainly within the global defence, maritime, oil and gas, fisheries and aerospace sectors. The Group's business is reported as two business areas, Kongsberg Maritime and Kongsberg Defence & Aerospace, in addition to "Other activities", consisting of Kongsberg Digital, real estate business and the corporate staff. Based on the Financial Statements, Kongsberg Maritime accounted for 51% of the Group's total revenues, while Kongsberg Defence & Aerospace accounted for 44% of the Group's total revenues.

The Company is headquartered in Kongsberg, Norway, where the group management is based, and has been listed on the Oslo Stock Exchange since 1993. The Norwegian state, represented by the Norwegian Ministry of Trade, Industry and Fisheries, is the largest shareholder with 50.001% of the Company's shares ("**Shares**").

### 4.2 Overview of the Group's business areas

#### 4.2.1 Overview

Kongsberg is divided into three business areas and other operations. The three business areas are:

- Kongsberg Defence & Aerospace;
- Kongsberg Maritime; and
- Kongsberg Digital.

Please see "Operating segment data" in the Financial Statements incorporated by reference hereto (see Section 9.3 "Incorporation by reference") for information on revenues derived from each of the Group's business areas. Kongsberg Digital is a digital focus area under development which is reported as "other activities". "Other activities" also include real estate business and the corporate staff.

#### 4.2.2 Kongsberg Defence & Aerospace

Kongsberg Defence & Aerospace is a supplier of defence products and systems for command and control, surveillance, space, tactical communications, remote weapon stations and missiles, as well as advanced composites and engineering products for the aircraft and helicopter market. The activities span from underwater to surface, land and air to space. The main divisions and products of Kongsberg Defence & Aerospace are described below.

#### Integrated Defence Systems

The Integrated Defence Systems division provides air defence systems, land-based command and control systems, surveillance systems, naval combat systems as well as the NINOX Remote Tower System. The ground based air defence solutions include the National Advanced Surface-to-air Missile Systems ("**NASAMS**"), where the division has a strategic co-operation agreement with Raytheon, the HAWK XXI system (which combines combat-proven air defence credentials with advanced fire control and battle management) the FDC-SHORAD/VSHORAD (FDC-S) system (which provides air defence battle management, fire control and coordination, and system communications management), the BOC (Battalion Operations Center) and the GBADOC (Ground Based Air Defence Operation Center). Other products include advanced digital solutions utilized by the Army for their artillery systems, combat vehicles, command centers etc., C4ISR solutions for Norwegian and allied systems and Simulation & Training.

The NINOX Remote Tower System is the solution for all future remote tower related operations; virtual-, contingency- and remotely controlled towers. NINOX is a new Remote Tower System (RTS) that has been designed and engineered from the top down to provide exceptional performance within cutting-edge camera technologies, real-time systems with high network security based on open international DDS standard, and sensor technologies. Avinor's NINOX program is considered by the Company to be the world's largest RTS program.

In addition, Kongsberg offers world-class naval systems with a product range of systems for submarines, surface vessels, mine warfare systems, underwater surveillance and protection, and simulation and training.

The division has also established kta Naval Systems, a joint venture company together with the German thyssenkrupp Marine Systems ("**tkMS**") and Atlas Elektronik for exclusive deliveries of combat systems to tkMS submarines.

## Space & Surveillance

The Space & Surveillance division delivers a broad spectrum of equipment, systems and services related to space and maritime surveillance to customers in more than 40 countries. The division is a supplier of satellite ground stations for downloading and processing satellite data, as well as maritime domain awareness systems and control centers for maritime surveillance. The Space & Surveillance division consists of five operational units; Kongsberg Space, Kongsberg Norspace AS, Kongsberg Norcontrol AS, Kongsberg Spacetec AS and Kongsberg Satellite Services AS.

Kongsberg Space is Norway's leading<sup>1</sup> supplier of equipment to scientific satellites, space probes and launchers. Through development, qualification, and delivery of products like attachment and release mechanisms, rotation and pointing mechanisms for solar wings and antennas, drive and control electronics and electro optical systems, Kongsberg Space is established as an important niche supplier to ESA and other European space operators.

Kongsberg Norspace AS delivers satellite on-board electronics for Telecommunications, Navigation, Search & Rescue, Earth Observation and Scientific programs. Its functions span from units for satellite remote control and telemetry (TT&C/TC&R) to frequency processing units. Kongsberg Norspace delivers globally to all major satellite prime manufacturers.

Kongsberg Norcontrol AS is a provider of high-end, real time situational awareness, decision support and management solutions and services for optimum safety, efficiency and security within the maritime domain. Typical solutions include Vessel Traffic Services (VTS), Vessel Tracking and Monitoring (VTM), Coastal and Exclusive Economic Zone (EEZ) surveillance, Critical National Infrastructure protection and River Information Systems (RIS). With a heritage of more than 40 years, Kongsberg Norcontrol's solutions are in-service with what is considered by the Company to be the world's leading maritime organisations, most successful port and coastal authorities, and safest offshore operators.

Kongsberg Spacetec AS is a world leading<sup>2</sup> provider of ground station systems for remote sensing and meteorological satellites. The unit's Multi-mission Earth Observation System (MEOS) provides complete turn-key solutions, including front end tracking antenna, data collection, Ground Station Control and Ground Station Networking, as well as solutions for image processing and other value added processing. Kongsberg Spacetec is also a provider of information and monitoring systems integrating comprehensive information on coastal-, sea- and land areas into a common operational picture.

Kongsberg Satellite Services AS ("**KSAT**") is a joint venture which operates over 60 antennas optimally positioned for access to polar and geostationary orbiting satellites. KSAT is also the world leading<sup>3</sup> company for maritime monitoring and surveillances services using satellite based data from several radar and optical services. KSAT provides unbiased multi-mission near real time services providing accurate information based on satellites to users worldwide in less than 20 minutes from data acquisition. The combination of KSAT ground station network and services is considered by the Company to be unrivalled.

## Missile Systems

The Missile Systems division has more than 50 years' experience from a variety of missile programmes. Products include the Naval Strike Missile (NSM), the Joint Strike Missile (JSM), Penguin Anti-Ship Missile (Penguin) and the Burst Adjustable Tactical Ranging Aiming Module (BATRAM 1550).

The Naval Strike Missile (NSM) is the only fifth generation long range precision strike missile in existence as per today. The NSM is a very flexible system which can be launched from a variety of platforms against a variety of targets. The NSM is in operational use in Norway and Poland and has also been sold to Malaysia and the U.S. navy. It has also been selected to be the missile for German Frigates.

The Joint Strike Missile (JSM) is a fifth generation cruise missile designed for anti-ship and land attack missions. JSM includes advanced mission planning systems to exploit sea and land geography. In addition, it employs a highly accurate navigation system and low altitude flight profile. The JSM range allows for launch platform survivability and

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<sup>1</sup> Company estimate.

<sup>2</sup> Company estimate.

<sup>3</sup> Company estimate.

flexible mission routing to enhance survivability and mission success. The JSM is suitable for F-35A and C model internal carry, and for all variants external carry and other fixed wing and maritime patrol aircrafts.

In addition, the division's product portfolio consists of Penguin Anti-Ship Missile (Penguin) and the Burst Adjustable Tactical Ranging Aiming Module (BATRAM 1550), the latest generation laser range finder from Kongsberg. The Penguin missile became the first anti-ship cruise missile developed in the western world and is considered by the Company to be the world's leading anti-ship missile on naval helicopters.

### **Aerostructures**

The Aerostructure division is a centre of excellence for complex structures in composites and high-alloy metals (titanium). The core capabilities range from design, prototyping and industrialisation, to large-volume manufacturing for aerospace and other high-performing markets. Activities range from the manufacture of parts for the F-35 and helicopters to the mechanical production and maintenance of helicopter gear boxes.

### **Defence Communications**

The Defence Communications division designs and manufactures high-quality ruggedised radios and radio links used in advanced tactical communication systems (K-TaCS). Typical applications for K-TaCS are Air Defence Systems, Wide Area Networks for Army and C4I networks. K-TaCS are used in more than 30 countries.

### **Protech Systems**

The Protech Systems division is a supplier of remote weapon stations. The system allows the soldiers to operate from a protected position inside the vehicle. Protech Systems has since 2001 delivered more than 19,000 systems to 19 nations. Among others, Kongsberg has been the sole supplier of Common Remotely Operated Weapon Station (CROWS) to the US Army since 2007. In September 2018, Kongsberg was awarded a framework agreement with the US Army securing deliveries for the next five-year period. The Protector Remote Weapon Station is a platform-mounted system for remote operation of light, medium and heavy machine guns. Through innovation, program execution and customer understanding, Kongsberg aims to provide high-tech systems for enhanced situational awareness and protection of personnel and property in high-risk areas. In 2017, the deliveries of the MCT-30 started. MCT-30 is a medium calibre turret based on the same technologies as the Protector RWS with highly accurate firepower.

### **Patria**

Kongsberg holds 49.9% of the shares in Patria, which is Finland's provider of technology solutions and life-cycle support services within defence, security and aviation. The company has an international organisation with some 2,800 employees, and holds 50% of the shares in the international aerospace and defence company Nammo AS which is headquartered in Norway.

#### *4.2.3 Kongsberg Maritime*

Kongsberg Maritime develops and delivers integrated vessel concepts to a wide range of vessels within the offshore, seaborne, passenger, offshore production, LNG, research and fishery vessel segments and specialised solutions for oil and gas offshore installations. Kongsberg Maritime supplies products and systems for advanced mapping surveying, sonars, underwater communication and marine robotics (Unmanned Surface Vessel (USV) and Autonomous Underwater Vehicle (AUV)) for, among other things, research, fishing and defence vessels, as well as aquaculture installations. Kongsberg Maritime has a large network of global customers and installations of over 18,000 vessels. The high-end technology and integration enables Kongsberg Maritime to offer increased operability, productivity, efficiency and safety for all applications ranging from marine subsea to all floating vessel types. Kongsberg Maritime's markets are classified as oil & gas, seaborne transportation and marine. The main portfolios and products of Kongsberg Maritime are described below.

### **Vessel systems**

Kongsberg Maritime's vessel systems portfolio is a wide range of products, systems and solutions that include systems such as automation systems, bridge systems, energy systems, handling equipment's and digital performance. The solution portfolio includes advanced integration of operational, energy and handling equipment. Other areas of expertise include in digital performance with information management solutions, integration and interface engineering within various electro, instrument and telecom disciplines with EPC delivery models. The vessel systems portfolio for all vessel segments is designed with state of art technologies to provide enhanced benefits to

vessel owners and operators in operational, energy and handling solutions. Kongsberg Maritime's vessel system portfolio is considered by the Company to be positioned as the key supplier to major operators, owners and shipyards in all merchant, offshore and oil and gas markets globally.

### **Oil & gas process automation**

Kongsberg Maritime's main competence in automation, added with information systems and process simulators, gives Kongsberg Maritime an unique position in the oil and gas offshore process industry. Delivering automation systems in combination with marine operations, riser management and total integrated electro-instrumentation-telecom solutions are some of the value added solutions for this segment. The traditional integrated control and safety system (ICSS) are modernized with new operator and communication platform with enhanced connectivity for data exchange and interface with engineering databases. Extensive use of simulation by use of LedaFlow, K-Spice and information management with DigitalTwin philosophy enhances the digital offerings that aim to be the need of the industry such as Johan Sverdrup digitalization and other oil majors digital flagship programs.

### **Marine robotics and underwater systems**

Kongsberg Maritime's marine robotics and underwater systems technology is applied predominantly in the offshore, oil and gas, surveying (seabed mapping, surveying and investigations), defence, fisheries & aquaculture, subsea construction and oceanography industries. Kongsberg Maritime's products and systems are based on what is considered by the Company to be highly innovative pioneering hydroacoustic technology and sensors, advanced signal processing and expert knowledge in underwater engineering. The portfolio includes single and multibeam echo sounders, sonars, autonomous underwater vehicles/marine robots and subsea transponders, in addition to advanced software for data processing, products for search and rescue, and defence applications.

### **Instrumentation, communication and advanced sensing solutions**

Kongsberg Maritime's advanced instrument and sensing portfolio includes for higher levels of technology specializing in precision position and motion sensing systems. Kongsberg Maritime offers a range of solutions for tank gauging, custody transfer, measuring instrumentation, cargo handling systems, condition monitoring, marine broadband communications, automatic identification systems, GPS tracking system, motion monitoring systems, seismic cable control and many more advanced sensing solutions. Delivering higher levels of autonomy in novel operations driving the need for a suite of sensing solutions both for unmanned ships and better decision support on a traditional bridge that includes a high end technology with improved integration and sensor fusion technology. The Company considers Kongsberg Maritime's strong digital connectivity, sensing solutions, measurement devices and instrumentation to be the key drivers for the autonomous vessel operations with safe navigation and operations at sea in commercial offshore, maritime, hydrographics and defence industries.

### **Remote services and operations**

Kongsberg Maritime has an installed base of over 18,000 vessels and some offshore production platforms. The maritime segment is serviced through a "24/7 – Follow the Sun" concept that provides a strong aftermarket support to its customers. Within autonomy, Kongsberg Maritime has taken a strategic customer facing position through its joint venture, Massterly with Wilh. Wilhelmsen, where Kongsberg Maritime and Wilh. Wilhelmsen complement each other and enables complete offerings towards new customer groups, cargo owners, logistic companies and shipowners. Some of the main offerings to the after sales market include global service and support (GSS), aftermarket projects (AMP) and analytics & operational services (AOS).

### **Emerging business**

Kongsberg Maritime is dedicated to supporting important emerging growth markets in maritime, offshore and offshore wind industry such as autonomy, satellite positioning, hybrid solutions and on-deck handling equipment. These areas, and other emerging interests, have significant synergies with Kongsberg Maritime's core profile and are generating major technology development and sales opportunities.

#### *4.2.4 Kongsberg Digital*

Kongsberg Digital delivers software and digital solutions to customers within the maritime, oil and gas, renewable energy and power supply industries. Kongsberg has expertise in the internet of things, smart data, artificial intelligence, digital twins and other areas supporting automation and autonomous operation. In Kongsberg Digital, Kongsberg's long and extensive industrial experience is combined with innovative digital skills.

"Kognifai" is Kongsberg's cloud-based digital platform. It is based on open standards and allows flexibility and scaling. In an open ecosystem, Kongsberg gives external and internal developers access to development frameworks to develop applications on the platform. Kongsberg existing applications are becoming available as services and, through a network of partners, this is expected to contribute to innovation and digital transformation within its industries.

Some of the most important trends in the industrial transformation are digital twins and digital threads. A digital twin is a digital representation either in the form of single components, such as a diesel engine, or all components in a device such as a whole ship. A digital thread is a chain of information about components which extends throughout the life cycle, from design and production to maintenance. This information is then connected to the digital twin. Within digital twins, Kongsberg is focusing on dynamic models that facilitate autonomous operations for oil and gas, renewable energy, and the maritime industry. Kognifai is specially designed to support these trends.

Within the energy market, Kongsberg Digital offers innovative technology and software solutions aimed at both the oil and gas industry and renewable energies:

- *Oil and gas:* during drilling operations, Kongsberg can combine data collection and visualisation in real time with well safety and performance optimisation, as well as applications for operational analysis and decision support. Kongsberg also has solutions that increase production efficiency and safety, reduce costs and save time using real-time simulators for design, multi-phase flow and training. These solutions have already been on the market for many years. In addition, Kongsberg uses a unique integrated rig management software solution called Rig Manager®, which is developed to meet challenges in managing offshore installations. Rig Manager® provides a single standardised system for data input, reporting and analysis. It can control a wide range of drilling- and rig-related assets and activities such as daily drilling and marine operations.
- *Renewable energy and power supply:* Kongsberg has extensive experience in automation, analysis and sensors. This is how Kongsberg can provide the energy industry with applications and features for smart data and decision support. Kognifai integrates all important operational information about the wind farms in the portfolio into one unified system, and empowers the user to take full control of the production, operation and maintenance planning in each farm. Kognifai comprises four modules of which the customer can select individually to meet their specific requirements; Performance Monitoring, Condition Monitoring, Production Forecasting and Wind Farm Control.

Kongsberg Digital has simulator solutions that ensure the authentic and thorough training of personnel and students in the maritime, marine and offshore markets. This provides them with important skills and knowledge that make real-life operations safer and more cost-effective. These simulator solutions are also used for verification and decision support, for example, in preliminary studies and research projects within design, security and cost optimisation. The Maritime Simulation comprises simulator solutions such as Ships bridge simulators (K-Sim® Polaris and K-Sim® Navigation), a Fishery Simulator (K-Sim® Fishery), an Engine Room Simulator (K-Sim® Engine) and a Liquid Cargo Handling Simulator (K-Sim Cargo).

Kongsberg Digital has a global footprint with most of its customers within various parts of the maritime sector and the offshore oil and gas industry. Main competitors are both established technology providers and new "digital" entrants.

#### **4.3 Legal proceedings**

From time to time, the Group is involved in litigation, disputes and other legal proceedings arising in the normal course of its business. However, neither the Company nor any other company in the Group has been involved in any legal, governmental or arbitration proceeding during the course of the preceding twelve months, which may have, or have had in the recent past, significant effects on the Company or Kongsberg's financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

#### **4.4 Material contracts**

Other than the Purchase Agreement which is described in Section 4.5 "The acquisition of Rolls-Royce Commercial Marine", neither the Company nor any member of the Group has entered into any material contracts outside the ordinary course of business of the Group for the two years immediately preceding the date of this Prospectus, and

no member of the Group has entered into any contracts outside the ordinary course of business of the Group containing obligations or entitlements that are, or may be, material to the Group as of the date of this Prospectus.

#### **4.5 The acquisition of Rolls-Royce Commercial Marine**

##### *4.5.1 Overview*

On 6 July 2018, the Company announced that it had entered into the Purchase Agreement regarding the acquisition of the commercial marine business carried out by Rolls-Royce plc ("**Rolls-Royce Commercial Marine**") from Rolls-Royce plc ("**Rolls-Royce**") (the "**Transaction**"). Completion of the Transaction ("**Completion**") is expected to occur in the first quarter or early in the second quarter of 2019.

The following is a brief description of the Transaction, including the business comprised by it, and the material terms and conditions of the Purchase Agreement.

##### *4.5.2 Background and reasons for the Transaction*

The maritime industry is undergoing significant changes driven by a recent downturn in the market and a rapid technology development. New technologies allow for maritime solutions that are more cost effective, enable more advanced operations and are more emission friendly. However, in the current challenging market situation, few customers will pay for new maritime solutions. Hence, most of the investments for taking global leading positions into the next market upturn must be taken by the suppliers. Furthermore, leading maritime suppliers need to maintain a global sales and service footprint to serve the customers where they are, which is expensive to maintain in a market downturn. Taking or maintaining profitable leading maritime positions requires scale and financial strength and is a driver for industry consolidation.

Kongsberg has for years considered a cooperation or combination with Rolls-Royce Commercial Marine as an attractive strategic solution for Kongsberg Maritime. In January 2018, Rolls-Royce announced that it had initiated a strategic review of Rolls-Royce Commercial Marine, and Kongsberg was subsequently invited to participate as a potential purchaser in a structured sale process for that business. Kongsberg submitted its final bid for the business on 22 June 2018, and the Purchase Agreement was signed by the parties on 6 July 2018.

Kongsberg is through Kongsberg Maritime a world leader<sup>4</sup> within automation, navigation and control systems for the maritime industry, while Rolls-Royce Commercial Marine is complementary with its deliveries of propellers, propulsion systems, handling systems and ship design. Both Kongsberg and Rolls-Royce Commercial Marine hold leading<sup>5</sup> positions within digitalization, ship intelligence and concepts for autonomy. Accordingly, Kongsberg and Rolls-Royce Commercial Marine both have world leading maritime solutions that are highly complementary and the combination establishes a global leading maritime supplier.<sup>6</sup>

The Transaction is expected to give Kongsberg scale and additions to maintain and develop its global sales and service network. Kongsberg expects annual run-rate cost synergies in excess of NOK 500 million through infrastructure optimization and streamlining, and a significant potential for revenue synergies through cross-sales, deliveries of integrated packages and services. Cost efficiency processes already initiated by Rolls-Royce Commercial Marine are not included in the above run-rate cost synergies.

Kongsberg is represented in 28 countries (as per 31 December 2017), whilst Rolls-Royce Commercial Marine is represented in 34 countries (with significant overlap). Combined, the companies have equipment and deliveries associated to around 30,000 vessels worldwide, and the installed base and the global presence of Rolls-Royce Commercial Marine strengthens Kongsberg's already world leading position<sup>7</sup> with a considerable aftermarket presence. The Transaction will also strengthen Kongsberg's ownership in the world leading Norwegian maritime cluster.<sup>8</sup> Further, Kongsberg will obtain a stronger Nordic foothold through Rolls-Royce Commercial Marine's operations in Sweden and Finland, and a strengthened international position through the combined infrastructure.<sup>9</sup>

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<sup>4</sup> Company estimate.

<sup>5</sup> Company estimate.

<sup>6</sup> Company estimate.

<sup>7</sup> Company estimate.

<sup>8</sup> Company estimate.

<sup>9</sup> Company estimate.



Rolls-Royce Commercial Marine has in recent years experienced considerable reductions in activity levels and been loss making due to challenging market conditions especially within offshore related activity. A main priority for Kongsberg following Completion will therefore be to ensure profitability, while at the same time being an industry innovator.

#### 4.6 Total consideration and transaction costs

The consideration to be paid by the Company for Rolls-Royce Commercial Marine is based on an enterprise value of GBP 500 million (approximately NOK 5.4 billion) on a cash and debt free basis and with working capital at an agreed level. The purchase price to be paid by the Company at Completion will be based on the estimated amount of cash, debt and working capital of Rolls-Royce Commercial Marine at Completion, and will subsequently be adjusted to reflect the actual amount of cash, debt and working capital at Completion. The purchase price will be paid in cash. As the purchase price is denominated in GBP, Kongsberg has entered into a currency hedge at a rate of 10.8705 covering the agreed enterprise value of GBP 500 million. The currency hedge is a so-called "deal contingency forward", meaning that the hedge will terminate without any cost for Kongsberg if the Transaction should not be completed.

Rolls-Royce and Kongsberg will pay their respective costs attributable to the Transaction. The Company has incurred costs of approximately NOK 64 million in connection with the signing of the Transaction and approximately NOK 59 million related to the Rights Issue (as defined below in Section 4.8 "Financing of the Transaction"). In addition, the Company will incur costs relating to the Completion of the Transaction and the Bond Issue (see Section 4.8 "Financing of the Transaction").

#### 4.7 Condition for completion of the Transaction

The Completion of the Transaction is only subject to regulatory clearances being duly obtained (the "**Condition**"). The Transaction has triggered merger filing requirements in Norway, several EU countries and countries outside of EU/the European Economic Area ("**EEA**"), and Kongsberg Gruppen has an obligation under the Purchase Agreement to use its reasonable endeavours, and take reasonable steps and do what is reasonably necessary, to secure the required regulatory clearances. As of the date of this Prospectus, all relevant merger filings have been made.

#### 4.8 Financing of the Transaction

Kongsberg Gruppen will finance the purchase price for Rolls-Royce Commercial Marine through a combination of new equity and debt. The new equity was raised through the underwritten rights issue of NOK 4,997 million (the "**Rights Issue**") and issuance of 59,990,065 new shares in the Company. The new shares were listed and tradable on Oslo Børs as of 29 November 2018.

On 21 November 2018, the Company made a stock exchange announcement of the successful placement of the Bonds. Arctic Securities AS and Nordea Bank Abp, filial i Norge are acting as joint global coordinators for the Bond Issue (collectively referred to as the "**Managers**"), while Nordic Trustee AS will act as trustee (see section 8 "Description of the Bonds" for further information).

#### 4.9 Termination of the Purchase Agreement

The Purchase Agreement may not be terminated by a party other than in the event that (i) the Condition is not fulfilled or waived within 15 months of the signing date, or such other date as may be agreed in writing between the parties (the "**Long Stop Date**"), or becomes incapable of being fulfilled, provided, however, that a party having caused the Condition not to be satisfied by acting in breach of the Purchase Agreement may not terminate the Purchase Agreement on such basis, or (ii) the timing of the Completion has been deferred pursuant to the Purchase Agreement and Rolls-Royce (on the one hand) or Kongsberg Gruppen (on the other hand) fails to comply with its obligations on the date Completion (as so deferred) is due to take place, and provided that Completion has not occurred.

If one or more of the regulatory clearances required for the Condition to be fulfilled has not been secured prior to the Long Stop Date, Kongsberg Gruppen may seek Rolls-Royce's consent to an extension of the Long Stop Date for such period as the Company reasonably believes will allow it to secure the relevant regulatory clearances (such consent not to be unreasonably withheld).

#### 4.10 Completion of the Transaction

The Transaction is expected to be completed on or about 1 April 2019.

#### 4.11 The business of Rolls-Royce Commercial Marine

Rolls-Royce's Commercial Marine business was first established in 2000, following the acquisition by of the core of Vickers' commercial business in 1999. Over the next decade, Rolls-Royce Commercial Marine more than tripled in size, before the downturn in the offshore market caused a significant decline. At the beginning of 2018, Rolls-Royce announced a corporate simplification which reduced its number of segments from five to three. As part of the simplification, Rolls-Royce decided to undertake a strategic review of its commercial marine business to explore if the business would be better served under new ownership. This process concluded with the Purchase Agreement regarding Kongsberg's acquisition of the Rolls-Royce Commercial Marine business.

Rolls-Royce Commercial Marine manufactures and services propulsion and handling solutions for the maritime offshore, merchant and naval markets. Rolls-Royce Commercial Marine's range of capabilities in the marine market encompasses vessel design, integration of complex systems and supply and support of power and propulsion equipment and deck machinery. Rolls-Royce Commercial Marine is also a provider in the emerging ship intelligence market of digital solutions and remote and autonomous operations.

Rolls-Royce Commercial Marine operates a global service network, focused on local customer support, spares distribution and 24/7 technical support, via more than 700 service engineers. Rolls-Royce Commercial Marine also operates advanced customer training facilities in Norway, Singapore and Brazil. Rolls-Royce Commercial Marine serves more than 4,000 customers, with more than 25,000 commercial vessels using Rolls-Royce Commercial Marine' equipment today.

Rolls-Royce Commercial Marine supplies complex propulsion and handling systems to the maritime market, across two distinct segments: Offshore and Merchant. Historically, offshore has been the most important segment with large product and system deliveries to offshore newbuilds. However, offshore newbuild contracting halted following the oil price drop from late 2014 which has also impacted Rolls-Royce Commercial Marine financially. Rolls-Royce Commercial Marine technology can account for around 40% of the total value of a typical offshore vessel. Share of revenue generated from the offshore segment has therefore decreased from 68% in 2015 to 49% in 2017.

As illustrated below, Rolls-Royce Commercial Marine offers a broad portfolio of marine products:



<sup>1</sup> Bergen Engines is not a part of the Transaction.

Propulsion is the most significant product group followed by Deck Machinery and Motion Control. Engines is not part of the business to be sold, but Rolls-Royce will enter into a partnering agreement with Kongsberg to sell and service engines to the maritime market.

The systems part consists of Ship Design and Electrical, Automation & Control. Ship Design in itself has a relatively limited revenue contribution, but ensures early engagement with clients in the design stage which provides a valuable window for the company in which to showcase its broader products and systems portfolio.

Ship Intelligence is Rolls-Royce Commercial Marine's investments in innovation and digital technology within intelligent asset management and remote and autonomous vessels. These efforts are currently contributing with limited revenue.

Rolls-Royce Commercial Marine also offers a global service network with more than 700 service engineers in 30 service locations worldwide. Service constituted 43% of the revenue in 2017. Rolls-Royce Commercial Marine's product range includes a large share of rotating and moving machinery (e.g. thrusters, gears, deck machinery). This is equipment with relatively high maintenance requirements, leading to a significant share of revenue being generated from service.

## **5 FINANCIAL AND OTHER INFORMATION**

### **5.1 Introduction and basis for preparation**

The Company's audited consolidated financial statements as of and for the years ended 31 December 2017 and 31 December 2016 (the "**Financial Statements**") have been incorporated by reference hereto, see Section 9.3 "Incorporation by reference".

The Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("**IFRS**"). The Financial Statements have been audited by Ernst & Young AS ("**EY**"), as set forth in their report included therein.

### **5.2 Auditor**

The Company's independent auditor is Ernst & Young AS (AS), Dronning Eufemias gate 6, N-0191 Oslo, Norway. EY's partners are members of The Norwegian Institute of Public Accountants (Nw.: *Den Norske Revisorforening*). EY has been the Company's independent auditor for the historical financial periods covered by this Prospectus. The Financial Statements have been audited by EY, and the auditor's report is included together with the Financial Statements as incorporated hereto, see Section 9.3 "Incorporation by reference". EY has not audited, reviewed or produced any report on any other information provided in this Prospectus.

### **5.3 Summary of accounting policies and principles**

For information regarding accounting policies and the use of estimates and judgments for the Group, please see Note 2 and 3 of the Financial Statements, which have been incorporated by reference into the Prospectus, see Section 9.3 "Incorporation by reference".

### **5.4 Significant changes**

Other than the Rights Issue of NOK 4,997 million and the Bond Issue of NOK 1,000 million, there has been no significant changes in the financial or trading position of the Group since the date of the last audited financial statements, i.e. since 31 December 2017, which have been incorporated by reference into the Prospectus, see Section 9.3 "Incorporation by reference".

### **5.5 Statement of no material adverse change**

There have been no material adverse changes in the prospects of the Issuer since the date of the last audited financial statements, i.e. since 31 December 2017.

### **5.6 Recent events relevant to evaluation of the Issuer's solvency**

There have been no recent events particular to the Issuer that to a material extent are relevant for the evaluation of the Issuer's solvency.

## 6 BOARD OF DIRECTORS AND MANAGEMENT

### 6.1 Board of Directors

#### 6.1.1 The Board of Directors

The names and positions and current term of office of the members ("**Board members**") of the board of directors of the Company ("**Board of Directors**"), as at the date of this Prospectus, are presented in the table below. The Company's registered business address, Kirkegårdsveien 45, 3616 Kongsberg, Norway, serves as c/o address for the members of the Board of Directors in relation to their directorship in the Company.

Name	Position	Business address
Eivind Kristofer Reiten.....	Chairman	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Irene Waage Basili.....	Deputy chair	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Morten Henriksen .....	Board member	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Anne Grete Hjelle Strøm-Erichsen .....	Board member	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Martha Kold Bakkevig .....	Board member	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Helge Lintvedt.....	Board member (employee representative)	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Elisabeth Fossan .....	Board member (employee representative)	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Sigmund Ivar Bakke .....	Board member (employee representative)	Kirkegårdsveien 45, 3616 Kongsberg, Norway

There will not be any changes to the Board of Directors as a result of the Transaction.

#### 6.1.2 Brief biographies of the Board Members

##### **Eivind Reiten, Chairman**

Eivind Reiten, born in 1953, has 30 years of experience from business and politics, including the position as State Secretary, Minister for Fisheries and Minister for Petroleum and Energy. He has broad experience in board-work, strategy and analysis. Mr. Reiten has worked 23 years in Norsk Hydro ASA, the last nine years as chief executive officer ("**CEO**"). He is also member of the board in several other companies. Mr. Reiten holds a Master in Economics (Cand.oecon) from the University of Oslo. Mr. Reiten is a Norwegian citizen and resides in Oslo, Norway.

##### **Irene Waage Basili, Deputy chair**

Irene Waage Basili, born in 1967, has been a member of the Board of Directors since 2011. Mrs. Basili is also a board member of Pacific Basin Shipping Limited (Hong Kong) and Wilh. Wilhelmsen Holding ASA (Norway). She is the chief executive officer of Shearwater Geoservices AS, and has held the position as chief executive officer of GC Rieber Shipping ASA. She holds a degree in business administration (international management) from Boston University (1990), and attended Solstrand management programme in Bergen, Norway (2002/2003) and management programmes at IMD in Lausanne, Switzerland (2005/2006). Mrs. Basili is a Norwegian citizen and resides in Bergen, Norway.

##### **Morten Henriksen, Board member**

Morten Henriksen, born in 1968, has been a member of the Board of Directors since 2013 and is also chair of Kongsberg's audit committee. Mr. Henriksen also serves on the board of directors of Arendals Water Resources Usage Community, Markedskraft AS (chairman), Wattsight AS (chairman), Tekna Plasma Systems (chairman), Powel AS, and Flumill AS, and holds the position as executive director technology in Arendals Fossekompagni ASA. He holds a degree in electric power from the Norwegian Institute of Technology (1991). Mr. Henriksen is a Norwegian citizen and resides in Arendal, Norway.

##### **Anne Grete Hjelle Strøm-Erichsen, Board member**

Anne Grete Hjelle Strøm-Erichsen, born in 1951, has been a member of the Board of Directors since 2015 and is also a member of Kongsberg's compensation committee. Mrs. Strøm-Erichsen also serves on various boards such as Dips AS (chairman), The Norwegian Atlantic Committee (chairman), ASVL (chairman), Samhallsbyggnadsbolaget i Norden AB and Bergen og Omland Havn AS. She holds the position as Senior Advisor Norway at Rud Pedersen Public Affairs Company AS. Mrs. Strøm-Erichsen has 20 years of experience from the IT business, served eight years as Cabinet Minister, City Chief Commissioner and Mayor in Bergen. She holds a degree in IT studies from South Dakota School of Mines & Technology, US (1980/1981) and engineer exam from the University of Bergen (1974). Mrs. Strøm-Erichsen is a Norwegian citizen and resides in Oslo, Norway.

**Martha Kold Bakkevig, Board member**

Martha Kold Bakkevig, born in 1962, has been a member of the Board of Directors since 2017. Mrs. Bakkevig also serves on the board of directors of BW LPG Limited. She has 20 years' experience in management and business development and broad academic background with doctor's degree in both technical and business strategical subjects. She holds a master degree in science from the University of Trondheim (1990), Nordic Industrial Research Education (1995), Dr. scient./PhD from the Norwegian University of Science and Technology (1995), attended the Solstrand Programme (2000) and the Board of Directors Program at NHO (2004), in addition to a Dr. Oecon./PhD from BI (2007). She currently serves as the CEO of Steinsvik Group and is the owner of Kold Invest AS. Mrs. Bakkevig is a Norwegian citizen and resides in Oslo, Norway.

**Helge Lintvedt, Board member (employee elected board member)**

Helge Lintvedt, born in 1957, has been a member of the Board of Directors since 2009 and is also a member of Kongsberg's audit committee. Mr. Lintvedt holds the position as senior project engineer at Kongsberg Defence Systems, and has been with Kongsberg since 1979. He holds an engineering degree from Kongsberg Ingeniørskole, and also serves on the board of directors of the Norwegian Society of Engineers and Technologists (NITO) Buskerud. Mr. Lintvedt is a Norwegian citizen and resides in Kongsberg, Norway.

**Elisabeth Fossan, Board member (employee elected board member)**

Elisabeth Fossan, born in 1967, has been a member of the Board of Directors since 2017 and has been with Kongsberg since 2005. Mrs. Fossan also serves as CEO and chairman on the board of directors of Blefjellhytter.no Ltd., a company that she also owns. Her education comprises commerce and office, as well as a certificate in security. She currently holds the position as security in Kongsberg Teknologipark. Mrs. Fossan is a Norwegian citizen and resides in Flesberg, Norway.

**Sigmund Ivar Bakke, Board member (employee representative)**

Sigmund Ivar Bakke, born in 1958, has been a member of the Board of Directors since 2017 and has been with Kongsberg since 1987. Mr. Bakke experience comprises employee representative in Tekna Bekkajordet for approximately 25 years, as well a management group for pension and active participation in the pension projects in Kongsberg in 2002, 2007 and 2016. Mr. Bakke's current position is senior engineer research and development ("**R&D**"), simulation in Kongsberg Digital. He holds a degree in civil engineering from NTH (1981). Mr. Bakke is a Norwegian citizen and resides in Horten, Norway.

**6.2 Management***6.2.1 Overview*

The Company's senior management team (the "**Management**") consists of eight individuals. The names of the members of the Management as at the date of this Prospectus, and their respective positions, are presented in the table below:

<b>Name</b>	<b>Current position within Kongsberg</b>	<b>Business address</b>
Geir Håøy	President & Chief Executive Officer	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Gyrid Skalleberg Ingerø	Group Executive Vice President and Chief Financial Officer	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Egil Haugsdal	Executive Vice President. President, Kongsberg Maritime	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Eirik Lie	Executive Vice President. President, Kongsberg Defence & Aerospace	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Hege Skryseth	Executive Vice President. President Kongsberg Digital	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Even Aas	Group Executive Vice President Public Affairs	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Harald Aarø	Group Executive Vice President Business Development and Strategy	Kirkegårdsveien 45, 3616 Kongsberg, Norway
Hans Petter Blokkum	Group Executive Vice President, Chief HR and Security Officer	Kirkegårdsveien 45, 3616 Kongsberg, Norway

The Company's registered business address, Kirkegårdsveien 45, 3616 Kongsberg, serves as the business address for the members of the Management in relation to their employment with the Company.

As of the date of this Prospectus, none of the members of the Management holds any options or other rights to acquire Shares.

### 6.2.2 *Brief biographies of the members of Management*

Set out below are brief biographies of the members of Management, including their relevant management expertise and experience, an indication of any significant principal activities performed by them outside the Group and names of companies and partnerships of which a member of Management is or has been a member of the administrative, management or supervisory bodies or partner outside the Group the previous five years.

#### **Geir Håøy, President & Chief Executive Officer**

Geir Håøy, born in 1966, has been President and CEO of Kongsberg since June 2016. Håøy has worked for Kongsberg since June 1993, holding various management positions since 1996. Before assuming the position of CEO and President of Kongsberg, Håøy was President of Kongsberg Maritime, a position he held since 2010. As President of Kongsberg Maritime, Håøy has been part of the Group's corporate management team. Håøy has broad international experience from different positions in Kongsberg. He has, among other positions, been head of Kongsberg Maritime's activities in South Korea and Singapore. Before assuming the position of President of Kongsberg Maritime, Håøy has served as Executive Vice President for Global Customer Support at Kongsberg Maritime, with responsibility for the business area's worldwide customer support activities. Mr. Håøy is a Norwegian citizen and resides in Stokke, Norway.

#### **Gyrid Skalleberg Ingerø, Group Executive Vice President and Chief Financial Officer**

Gyrid Skalleberg Ingerø, born in 1967, has been with Kongsberg since 2017. Her former experience includes CFO of Telenor Digital Business, CFO of Telenor Norway, CFO and head of investor relations at Komplet ASA, and auditor at Nordea Bank Abp, Filial i Norge and KPMG. She has also served as acting CFO and board member in different turnaround cases over the last ten years. Her education comprises a degree as Certified Public Accountant from the Norwegian School of Economics (NHH)/Master in Accounting and Auditing. Mrs. Ingerø also serves on the board of directors of Sporveien AS, Flytoget AS, 1881 AS and Itera ASA. Mrs. Ingerø is a Norwegian citizen and resides in Oslo, Norway.

#### **Egil Haugsdal, Executive Vice President. President, Kongsberg Maritime**

Egil Haugsdal, born in 1961, has been with Kongsberg since 1996 and has been a member of the corporate management team since 2009. His former experience includes president of Kongsberg Protech Systems and group executive vice president business development and strategy. Mr. Haugsdal is educated as a mechanical engineer from Gjøvik University College, and began his professional career in Kongsberg Våpenfabrikk, followed by ten years of managerial positions within logistics and production in ABB. Mr. Haugsdal is a Norwegian citizen and resides in Kongsberg, Norway.

#### **Eirik Lie, Executive Vice President. President, Kongsberg Defence & Aerospace (KDA)**

Eirik Lie, born in 1966, has been with Kongsberg since 1990. Since joining Kongsberg in 1990, Mr. Lie has held different positions, including Software Development, Systems Engineering and several Projects and Departmental Management Positions. He has also been head of the Kongsberg Defence Communication division. From 2006 and until Mr. Lie took on his current position, he was Executive Vice President for the Integrated Defence Systems Division in Kongsberg Defence & Aerospace. His education includes Kongsberg College of Engineering, Data Engineering, a Bachelor's degree in Computer Science and the Royal Norwegian Navy Officer Candidate School. Mr. Lie also serves as chairman of the board of directors of Kongsberg Geospatial Ltd (100% owned by Kongsberg), chairman of the board of directors of Kongsberg Satellite Services AS (50.0% owned by Kongsberg), deputy chairman of the board of directors of Capena AS, and is a member of the board of directors of Patria (49.9% owned by Kongsberg). Mr. Lie is a Norwegian citizen and resides in Kongsberg, Norway.

#### **Hege Skryseth, Executive Vice President, President Kongsberg Digital**

Hege Skryseth, born in 1967, has been with Kongsberg since 2013. Her former experience includes managing positions in several leading international technology companies, including the position as chief executive officer of Microsoft Norway and Geodata. She currently also serves on the board of directors of NHO and as chairman of the board of directors of Analyse. Mrs. Skryseth holds an eMBA from NHH, a bachelor from BI and college graduate from NITH. Mrs. Skryseth is a Norwegian citizen and resides in Asker, Norway.

#### **Even Aas, Group Executive Vice President Public Affairs**

Even Aas, born in 1961, has been with Kongsberg since 1998. He was formerly employed by the Norwegian Confederation of Trade Unions, political advisor and later state secretary for commerce and shipping in the Ministry of Foreign Affairs. Mr. Aas has also worked for Telenor. He currently serves as chairman on the board of directors of

Maritime Forum. Aas currently also serves on the board of directors of Kongsberg Satellite Services, Norsk Industri, FAFO and Toppindustrisenteret/DigitalNorway. He is an economist educated from the University of Oslo (1988). Mr. Aas is a Norwegian citizen and resides in Oslo, Norway.

**Harald Aarø, Group Executive Vice President Business Development and Strategy**

Harald Aarø, born in 1969, has been with Kongsberg since 2010. He has formerly held the position as Executive Vice President Marketing and Sales at Kongsberg Defence Systems, and has broad management experience from Navico, McKinsey, HSD Shipping and the Royal Norwegian Navy. Mr. Aarø is also a member of the board of directors of Patria (49.9% owned by Kongsberg). He holds an Executive MBA, business, from Duke University, and a Naval Executive Officer degree with major in science from the Royal Norwegian Naval Academy. Mr. Aarø is a Norwegian citizen and resides in Bærum, Norway.

**Hans Petter Blokkum, Group Executive Vice President, Chief HR and Security Officer**

Hans Petter Blokkum, born in 1962, has been with Kongsberg since 2010. Mr. Blokkum's former experience includes the positions as EVP business support in Kongsberg Defence Systems and group VP and chief HR officer in Kongsberg. He has more than 30 years of experience within the HR area and broad international experience. Prior to joining Kongsberg in 2010, he held the position of HR director of Dresser Rand, responsible for Europe, Middle-East and Africa. Mr. Blokkum has studied Strategic Management at the Norwegian School of Economics (NHHK) and Human Resources at the University of Stavanger. Mr. Blokkum is a member of Arbeidspolitisk utvalg of the Federation of Norwegian Industries. Mr. Blokkum is a Norwegian citizen and resides in Kongsberg, Norway.

**6.3 Conflicts of interests etc.**

To the Company's knowledge, there are currently no actual or potential conflicts of interest between any duties to the Company and the private interests or other duties of any of the Board Members and the members of the Management, including any family relationships between such persons.



## 7 CORPORATE INFORMATION AND DESCRIPTION OF THE SHARE CAPITAL

The following is a summary of certain corporate information and material information relating to the Shares and share capital of the Company and certain other shareholder matters, including summaries of certain provisions of the Company's Articles of Association and applicable Norwegian law in effect as at the date of this Prospectus. The summary does not purport to be complete and is qualified in its entirety by the Company's Articles of Association, included in Appendix A to this Prospectus, and applicable law.

### 7.1 Company corporate information

The legal name of the Company is Kongsberg Gruppen ASA, and the commercial name is Kongsberg Gruppen. The Company is a public limited liability company organised under the laws of Norway pursuant to the Norwegian Public Companies Act. The Company is registered in the Norwegian Register of Business Enterprises (*Nw: Foretaksregisteret*) with registration number 943 753 709. The Company was established on 19 June 1987 and has been listed on the Oslo Stock Exchange since 1993. The Company is listed under the ticker code "KOG".

The Company's registered office is at Kirkegårdsveien 45, 3616 Kongsberg, Norway. Telephone: +47 32 28 82 00 and its website address is [www.kongsberg.com](http://www.kongsberg.com). The content of [www.kongsberg.com](http://www.kongsberg.com) is not incorporated by reference into and does not otherwise form part of this Prospectus.

### 7.2 Legal structure

Kongsberg consists of Kongsberg Gruppen ASA and its 85 subsidiaries in 28 countries, as well as Kongsberg's investments in associates and jointly controlled entities. Subsidiaries are all entities over which Kongsberg has control. Kongsberg Gruppen ASA is an operating entity, but carries out most of its activities through its subsidiaries and associated and jointly controlled entities. Therefore, the profit made is dependent on the results of operations in the Company's subsidiaries. Accordingly, the Company is dependent on other entities within the Group, i.e. its operating subsidiaries as set out below.

The following table sets forth the Company's most significant subsidiaries.

Company name	Country of incorporation	Ownership percentage (%)
Kongsberg Maritime AS	Norway	100
Kongsberg Defence & Aerospace AS	Norway	100
Kongsberg Digital AS	Norway	100
Kongsberg Maritime Korea LTD	South Korea	96.9
Hydroid Inc	USA	100
Kongsberg Maritime Pte. Ltd	Singapore	100
Kongsberg Maritime GmbH	Germany	100
Kongsberg Maritime Inc	USA	100
Kongsberg Underwater Technology Inc	USA	100
Kongsberg Seatex AS	Norway	100
Simrad Spain S.L.	Spain	100
Kongsberg Mesotech Ltd	Canada	100
Kongsberg Maritime S.R.L	Italy	100
Kongsberg Maritime Holland BV	The Netherlands	100
Kongsberg Teknologipark	Norway	100
Kongsberg Maritime Ltd	Great Britain	100
Kongsberg Maritime do Brazil Ltda	Brazil	100
Kongsberg Næringsparkutvikling AS	Norway	100
Kongsberg Maritime Middle East DMCCO	UAE	100
Kongsberg Geospetial Ltd	Canada	100
Kongsberg Norcontrol AS	Norway	100
Kongsberg Norcontrol Ltd	Great Britain	100

Company name	Country of incorporation	Ownership percentage (%)
Kongsberg Digital Inc	USA	100
Kongsberg Maritime China Shanghai Ltd	China	100
Kongsberg Maritime Malaysia Sdn. Bhd.	Malaysia	100
Kongsberg Maritime China Jiangsu Ltd	China	100
Kongsberg Maritime Hellas SA	Greece	100
Kongsberg Digital Simulation Ltd	Canada	100
Kongsberg Maritime Mexico S.A. DE C.V	Mexico	100
Kongsberg Maritime Australia Pty. Ltd	Australia	100

Kongsberg is of the opinion that its holdings in the entities specified above are likely to have a significant effect on the assessment of its own assets and liabilities, financial condition and profits and losses.

### 7.3 Ownership structure

The Norwegian state, represented by the Norwegian Ministry of Trade, Industry and Fisheries, is the largest shareholder with 50.001% of the Shares. As of 18 March 2019, the Company had 12,414 shareholders. The Company's 20 largest shareholders as of 18 March 2019 are set out in the table below:

No	Name of shareholder	Type of account	Number of Shares	Percentage of Shares
1	Nærings- og Fiskeridepartementet .....		90,002,400	50.00%
2	Folketrygdfondet .....		11,966,628	6.65%
3	MP Pensjon PK .....		5,456,221	3.03%
4	Must Invest AS .....		4,333,186	2.41%
5	State Street Bank and Trust Comp.....	NOM	4,312,761	2.40%
6	Danske Bank AS .....		3,325,651	1.85%
7	Danske Invest Norske Institusjon II .....		2,920,861	1.62%
8	Odin Norge .....		2,502,872	1.39%
9	Snefonn AS .....		2,375,534	1.32%
10	JPMBL SA Nordea Nordic SM Cap FD .....		2,357,230	1.31%
11	Arctic Funds Plc .....		1,819,564	1.01%
12	State Street Bank and Trust Comp.....	NOM	1,569,753	0.87%
13	Danske Invest Norske Aksjer Institusjon.....		1,510,217	0.84%
14	JP Morgan Chase Bank, N.A., London .....	NOM	1,479,697	0.82%
15	The Northern Trust Company, London BR .....	NOM	1,232,319	0.68%
16	JP Morgan Chase Bank, N.A., London .....	NOM	1,200,746	0.67%
17	Havfonn AS.....		1,165,835	0.65%
18	State Street Bank and Trust Comp.....	NOM	1,023,239	0.57%
19	Fdy IV TT:Fdy Intl SI Cp Ops Fd .....		892,559	0.50%
20	LF Miton Europe Opportunities Fund.....		887,426	0.49%
	Top 20 shareholders		142,334,699	79.08%
	Other		37,655,366	20.92%
	<b>Total</b>		<b>179,990,065</b>	<b>100%</b>

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifiable pursuant to the Norwegian Securities Trading Act. The Norwegian Ministry of Trade, Industry and Fisheries and Folketrygdfondet will accordingly have a notifiable shareholding and the ability to significantly influence the outcome submitted for the vote of the shareholders of the Company. Other than this, the Company is not aware of any persons or entities which would have a shareholding in the Company which is notifiable pursuant to the Norwegian Securities Trading Act.

As the Norwegian Ministry of Trade, Industry and Fisheries holds 50.001% of the shares and votes in the Company, the Norwegian Ministry of Trade, Industry and Fisheries has the ability to in a material way control and affect the decisions made by the general meeting in the Company (the "**General Meeting**"). Other than this, the Company is not aware of any persons or entities that, directly or indirectly, jointly or severally, will exercise or could exercise control over Kongsberg Gruppen. The Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

As of 1 January 2019, the Company held a total of 19,869 treasury shares. On 16 May 2018, the general meeting of the Company granted the Board of Directors an authorisation to acquire treasury shares with a nominal value of up to NOK 7,500,000. The authorization is valid until 30 June 2019.

No particular measures are initiated to ensure that control is not abused by large shareholders. Minority shareholders are protected against abuse by relevant regulations in inter alia the Norwegian Public Companies Act and the Norwegian Securities Act.

The Shares have not been subject to any public takeover bids.

**8 DESCRIPTION OF THE BONDS****8.1 The terms and details of the Bonds**

In this Section 8.1 "The terms and details of the Bonds", capitalized terms used and not defined herein shall have the same meaning as in the Bond Agreements.

*8.1.1 FRN Kongsberg Gruppen senior unsecured open bond issue 2018/2021*

ISIN code:	NO0010837586
The Bond Issue:	FRN Kongsberg Gruppen ASA Senior Unsecured Open Bond Issue 2018/2021
Issuer:	Kongsberg Gruppen ASA (reg. no. 943 753 709)
Guarantors:	N/A
Date of Bond Agreement:	3 December 2018
Security type:	Floating rate senior unsecured open bond issue
Maximum loan amount:	NOK 1,000,000,000
Outstanding amount:	NOK 500,000,000
The initial nominal amount of each bond:	NOK 1,000,000
Currency:	NOK
Securities form:	The Bonds are electronically registered in dematerialized form with Verdipapirsentralen ASA, Fred. Olsens gate 1, postboks 1174 Sentrum, 0107 Oslo (VPS).
Issue Date:	6 December 2018
Interest bearing from and including:	Issue Date
Interest bearing until:	Maturity Date
Maturity Date:	6 December 2021 (3 years after Issue Date)
Interest Rate (Floating Rate):	3 months NIBOR (Bond Reference Rate) plus the Margin
Margin:	0.88% p.a.
Bond Reference Rate:	3 months NIBOR
NIBOR:	The interest rate fixed for a defined period on Oslo Børs' webpage at approximately 12:15 p.m. Oslo time or, on days on which Oslo Børs has shorter opening hours (New Year's Eve and the Wednesday before Maundy Thursday), the data published at approximately 10:15 a.m. shall be used. In the event that such page is not available, has been removed or changed such that the quoted interest rate no longer represents, in the opinion of the Bond Trustee, a correct expression of the relevant interest rate, an alternative page or other electronic source which in the opinion of the Bond Trustee and the Issuer gives the same interest rate shall be used. If this is not possible, the Bond Trustee shall calculate the relevant interest rate based on comparable quotes from major banks in Oslo. If any such rate is below zero, NIBOR will be deemed to be zero.
Current interest rate:	2.17%
Interest Period:	Subject to adjustment in accordance with the Business Day Convention, the period between 6 March, 6 June, 6 September and 6 December each year, provided however that an Interest Period shall not extend beyond the Maturity Date.

Calculation of interest:	<p>Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).</p> <p>The applicable Floating Rate on the Bonds is set/reset on each Interest Payment Date by the Bond Trustee commencing on the Interest Payment Date at the beginning of the relevant calculation period, based on the Bond Reference Rate two (2) Business Days preceding that Interest Payment Date.</p> <p>When the interest rate is set for the first time and on subsequent interest rate resets, the next Interest Payment Date, the interest rate applicable up to the next Interest Payment Date and the actual number of calendar days up to that date shall immediately be notified to the Bondholders, the Issuer, the Paying Agent, and if the Bonds are listed, the Exchange.</p>
Interest Payment Date:	Quarterly in arrears, each 6 March, 6 June, 6 September and 6 December
First Interest Payment Date:	6 March 2019 (3 months after Issue Date)
Business Day:	Means any day on which Norwegian commercial banks are open for general business, and when Norwegian banks can settle foreign currency transactions.
Business Day Convention:	Means that if the relevant Interest Payment Date falls on a day that is not a Business Day, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day (Modified Following Business Day Convention).
Maturity:	The Bonds shall be repaid in full by the Issuer on the Maturity Date (6 December 2021) at par (100%).
Voluntary partial prepayment:	N/A
Equity claw-back:	N/A
Voluntary early redemption - Call Option:	N/A
Put Option Event:	The occurrence of a Change of Control Event and/or a De-listing.
Mandatory repurchase - Put Option:	Upon the occurrence of a Change of Control Event and/or a De-listing each Bondholder shall have a right of pre-payment (a "Put Option") of its Bonds at a price of 101 % of par plus accrued and unpaid interest.
De-listing:	Means that the Issuer's shares ceases to be listed on the Oslo Stock Exchange or another regulated market without being or simultaneously becoming listed on another regulated market.
Change of Control:	Upon the occurrence of a Change of Control Event and/or a De-listing each Bondholder shall have the right of pre-payment (a put option) of its Bonds at a price of 101% of par plus accrued and unpaid interest.
Change of Control Event:	Means an event where any investor or group of investors (other than the Kingdom of Norway), affiliated with each other or which should be consolidated under the terms of section 1-3 of the Norwegian Limited Liabilities Act, is or becomes the owner, directly or indirectly, of more than 50% of the voting shares of the Issuer.
Status of the bonds and security:	The Bonds shall rank at least pari passu with all other senior obligations of the Issuer other than obligations which are

	mandatorily preferred by law. The Bonds shall rank ahead of subordinated capital.
The Guarantee:	N/A
Undertakings:	Undertakings apply to the Issuer, including but not limited to the undertaking of the Issuer to not create or incur, or allow to exist over any of its present or future assets or revenues, any Encumbrance other than permitted Encumbrances. See Clause 13 of the Bond Agreement for more information.
Listing:	The Issuer shall apply for listing of the Bonds on the Oslo Stock Exchange. If the Bonds are listed, the Issuer shall ensure that the Bonds remain listed until they have been discharged in full.
Approvals:	<p>The Bonds have been issued in accordance with the Issuer's Board approval dated 25 October 2018.</p> <p>The Prospectus will be sent to the NFSA for review in relation to a listing application of the Bonds.</p>
Use of proceeds:	The net proceeds from the Bond Issue shall be employed for part financing of the Group's acquisition of Rolls-Royce Commercial Marine and/or general corporate purposes.
Bond Agreement:	<p>The Bond Agreement has been entered into by the Issuer and the Bond Trustee. The Bondholders shall be bound by the terms and conditions of the Bond Agreement and any other Finance Document without any further action or formality being required to be taken or satisfied.</p> <p>The Bond Trustee acts as the representative of all the Bondholders, monitoring the Issuer's performance of obligations pursuant to the Bond Agreement, supervising the timely and correct payment of principal or interest, arranging Bondholders' Meetings, and taking action on behalf of all the Bondholders as and if required.</p> <p>The Bond Trustee is always acting with binding effect on behalf of all the Bondholders.</p> <p>For further details of the Bond Trustee's role and authority as the Bondholders' representative, see Clause 17 of the Bond Agreement.</p>
Finance Documents:	Means (i) the Bond Agreement, (ii) the agreement between the Bond Trustee and the Issuer referred to in Clause 14.2, and (iii) any other document (whether creating a security interest or not) which is executed at any time by the Issuer or any other party in relation to any amount payable under the Bond Agreement.
Bondholders' Meeting:	<p>At the Bondholders' Meeting each Bondholder may cast one (1) vote for each Voting Bond owned at close of business on the day prior to the date of the Bondholders' Meeting in accordance with the records registered in the Securities Register. The Issuer's Bonds shall not have any voting rights.</p> <p>At least 50% of the Voting Bonds must be represented at a Bondholders' Meeting for a quorum to be present.</p> <p>Approval of any waiver or amendment of any provision of the Bond Agreement requires approval of at least 2/3 of the votes represented at the Bondholders' Meeting.</p> <p>For further details of the Bondholders' Meeting's authority, procedures, voting rules and written resolutions, see Clause 16 of the Bond Agreement.</p>

Limitation of claims:	Claims for interest and principal shall be limited in time pursuant to the Norwegian Limitation Act of May 18, 1979 No. 18, whereby the general time limit is 3 years for interest and up to 10 years for the principal from the earliest date a claim can be made.
Availability of documentation:	<a href="http://www.kongsberg.com">www.kongsberg.com</a> .
Bond Trustee:	Nordic Trustee AS, business registration number 963 342 624, P.O.Box 1470 Vika, N-0161 Oslo, Norway.
Managers:	Arctic Securities AS, Haakon VII's gate 5, N-0123 Oslo, Norway. Nordea Bank Abp, filial i Norge, Essendrops gate 7, N-0368 Oslo, Norway.
Paying Agent and VPS account manager:	Means any legal entity as appointed by the Issuer who acts as paying agent and VPS account manager on behalf of the Issuer with respect to the Bonds, at the date of the Prospectus being DNB Bank ASA, Dronning Eufemias gate 30, 0191 Oslo.
Transfer of Bonds:	Subject to the restrictions set forth in Clause 5, the Bonds are freely transferable and may be pledged.  Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business). Each Bondholder must ensure compliance with local laws and regulations applicable at own cost and expense.  Notwithstanding the above, a Bondholder which has purchased the Bonds in contradiction to mandatory restrictions applicable may nevertheless utilize its voting rights under the Bond Agreement.
Legislation under which the Securities have been created:	Norwegian law.
Fees and Expenses:	The Issuer shall cover all public fees in connection with the Bonds and the Finance Documents. Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer is not responsible for reimbursing any such fees.
Prospectus:	This Prospectus dated 20 March 2019.

#### 8.1.2 FRN senior unsecured bonds 2018/2024

ISIN code:	NO0010837602
The Bond Issue:	FRN Kongsberg Gruppen ASA Senior Unsecured Open Bond Issue 2018/2024
Issuer:	Kongsberg Gruppen ASA (reg. no. 943 753 709)
Guarantors:	N/A
Date of Bond Agreement:	3 December 2018
Security type:	Floating rate senior unsecured open bond issue
Maximum loan amount:	NOK 1,500,000,000
Outstanding amount:	NOK 500,000,000
The initial nominal amount of each bond:	NOK 1,000,000
Currency:	NOK

Securities form:	The Bonds are electronically registered in dematerialized form with Verdipapirsentralen ASA, Fred. Olsens gate 1, postboks 1174 Sentrum, 0107 Oslo (VPS).
Issue Date:	6 December 2018
Interest bearing from and including:	Issue Date
Interest bearing until:	Maturity Date
Maturity Date:	6 June 2024 (5.5 years after Issue Date)
Interest Rate (Floating Rate):	3 months NIBOR (Bond Reference Rate) plus the Margin
Margin:	1.20% p.a.
Bond Reference Rate:	3 months NIBOR
NIBOR:	The interest rate fixed for a defined period on Oslo Børs' webpage at approximately 12:15 p.m. Oslo time or, on days on which Oslo Børs has shorter opening hours (New Year's Eve and the Wednesday before Maundy Thursday), the data published at approximately 10:15 a.m. shall be used. In the event that such page is not available, has been removed or changed such that the quoted interest rate no longer represents, in the opinion of the Bond Trustee, a correct expression of the relevant interest rate, an alternative page or other electronic source which in the opinion of the Bond Trustee and the Issuer gives the same interest rate shall be used. If this is not possible, the Bond Trustee shall calculate the relevant interest rate based on comparable quotes from major banks in Oslo. If any such rate is below zero, NIBOR will be deemed to be zero.
Current interest rate:	2.49%
Interest Period:	Subject to adjustment in accordance with the Business Day Convention, the period between 6 March, 6 June, 6 September and 6 December each year, provided however that an Interest Period shall not extend beyond the Maturity Date.
Calculation of interest:	<p>Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).</p> <p>The applicable Floating Rate on the Bonds is set/reset on each Interest Payment Date by the Bond Trustee commencing on the Interest Payment Date at the beginning of the relevant calculation period, based on the Bond Reference Rate two (2) Business Days preceding that Interest Payment Date.</p> <p>When the interest rate is set for the first time and on subsequent interest rate resets, the next Interest Payment Date, the interest rate applicable up to the next Interest Payment Date and the actual number of calendar days up to that date shall immediately be notified to the Bondholders, the Issuer, the Paying Agent, and if the Bonds are listed, the Exchange.</p>
Interest Payment Date:	Quarterly in arrears, each 6 March, 6 June, 6 September and 6 December
First Interest Payment Date:	6 March 2019, 3 months after Issue Date
Business Day:	Means any day on which Norwegian commercial banks are open for general business, and when Norwegian banks can settle foreign currency transactions.



Business Day Convention:	Means that if the relevant Interest Payment Date falls on a day that is not a Business Day, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day (Modified Following Business Day Convention).
Maturity:	The Bonds shall be repaid in full by the Issuer on the Maturity Date (6 June 2024) at par (100%).
Voluntary partial prepayment:	N/A
Equity claw-back:	N/A
Voluntary early redemption - Call Option:	N/A
Put Option Event:	The occurrence of a Change of Control Event and/or a De-listing.
Mandatory repurchase - Put Option:	Upon the occurrence of a Change of Control Event and/or a De-listing each Bondholder shall have a right of pre-payment (a "Put Option") of its Bonds at a price of 101 % of par plus accrued and unpaid interest.
De-listing:	Means that the Issuer's shares ceases to be listed on the Oslo Stock Exchange or another regulated market without being or simultaneously becoming listed on another regulated market.
Change of Control:	Upon the occurrence of a Change of Control Event and/or a De-listing each Bondholder shall have the right of pre-payment (a put option) of its Bonds at a price of 101% of par plus accrued and unpaid interest.
Change of Control Event:	Means an event where any investor or group of investors (other than the Kingdom of Norway), affiliated with each other or which should be consolidated under the terms of section 1-3 of the Norwegian Limited Liabilities Act, is or becomes the owner, directly or indirectly, of more than 50% of the voting shares of the Issuer.
Status of the bonds and security:	The Bonds shall rank at least pari passu with all other senior obligations of the Issuer other than obligations which are mandatorily preferred by law. The Bonds shall rank ahead of subordinated capital.
The Guarantee:	N/A
Undertakings:	Undertakings apply to the Issuer, including but not limited to the undertaking of the Issuer to not create or incur, or allow to exist over any of its present or future assets or revenues, any Encumbrance other than permitted Encumbrances. See Clause 13 of the Bond Agreement for more information.
Listing:	The Issuer shall apply for listing of the Bonds on the Oslo Stock Exchange. If the Bonds are listed, the Issuer shall ensure that the Bonds remain listed until they have been discharged in full.
Approvals:	The Bonds have been issued in accordance with the Issuer's Board approval dated 25 October 2018. The Prospectus will be sent to the NFSA for review in relation to a listing application of the Bonds.
Use of proceeds:	The net proceeds from the Bond Issue shall be employed for part financing of the Group's acquisition of Rolls-Royce Commercial Marine and/or general corporate purposes.
Bond Agreements:	The Bond Agreement has been entered into by the Issuer and the Bond Trustee. The Bondholders shall be bound by the terms and

	<p>conditions of the Bond Agreement and any other Finance Document without any further action or formality being required to be taken or satisfied.</p> <p>The Bond Trustee acts as the representative of all the Bondholders, monitoring the Issuer's performance of obligations pursuant to the Bond Agreement, supervising the timely and correct payment of principal or interest, arranging Bondholders' Meetings, and taking action on behalf of all the Bondholders as and if required.</p> <p>The Bond Trustee is always acting with binding effect on behalf of all the Bondholders.</p> <p>For further details of the Bond Trustee's role and authority as the Bondholders' representative, see Clause 17 of the Bond Agreement.</p>
Finance Documents:	<p>Means (i) the Bond Agreement, (ii) the agreement between the Bond Trustee and the Issuer referred to in Clause 14.2, and (iii) any other document (whether creating a security interest or not) which is executed at any time by the Issuer or any other party in relation to any amount payable under the Bond Agreement.</p>
Bondholders' Meeting:	<p>At the Bondholders' Meeting each Bondholder may cast one (1) vote for each Voting Bond owned at close of business on the day prior to the date of the Bondholders' Meeting in accordance with the records registered in the Securities Register. The Issuer's Bonds shall not have any voting rights.</p> <p>At least 50% of the Voting Bonds must be represented at a Bondholders' Meeting for a quorum to be present.</p> <p>Approval of any waiver or amendment of any provision of the Bond Agreement requires approval of at least 2/3 of the votes represented at the Bondholders' Meeting.</p> <p>For further details of the Bondholders' Meeting's authority, procedures, voting rules and written resolutions, see Clause 16 of the Bond Agreement.</p>
Limitation of claims:	<p>Claims for interest and principal shall be limited in time pursuant to the Norwegian Limitation Act of May 18, 1979 No. 18, whereby the general time limit is 3 years for interest and up to 10 years for the principal from the earliest date a claim can be made.</p>
Availability of documentation:	<p><a href="http://www.kongsberg.com">www.kongsberg.com</a>.</p>
Bond Trustee:	<p>Nordic Trustee AS, business registration number 963 342 624, P.O.Box 1470 Vika, N-0161 Oslo, Norway.</p>
Managers:	<p>Arctic Securities AS, Haakon VIIs gate 5, N-0123 Oslo, Norway.</p> <p>Nordea Bank Abp, filial i Norge, Essendrops gate 7, N-0368 Oslo, Norway.</p>
Paying Agent and VPS account manager:	<p>Means any legal entity as appointed by the Issuer who acts as paying agent and VPS account manager on behalf of the Issuer with respect to the Bonds, at the date of the Prospectus being DNB Bank ASA, Dronning Eufemias gate 30, 0191 Oslo.</p>
Transfer of Bonds:	<p>Subject to the restrictions set forth in Clause 5, the Bonds are freely transferable and may be pledged.</p> <p>Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for</p>

doing business). Each Bondholder must ensure compliance with local laws and regulations applicable at own cost and expense.

Notwithstanding the above, a Bondholder which has purchased the Bonds in contradiction to mandatory restrictions applicable may nevertheless utilize its voting rights under the Bond Agreement.

Legislation under which the Securities have been created: Norwegian law.

Fees and Expenses: The Issuer shall cover all public fees in connection with the Bonds and the Finance Documents. Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer is not responsible for reimbursing any such fees.

Prospectus: This Prospectus dated 20 March 2019.

## **8.2 Listing**

The Company will apply for a listing of the Bonds on Oslo Børs as soon as possible after this Prospectus has been approved by the NFSA, and admission to trading is expected to be on or about 21 March 2019 with ISIN NO 0010837586 and ISIN NO 0010837602. Neither the Company nor any other members of the Group have securities listed on any EEA regulated market.

The total costs of the Company in connection with the issuance of the Bonds and the Listing is NOK 3.1 million.

## **8.3 Interest of natural and legal persons involved in the Bond Issue**

The involved persons in the Company have no interest, nor conflicting interests that are material to the Bond issue.

## 9 ADDITIONAL INFORMATION

### 9.1 Advisors

Arctic Securities AS (Haakon VII's gate 5, N-0161 Oslo, Norway) and Nordea Bank Abp, filial i Norge, Essendrops gate 7, N-0368 Oslo, Norway) acted as managers in connection with the Bond Issue.

Advokatfirmaet Thommessen AS (Haakon VII's gate 10, N-0161 Oslo, Norway) is acting as Norwegian legal counsel to the Company.

### 9.2 Documents on display

Copies of the following documents will be available for inspection at the Company's offices at Kirkegårdsveien 45, 3616 Kongsberg, Norway, during normal business hours from Monday to Friday each week (except public holidays) for a period of twelve months from the date of this Prospectus:

- the Company's memorandum of association and Articles of Association;
- all reports, letters, and other documents, historical financial information, valuations and statements prepared by any expert at the Company's request any part of which is included or referred to in this Prospectus;
- The historical financial information of the Group and the Company for each of the two financial years preceding the publication of this Prospectus; and
- this Prospectus.

### 9.3 Incorporation by reference

The information incorporated by reference in this Prospectus should be read in connection with the cross reference table set out below. Except as provided in this Section, no information is incorporated by reference in this Prospectus.

The Company incorporates by reference the Group's audited consolidated financial statements as of and for the years ended 31 December 2017 and 31 December 2016 (the Financial Statements), as well as certain other documents set out below.

Section in the Prospectus	Disclosure requirement	Reference document and link	Page (P) in reference document
Section 5	Audited historical financial information (Annex IX, Section 11.1)	<b>Financial Statements 2017:</b> <a href="https://newsweb.oslobors.no/message/447517">https://newsweb.oslobors.no/message/447517</a>	P 106 - 173
Section 5	Audited historical financial information (Annex IX, Section 11.1)	<b>Financial Statements 2016:</b> <a href="https://newsweb.oslobors.no/message/423562">https://newsweb.oslobors.no/message/423562</a>	P 30 - 94

**10 DEFINITIONS AND GLOSSARY**

Board of Directors or Board .....	The Board of Directors of the Company.
Board Members .....	The members of the Company's Board of Directors.
Bond Agreements .....	The bond agreements dated 3 December 2018 between the Issuer the Bond Trustee.
Bond Trustee or Trustee .....	Nordic Trustee AS.
Bonds or Bond Issue .....	The FRN senior unsecured bonds 2018/2021 with ISIN NO 0010837586 and FRN senior unsecured bonds 2018/2024 ISIN NO 0010837602.
CEO .....	Chief executive officer.
Company .....	Kongsberg Gruppen ASA.
Completion .....	Completion of the Transaction.
Condition .....	Has the meaning ascribed to such term in Section 4.7 "Condition for completion of the Transaction".
EEA .....	The European Economic Area.
EU .....	The European Union.
Euro or EUR .....	The lawful currency of the participating member states in the European Union.
EY .....	Ernst & Young AS.
Financial Statements .....	The Company's audited consolidated financial statements as of and for the years ended 31 December 2017 and 31 December 2016.
GBP .....	British pound, the lawful currency of the United Kingdom.
General Meeting .....	The Company's general meeting of shareholders.
Group .....	The Company taken together with its consolidated subsidiaries (at the relevant point in time).
IFRS .....	International Financial Reporting Standards as adopted by the EU.
Investor Currency .....	The currency of a prospective investor.
Issuer .....	Kongsberg Gruppen ASA.
IT .....	Information technology.
Kongsberg .....	Kongsberg Gruppen taken together with its consolidated subsidiaries (at the relevant point in time).
Kongsberg Gruppen .....	Kongsberg Gruppen ASA.
KSAT .....	Kongsberg Satellite Services AS.
кта .....	кта Naval Systems AS.
Listing .....	The listing on the Oslo Stock Exchange of the Bonds.
Long Stop Date .....	Has the meaning ascribed to such term in Section 4.9 "Termination of the Purchase Agreement".
Management .....	The senior management team of the Company.
Managers .....	Arctic Securities AS and Nordea Bank Abp, filial i Norge, acting as joint global coordinators in the Bond Issue.
NASAMS .....	National Advanced Surface-to-Air Missile System.
NIBOR .....	The Norwegian Interbank Offered Rate administered by Finance Norway (Nw.: Finans Norge) and calculated in cooperation with the Oslo Stock Exchange.
NOK .....	Norwegian Kroner, the lawful currency of Norway.
NFSA .....	The Financial Supervisory Authority of Norway (Nw.: <i>Finanstilsynet</i> ).
Norwegian Public Companies Act .....	Norwegian Public Limited Liability Companies Act of 13 June 1997 No 45 (Nw.: <i>allmennaksjeloven</i> ).
Norwegian Securities Trading Act .....	The Norwegian Securities Trading Act of 28 June 2007 No 75 (Nw.: <i>verdipapirhandelloven</i> ).
Oslo Stock Exchange .....	Oslo Børs ASA, or, as the context may require, Oslo Børs, a Norwegian regulated stock exchange operated by Oslo Børs ASA.
Patria .....	Patria Oyj.
Prospectus .....	This Prospectus dated 20 March 2019.
Purchase Agreement .....	The sale and share purchase agreement entered into on 6 July 2018 between Kongsberg Gruppen and Rolls-Royce plc regarding the acquisition of 100% of Rolls-Royce Commercial Marine.

Rights Issue .....	The underwritten rights issue of NOK 4,997 million and issuance of 59,990,065 new shares.
Rolls-Royce .....	Rolls-Royce plc.
Rolls-Royce Commercial Marine .....	Rolls-Royce's commercial marine business.
R&D .....	Research and development.
Share(s) .....	Means the shares of the Company, each with a nominal value of NOK 1.25, or any one of them.
tkMS .....	thyssenkrupp Marine Systems.
Transaction .....	The acquisition of 100% of Rolls-Royce Commercial Marine by Kongsberg.
U.S. or United States.....	The United States of America.
U.S. Dollar or USD .....	United States Dollars, the lawful currency of the United States of America.
VPS.....	The Norwegian Central Securities Depository ( <i>Nw.: Verdipapirsentralen</i> ).

**APPENDIX A:**

**ARTICLES OF ASSOCIATION OF KONGSBERG GRUPPEN ASA**

## **ARTICLES OF ASSOCIATION FOR KONGSBERG GRUPPEN ASA**

*Most recently revised by the Annual General Meeting on 2 November 2018*

- § 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 224,987,581.25, divided among 179,990,065 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 be sent documents that apply to items on the agenda at the general meeting.
- § 8 The Annual General Meeting shall:
1. Adopt the Financial Statements and the Directors' Report, including the payment of dividends.
  2. Discuss other matter which, pursuant to legislation or the Articles of Association, are the province of the General Meeting.
  3. Elect the shareholders' representatives and their deputies to the corporate Board of Directors.
  4. Elect the members of the Nominating Committee.
  5. Elect one or more auditors, based on nominations made by the General Meeting.
  6. Stipulate the Board's compensation and approve compensation to the Auditor.
  7. Deal with the Board's declaration regarding the stipulation of salary and other compensation to key management personnel.
- The convening letter shall state that shareholders who would like to participate in the General Meeting are to sign up by a deadline specified in the convening letter. The deadline shall



expire no more than five days prior to the General Meeting.

The General Meeting shall be chaired by the Chair of the Board or, in his/her absence, by the Deputy Chair. In the absence of both, the General Meeting shall elect a moderator.

§ 9 The Nominating Committee shall consist of three or four members who shall be shareholders or representatives of the shareholders. The members of the Nominating Committee, including the Chair, shall be elected by the General Meeting. The term of office for members of the Nominating Committee is two years. If the Chair of the Nominating Committee resigns his Commission in an election period, the Nominating Committee can choose the new Chair among the members of the Nominating Committee with the function of time for the remaining part of the new Chair's period.

The Nominating Committee shall present to the General Meeting its recommendations for the election of, and remuneration to, the Directors and Deputy Directors on the Board and the Nominating Committee.

The General Meeting sets out instructions for the Nominating Committee.

**APPENDIX B**

**BOND AGREEMENTS DATED 3 DECEMBER 2018**

**BOND AGREEMENT**

between

**Kongsberg Gruppen ASA**  
(Issuer)

and

**Nordic Trustee AS**  
(Bond Trustee)

on behalf of

**the Bondholders**

in the bond issue

FRN Kongsberg Gruppen ASA Senior Unsecured Open Bond Issue  
2018/2021

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Attachment 1 – Compliance Certificate

This bond agreement has been entered into on 3 December 2018 between:

- (1) Kongsberg Gruppen ASA (a company incorporated in Norway with Company No. 943 753 709 and LEI-code 5967007LIEEXZXJ9HK73) as issuer (the “**Issuer**”), and
- (2) Nordic Trustee AS (a company incorporated in Norway with Company No. 963 342 624 and LEI-code 549300XAKTM2BMKIPT85) as bond trustee (the “**Bond Trustee**”).

## 1 Interpretation

### 1.1 Definitions

In this Bond Agreement the following terms shall have the following meanings (certain terms relevant for Clauses 9, 10, 13, 15 and 18 and other Clauses may be defined in the relevant Clause):

“**Account Manager**” means a Bondholder’s account manager in the Securities Register.

“**Attachment**” means any attachments to this Bond Agreement.

“**Bond Agreement**” means this bond agreement, including any Attachments to which it refers, and any subsequent amendments and additions agreed between the Parties.

“**Bond Issue**” means the bond issue constituted by the Bonds.

“**Bond Reference Rate**” means 3 months NIBOR.

“**Bondholder**” means a holder of Bond(s), as registered in the Securities Register, from time to time.

“**Bondholders’ Meeting**” means a meeting of Bondholders, as set forth in Clause 16.

“**Bonds**” means the securities issued by the Issuer pursuant to this Bond Agreement, representing the Bondholders’ underlying claim on the Issuer.

“**Business Day**” means any day on which Norwegian commercial banks are open for general business, and when Norwegian banks can settle foreign currency transactions.

“**Business Day Convention**” means that if the relevant Interest Payment Date falls on a day that is not a Business Day, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day (*Modified Following Business Day Convention*).

**“Change of Control Event”** means an event where any investor or group of investors (other than the Kingdom of Norway), affiliated with each other or which should be consolidated under the terms of section 1-3 of the Norwegian Limited Liabilities Act, is or becomes the owner, directly or indirectly, of more than 50% of the voting shares of the Issuer.

**“De-listing”** means that the Issuer’s shares ceases to be listed on the Oslo Stock Exchange or another regulated market without being or simultaneously becoming listed on another regulated market.

**“Encumbrance”** means any encumbrance, mortgage, pledge, lien, charge (whether fixed or floating), assignment by way of security, finance lease, sale and repurchase or sale and leaseback arrangement, sale of receivables on a recourse basis or security interest or any other agreement or arrangement having the effect of conferring security.

**“Event of Default”** means the occurrence of an event or circumstance specified in Clause 15.1.

**“Exchange”** means securities exchange or other reputable marketplace for securities, on which the Bonds are listed, or where the Issuer has applied for listing of the Bonds.

**“Finance Documents”** means (i) this Bond Agreement, (ii) the agreement between the Bond Trustee and the Issuer referred to in Clause 14.2, and (iii) any other document (whether creating a security interest or not) which is executed at any time by the Issuer or any other party in relation to any amount payable under this Bond Agreement.

**“Financial Indebtedness”** means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility;
- (c) any amount raised pursuant to any note purchase facility of the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (e) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing and would be treated as such in accordance with generally accepted accounting principles applicable to the Issuer (but, for the avoidance of doubt, excluding any trade credit incurred in the ordinary course of business); and
- (f) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (f) above,

provided, that for the avoidance of doubt, Financial Indebtedness shall not include any indebtedness for or in respect of any interest rate swap, currency swap, forward foreign exchange transaction, cap, floor, collar or option transaction or any other

treasury transaction or any combination of hybrid thereof or any derivative or other transaction entered into in connection with protection against or benefit from fluctuation in any rate of price.

“**Financial Statements**” means the audited consolidated annual accounts and financial statements of the Issuer for any financial year, prepared in accordance with GAAP, such accounts to include a profit and loss account, balance sheet, cash flow statement and report from the Board of Directors.

“**GAAP**” means the generally accepted accounting practice and principles in Norway including, if applicable, the International Financial Reporting Standards (IFRS) and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

“**Group**” means the Issuer and its Subsidiaries, and a “**Group Member**” means the Issuer or any of its Material Subsidiaries.

“**Interest Payment Date**” means 6 March, 6 June, 6 September and 6 December each year and the Maturity Date. Any adjustment will be made according to the Business Day Convention.

“**ISIN**” means International Securities Identification Numbering system – the identification number of the Bonds.

“**Issue Date**” means 6 December 2018.

“**Issuer’s Bonds**” means Bonds owned by the Issuer, any party or parties who has decisive influence over the Issuer, or any party or parties over whom the Issuer has decisive influence.

“**Manager**” means the manager for the Bond Issue.

“**Margin**” means 0.88 percentage points per annum.

“**Material Adverse Effect**” means a material adverse effect on the ability of the Issuer to perform its payment obligations under this Bond Agreement.

“**Material Subsidiary**” means each Subsidiary, whose assets have an aggregate book value which exceeds 10% of the Total Consolidated Assets of the Group and/or whose aggregate revenues exceed 10% of the consolidated revenues of the Group.

“**Maturity Date**” means 6 December 2021. Any further adjustment may be made according to the Business Day Convention.

“**NIBOR**” means the interest rate fixed for a defined period on Oslo Børs’ webpage at approximately 12.15 Oslo time or, on days on which Oslo Børs has shorter opening hours (New Year’s Eve and the Wednesday before Maundy Thursday), the data published at approximately 10.15 a.m. shall be used. In the event that such page is not available, has been removed or changed such that the quoted interest rate no

longer represents, in the opinion of the Bond Trustee, a correct expression of the relevant interest rate, an alternative page or other electronic source which in the opinion of the Bond Trustee and the Issuer gives the same interest rate shall be used. If this is not possible, the Bond Trustee shall calculate the relevant interest rate based on comparable quotes from major banks in Oslo. If any such rate is below zero, NIBOR will be deemed to be zero.

“**NOK**” means Norwegian kroner, being the lawful currency of Norway.

“**Non-Commercial Financing**” means any financing on concessional terms granted to a member of the Group by a government or public financial institution, export credit agency or other type of non-commercial lending institution, provided that such financing is provided in respect of work in or in connection with a project under a national or international recognized programme established to promote exports or development of a geographic region or research or development of technology or development of new markets.

“**Outstanding Bonds**” means the aggregate principal amount of the total number of Bonds not redeemed or otherwise discharged.

“**Party**” means a party to this Bond Agreement (including its successors and permitted transferees).

“**Paying Agent**” means any legal entity as appointed by the Issuer who acts as paying agent on behalf of the Issuer with respect to the Bonds.

“**Payment Date**” means a date for payment of principal or interest on the Bonds.

“**Quarter Date**” means each 31 March, 30 June, 30 September and 31 December.

“**Quarterly Financial Reports**” means the quarterly unaudited financial report of the Group in the same format as is made available to the public, prepared on the basis of the accounting principles essentially consistent with the principles applied in relation to the Financial Statements.

“**Securities Register Act**” means the Norwegian Act relating to Registration of Financial Instruments of 5 July 2002 No. 64.

“**Security Agent**” means the Bond Trustee, unless any other legal entity is appointed as collateral agent pursuant to Clause 17.3.

“**Securities Register**” means the securities register in which the Bond Issue is registered.

“**Subsidiary**” means a subsidiary (*datterselskap*) as defined in Section 1-3 of the Norwegian Limited Companies Act 1997 (*allmennaksjeloven*).

“**Tap Issue**” means subsequent issues after Issue Date up to the total aggregate amount described in Clause 2.2.1.



“**Taxes**” means all present and future taxes, levies, imposts, duties, charges, fees, deductions and withholdings, and any restrictions and or conditions resulting in a charge together with interest thereon and penalties in respect thereof and “**Tax**” and “**Taxation**” shall be construed accordingly.

“**Total Consolidated Assets**” means the aggregate book value of the total consolidated assets of the Group as determined from the financial statements most recently delivered to reflect IFRS.

“**Total Consolidated Equity**” means the aggregated book value of the total consolidated equity of the Group as determined from the financial statements most recently delivered to reflect IFRS.

“**US Securities Act**” means the U.S. Securities Act of 1933, as amended.

“**Voting Bonds**” means the Outstanding Bonds less the Issuer’s Bonds.

## 1.2 *Construction*

In this Bond Agreement, unless the context otherwise requires:

- (a) headings are for ease of reference only;
- (b) words denoting the singular number shall include the plural and vice versa;
- (c) references to Clauses are references to the Clauses of this Bond Agreement;
- (d) references to a time is a reference to Oslo time unless otherwise stated herein;
- (e) references to a provision of law is a reference to that provision as it may be amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law, including any determinations, rulings, judgments and other binding decisions relating to such provision or regulation;
- (f) references to “control” means the power to appoint a majority of the board of directors of the Issuer or to direct the management and policies of an entity, whether through the ownership of voting capital, by contract or otherwise; and
- (g) references to a “person” shall include any individual, firm, partnership, joint venture, company, corporation, trust, fund, body corporate, unincorporated body of persons, or any state or any agency of a state or association (whether or not having separate legal personality).

## 2 **The Bonds**

### 2.1 *Binding nature of the Bond Agreement*

- 2.1.1 The Bondholders are, through their subscription, purchase or other transfer of Bonds bound by the terms of the Bond Agreement and other Finance Documents, and has through their subscriptions granted authority to the Bond Trustee to finalize and execute the Bond Agreement on the Bondholders behalf as set out in the subscription documents, term sheet, sales documents or in any other way, and all Bond transfers are subject to the terms of this Bond Agreement and all Bond transferees are, in taking transfer of Bonds, deemed to have accepted the terms of the Bond Agreement and the other Finance Documents and will automatically become parties to the Bond

Agreement upon the completed transfer having been registered, without any further action required to be taken or formalities to be complied with, see also Clause 18.1.

- 2.1.2 The Bond Agreement is available to anyone and may be obtained from the Bond Trustee or the Issuer. The Issuer shall ensure that the Bond Agreement is available to the general public throughout the entire term of the Bonds.

## 2.2 *The Bonds*

- 2.2.1 The Issuer has resolved to issue a series of Bonds in the total aggregate amount of up to NOK 1,000,000,000. The Bond Issue may comprise one (1) or more tranches issued on different issue dates. The first tranche will be in the amount of NOK 500,000,000.

The Bonds will be in denominations of NOK 1,000,000 each and rank *pari passu* between themselves.

The Bond Issue will be described as “FRN Kongsberg Gruppen ASA Senior Unsecured Open Bond Issue 2018/2021”.

The International Securities Identification Number (ISIN) of the Bond Issue will be NO0010837586.

The tenor of the Bonds is from and including the Issue Date to the Maturity Date.

- 2.2.2 The Bond Issue is a Tap Issue, under which subsequent issues may take place after Issue Date up to the total aggregate amount described in Clause 2.2.1, running from the Issue Date and to be closed no later than five (5) Business Days prior to the Maturity Date.

All Tap Issues will be subject to identical terms in all respects. The rights and obligations of all parties to the Bond Agreement also apply for later Tap Issues. The Bond Trustee will on the issuing of additional Tap Issues make an addendum to the Bond Agreement regulating the conditions for such Tap Issue.

## 2.3 *Purpose and utilization*

- 2.3.1 The net proceeds of the Bonds shall be employed for part financing of the Group’s acquisition of Rolls-Royce Commercial Marine and/or general corporate purposes.

## **3 Listing**

- 3.1 The Issuer shall apply for listing of the Bonds on the Oslo Stock Exchange.
- 3.2 If the Bonds are listed, the Issuer shall ensure that the Bonds remain listed until they have been discharged in full.

#### **4 Registration in a Securities Register**

- 4.1 The Bond Issue and the Bonds shall prior to disbursement be registered in the Securities Register according to the Securities Register Act and the conditions of the Securities Register. Any repayment of Bonds and/or interest accrued thereon will be credited the Bondholders through the Securities Register.
- 4.2 The Issuer shall promptly arrange for notification to the Securities Register of any changes in the terms and conditions of this Bond Agreement. The Bond Trustee shall receive a copy of the notification.
- 4.3 The Issuer is responsible for the implementation of correct registration in the Securities Register. The registration may be executed by an agent for the Issuer provided that the agent is qualified according to relevant regulations.
- 4.4 The Bonds have not been registered under the US Securities Act, and the Issuer is under no obligation to arrange for registration of the Bonds under the US Securities Act.

#### **5 Purchase and transfer of Bonds**

- 5.1 Subject to the restrictions set forth in this Clause 5, the Bonds are freely transferable and may be pledged.
- 5.2 Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business). Each Bondholder must ensure compliance with local laws and regulations applicable at own cost and expense.
- 5.3 Notwithstanding the above, a Bondholder which has purchased the Bonds in contradiction to mandatory restrictions applicable may nevertheless utilize its voting rights under this Bond Agreement.

#### **6 Conditions Precedent**

- 6.1 Disbursement of the first tranche of the Bonds to the Issuer will be subject to the Bond Trustee having received the following documents, in form and substance satisfactory to it, at least two (2) Business Days prior to the Issue Date:
- (a) this Bond Agreement duly executed by all parties thereto;
  - (b) certified copies of all necessary corporate resolutions to issue the Bonds and execute the Finance Documents;
  - (c) a power of attorney from the Issuer to relevant individuals for their execution of the relevant Finance Documents, or extracts from the relevant register or similar documentation evidencing the individuals authorized to sign on behalf of the Issuer;

- (d) certified copies of (i) the Certificate of Incorporation or other similar official document for the Issuer, evidencing that it is validly existing and (ii) Articles of Association of the Issuer;
  - (e) confirmation that the requirements set forth in Chapter 7 of the Norwegian Securities Trading Act (implementing the EU prospectus directive (2003/71 EC)) concerning prospectuses have been fulfilled or do not apply;
  - (f) to the extent necessary, any public authorisations required for the Bond Issue;
  - (g) confirmation from the Paying Agent that the Bonds have been registered in the Securities Register;
  - (h) written confirmation in accordance with Clause 7.3 (if required);
  - (i) the agreement set forth in Clause 14.2, duly executed; and
  - (j) documentation on the granting of authority to the Bond Trustee as set out in Clause 2.1 and copies of any written documentation made public by the Issuer or the Manager in connection with the Bond Issue.
- 6.2 The Bond Trustee may, in its reasonable opinion, waive the deadline or requirements for documentation as set forth in Clause 6.1.
- 6.3 The Bond Trustee may require any statement or legal opinion in connection with the Bond Issue (pre and post Issue Date).
- 6.4 Disbursement of the net proceeds from the Bonds is subject to the Bond Trustee's written notice to the Issuer, the Manager and the Paying Agent that the documents have been controlled and that the required conditions precedent are fulfilled.
- 6.5 On the Issue Date, subject to receipt of confirmation from the Bond Trustee pursuant to Clause 6.4, the Manager shall make the net proceeds from the first tranche of the Bond Issue available to the Issuer.
- 6.6 The Issuer may issue Tap Issues provided that (i) the amount of the aggregate of (a) the Outstanding Bonds prior to such Tap Issue and (b) the requested amount for such Tap Issue shall not exceed the maximum issue amount (ii) no Event of Default occurs or would occur as a result of the making of such Tap Issue, (iii) the documents earlier received by the Bond Trustee, c.f. Clause 6.1, are still valid or issued in updated or new version making them valid at the time of the Tap Issues, (iv) the representations and warranties contained in this Bond Agreement being true, correct and repeated by the Issuer, and (v) that such Tap Issue is in compliance with laws and regulations as of the time of such issue.

## 7 Representations and Warranties

7.1 The Issuer represents and warrants to the Bond Trustee (on behalf of the Bondholders) that:

*(a) Status*

It is a public limited liability company, duly incorporated and validly existing under the law of the jurisdiction in which it is registered, and has the power to own its assets and carry on its business as it is being conducted.

*(b) Power and authority*

It has the power to enter into and perform, and has taken all necessary corporate action to authorise its entry into, performance and delivery of this Bond Agreement and any other Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

*(c) Valid, binding and enforceable obligations*

This Bond Agreement and any other Finance Document to which it is a party constitute (or will constitute, when executed by the respective parties thereto) legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, and (save as provided for therein) no further registration, filing, payment of Tax or fees or other formalities are necessary to render the said documents enforceable against the Issuer.

*(d) Non-conflict with other obligations*

The entry into and performance by the Issuer of the Bond Agreement and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any present law or regulation or present judicial or official order; (ii) its articles of association, by-laws or other constitutional documents; or (iii) any document or agreement which is binding on the Issuer or any of its assets.

*(e) No Event of Default*

No Event of Default exists, and no other circumstances exist which constitute or (with the giving of notice, lapse of time, determination of materiality or the fulfilment of any other applicable condition, or any combination of the foregoing) would constitute a default under any document which is binding on the Issuer or any of its assets, and which would reasonable be expected to have a Material Adverse Effect.

*(f) Authorizations and consents*

All authorisations, consents, licenses or approvals of any governmental authorities required for the Issuer in connection with the execution, performance, validity or enforceability of this Bond Agreement or any other Finance Document, and the transactions contemplated thereby, have been obtained and are valid and in full force and effect. All authorisations, consents, licenses or approvals of any governmental authorities required for the Issuer to carry on its business as presently conducted and as contemplated by this Bond Agreement, have been obtained and are in full force and effect.

*(g) Litigation*

No litigation, arbitration or administrative proceeding of or before any court, arbitral body or agency is pending or, to the best of the Issuer's knowledge, threatened which, if adversely determined, would reasonably be expected to have a Material Adverse Effect.

*(h) Financial Statements*

The most recently audited Financial Statements and the most recent unaudited Quarterly Financial Reports for the Issuer fairly and accurately represent in all material respect the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with GAAP, consistently applied from one (1) year to another.

*(i) No undisclosed liabilities*

As of the date of the Financial Statements, the Issuer had to the best of its knowledge no material liabilities, direct or indirect, actual or contingent, and there were no material anticipated losses from any unfavorable commitments not disclosed by or reserved against in the Financial Statements or in the notes thereto.

*(j) No Material Adverse Effect*

Since the date of the Financial Statements, there has been no change in the business, assets or financial condition of the Issuer that is likely to have a Material Adverse Effect.

*(k) No misleading information*

All documents and information which have been provided to the subscribers or the Bond Trustee in connection with this Bond Issue represent the latest available public financial information concerning the Group.

*(l) Environmental compliance*

The Issuer is in compliance with any material and relevant applicable environmental law or regulation and no circumstances have occurred which would prevent such compliance in a manner which has or is likely to have a Material Adverse Effect.

*(m) No withholdings*

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee (on behalf of the Bondholders) or the Bondholders under this Bond Agreement.

*(n) Pari passu ranking*

The Issuer's payment obligations under this Bond Agreement or any other Finance Document to which it is a party rank at least *pari passu* as set out in Clause 8.1.

7.2 The representations and warranties set out in Clause 7.1 shall apply for the Issuer and are made on the execution date of this Bond Agreement, and shall be deemed to be repeated on the Issue Date.

7.3 The Bond Trustee may prior to disbursement require a written statement from the Issuer confirming compliance with Clause 7.1.

7.4 In the event of misrepresentation, the Issuer shall indemnify the Bond Trustee for any economic losses suffered, both prior to the disbursement of the Bonds, and during the term of the Bonds, as a result of its reliance on the representations and warranties provided by the Issuer herein.

## 8 Status of the Bonds

### 8.1 *Ranking and priority*

The Bonds shall rank at least *pari passu* with all other senior obligations of the Issuer other than obligations which are mandatorily preferred by law. The Bonds shall rank ahead of subordinated capital.

## 9 Interest

9.1 The Issuer shall pay interest on the aggregate outstanding principal amount of the Bonds from, and including, the Issue Date at the Bond Reference Rate plus the Margin (together the “**Floating Rate**”).

9.2 Interest payments shall be made in arrears on the Interest Payment Dates each year, the first Interest Payment Date falls in 6 March 2019.

9.3 The relevant interest payable amount shall be calculated based on a period from, and including, one (1) Interest Payment Date to, but excluding, the next following applicable Interest Payment Date.

9.4 The day count fraction (the “**Floating Rate Day Count Fraction**”) in respect of the calculation of the payable interest amount shall be “Actual/360”, which refers to the number of days in the calculation period for which interest is payable divided by 360.

9.5 The applicable Floating Rate on the Bonds is set/reset on each Interest Payment Date by the Bond Trustee commencing on the Interest Payment Date at the beginning of the relevant calculation period, based on the Bond Reference Rate two (2) Business Days preceding that Interest Payment Date.

When the interest rate is set for the first time and on subsequent interest rate resets, the next Interest Payment Date, the interest rate applicable up to the next Interest Payment Date and the actual number of calendar days up to that date shall immediately be notified to the Bondholders, the Issuer, the Paying Agent, and if the Bonds are listed, the Exchange.

9.6 The payable interest amount per Bond for a relevant calculation period shall be calculated as follows:

$$\text{Interest Amount} = \text{Face Value} \times \text{Floating Rate} \times \text{Floating Rate Day Count Fraction}$$

## **10 Maturity of the Bonds and Redemption**

### *10.1 Maturity*

The Bonds shall mature in full on the Maturity Date, and shall be repaid at par (100%) by the Issuer.

### *10.2 Change of Control and De-listing*

10.2.1 Upon the occurrence of a Change of Control Event and/or a De-listing each Bondholder shall have a right of pre-payment (a “**Put Option**”) of its Bonds at a price of 101 % of par plus accrued and unpaid interest.

10.2.2 The Put Option must be exercised within 60 days after the Issuer has given notification to the Bond Trustee and the Bondholders of a Change of Control Event and or a De-listing. Such notification shall be given as soon as possible after a Change of Control Event and/or De-listing has taken place.

The Put Option may be exercised by the Bondholders by giving written, irrevocable notice of the request to its Account Manager. The Account Manager shall notify the Paying Agent of the pre-payment request. The settlement date of the Put Option shall be 25 Business Days following the date when the Paying Agent received the repayment request.

10.2.3 On the settlement date of the Put Option, the Issuer shall pay to each of the Bondholders holding Bonds to be pre-paid, the principal amount of each such Bond and any unpaid interest accrued up to (but not including) the settlement date.

## **11 Payments**

### *11.1 Payment mechanics*

11.1.1 The Issuer shall pay all amounts due to the Bondholders under the Bonds and this Bond Agreement by crediting the bank account nominated by each Bondholder in connection with its securities account in the Securities Register.

11.1.2 Payment shall be considered to have been made once the amount has been credited to the bank which holds the bank account nominated by the Bondholder in question, but if the paying bank and the receiving bank are the same, payment shall be considered to have been made once the amount has been credited to the bank account nominated by the Bondholder in question, see however Clause 11.2.

### *11.2 Currency*

11.2.1 If the Bonds are denominated in currencies other than NOK, each Bondholder must provide the Paying Agent (either directly or through its Account Manager) with specific payment instructions, including foreign exchange bank account details. Depending on the currency exchange settlement agreements between the Bondholders' bank and the Paying Agent, cash settlement may be delayed, in which case no default interest or other penalty shall accrue for the benefit of the Issuer.



11.2.2 Except as otherwise expressly provided, all amounts payable under this Bond Agreement and any other Finance Document shall be payable in the same currency as the Bonds are denominated in. If, however, the Bondholder has not given instruction as set out in Clause 11.2.1, within five (5) Business Days prior to a Payment Date, the cash settlement will be exchanged into NOK and credited to the NOK bank account registered with the Bondholders account in the Securities Register.

11.2.3 Amounts payable in respect of costs, expenses, Taxes and other liabilities shall be payable in the currency in which they are incurred.

### *11.3 Set-off and counterclaims*

11.3.1 The Issuer may not apply or perform any counterclaims or set-off against any payment obligations pursuant to this Bond Agreement or any other Finance Document.

### *11.4 Interest in the event of late payment*

11.4.1 In the event that payment of interest or principal is not made on the relevant Payment Date, the unpaid amount shall bear interest from the Payment Date at an interest rate equivalent to the interest rate according to Clause 9 plus 5.00 percentage points.

11.4.2 The interest charged under this Clause 11.4 shall be added to the defaulted amount on each respective Interest Payment Date relating thereto until the defaulted amount has been repaid in full.

11.4.3 The unpaid amounts shall bear interest as stated above until payment is made, whether or not the Bonds are declared to be in default pursuant to paragraph (a) of Clause 15.1, cf. Clauses 15.2, 15.3 and 15.4.

### *11.5 Irregular payments*

11.5.1 In case of irregular payments, the Bond Trustee may instruct the Issuer or Bondholders of other payment mechanisms than described in Clause 11.1 or 11.2 above. The Bond Trustee may also obtain payment information regarding Bondholders' accounts from the Securities Register or Account Managers.

## **12 Issuer's acquisition of Bonds**

- 12.1 The Issuer has the right to acquire and own Bonds (Issuer's Bonds). The Issuer's Bonds may at the Issuer's discretion be retained by the Issuer, sold or discharged.

## **13 Covenants**

### *13.1 General*

- 13.1.1 The Issuer has undertaken the covenants in this Clause 13 to the Bond Trustee (on behalf of the Bondholders), as further stated below.
- 13.1.2 The covenants in this Clause 13 shall remain in force from the date of this Bond Agreement and until such time that no amounts are outstanding under this Bond Agreement and any other Finance Document, unless the Bond Trustee (or the Bondholders Meeting, as the case may be), has agreed in writing to waive any covenant, and then only to the extent of such waiver, and on the terms and conditions set forth in such waiver.

### *13.2 Information Covenants*

- 13.2.1 The Issuer shall
- (a) promptly give written notice to the Bond Trustee as soon as it becomes aware of the occurrence of any Event of Default or event which with the giving of notice, lapse of time or other condition would constitute an Event of Default;
  - (b) supply to the Bond Trustee such additional publicly available information as the Bond Trustee may from time to time reasonably require;
  - (c) as soon as practicable (and in any event not later than one hundred and fifty (150) days after the close of each financial year), make its audited consolidated balance sheet and profit and loss account for such year available on its website;
  - (d) as soon as practicable (and in any event within ninety (90) days of the end of each financial quarter), make available a quarterly unaudited financial report of the Issuer in the format as is made available to the public on its website;
  - (e) at the request of the Bond Trustee, report the balance of Issuer's Bonds;
  - (f) without being requested to do so, inform the Bond Trustee of changes in the registration of the Bonds in the Securities Register;
  - (g) immediately notify the Bondholders (via the Securities Register), the Bond Trustee and the Exchange (if listed) if a Change of Control Event takes place; and
  - (h) without being requested to do so, send the Bond Trustee copies of any statutory creditors' notifications of the Issuer, including but not limited to; mergers, demergers and reduction of the Issuer's share capital or equity.

- 13.2.2 The Issuer shall at the request of the Bond Trustee provide the documents and information necessary to maintain the listing and quotation of the Bonds on the Exchange (if listed) and to otherwise enable the Bond Trustee to carry out its rights and duties pursuant to this Bond Agreement and the other Finance Documents, as well as applicable laws and regulations.
- 13.2.3 The Issuer shall in connection with the issue of its Financial Statements and Quarterly Financial Reports under Clause 13.2.1 (d), confirm to the Bond Trustee in writing the Issuer's compliance with the covenants in Clause 13. Such confirmation shall be undertaken in a compliance certificate, substantially in the format set out in Attachment 1 hereto, signed by the Chief Executive Officer, the Chief Financial Officer or the Corporate Treasurer of the Issuer. In the event of non-compliance, the compliance certificate shall describe the non-compliance, the reasons therefore as well as the steps which the Issuer has taken and will take in order to rectify the non-compliance.

### 13.3 *General Covenants*

(a) *Pari passu ranking*

The Issuer's obligations under this Bond Agreement and any other Finance Document shall at all times rank at least *pari passu* as set out in Clause 8.1.

(b) *Material adverse change*

The Issuer undertakes not to, and procure that no Group Member will (either in one (1) action or as several actions, voluntarily or involuntarily):

- (i) Sell or otherwise dispose of all parts of its assets or business,
- (ii) Change the nature of its business, or
- (iii) Merge, demerge or in any other way restructure its business,

if such action will materially and adversely affect the Issuer's ability to fulfil its obligations under the loan agreement.

### 13.4 *Corporate and operational matters*

(a) *Intra-group transactions*

All transactions between any companies in the Group shall be on commercial terms, and shall comply with all applicable provisions of applicable corporate law applicable to such transactions, including, in respect of Norwegian companies, Section 3-9 of the Private or Public Limited Companies Act 1997.

(b) *Corporate status*

The Issuer shall not, and shall ensure that no other member of the Group, change its type of organization or jurisdiction of organization if such change would have a Material Adverse Effect.

(c) *Compliance with laws*

The Issuer shall carry on its business in accordance with acknowledged, careful and sound practices in all material aspects and comply in all material respects

with laws and regulations it or they may be subject to from time to time (including environmental laws and regulations).

(d) *Negative Pledge*

The Issuer shall not, and shall procure that no member of the Group shall, without the prior written consent of the Bond Trustee (on behalf of the Bondholders) create or incur, or allow to exist over any of its present or future assets or revenues, any Encumbrance other than permitted Encumbrances defined as follows (the “**Permitted Encumbrances**”):

- (i) any Encumbrance existing on the date hereof provided that the principal amount secured is not increased;
- (ii) any Encumbrance arising solely by operation of law and not arising as a result of any default or omission on the part of the Issuer or any member of the Group and securing obligations of not more than thirty (30) days’ maturity, unless being contested in good faith;
- (iii) any Encumbrances in the ordinary course of business including cash pool schemes, and retention of title arrangements in the ordinary course of trading;
- (iv) any Encumbrance existing over any company or asset acquired after the date hereof; provided that:
  - (a) such encumbrance having been created or granted by the relevant company prior to (and not concurrently with) becoming a member of the Group;
  - (b) there is no increase in the principal amount or change in the nature of, the indebtedness thereby secured; and
  - (c) any Encumbrances according to (a) or (b) shall be released not later than 12 months after such company has become a member of the Group;
- (v) any Encumbrance over any asset comprising a project which is the subject of a project financing by a member of the Group whose principal assets and business are constituted by a project, provided that the person (not being a member of the Group) making available such indebtedness has no recourse whatsoever to any member of the Group for the payment of such indebtedness;
- (vi) any Encumbrance granted in respect of Non-Commercial Financing, provided that the maximum amount of indebtedness secured by all encumbrances pursuant to this paragraph does not, at any time, exceed 5 % of Total Consolidated Assets;
- (vii) any Encumbrance entered into in connection with ordinary treasury activities in connection with entering into hedging arrangements or in respect of exchange requirements;
- (viii) any Encumbrance not covered by paragraphs (i), (ii), (iii), (iv), (v) and (vii) above, provided that the aggregate amount of indebtedness

secured by all encumbrances under this paragraph (viii) does not, at any time, exceed 10% of Total Consolidated Assets; and

- (ix) any Encumbrance consented to in writing by the Bond Trustee (or by simple majority at the Bondholders' Meeting).

## **14 Fees and expenses**

- 14.1 The Issuer shall cover all its own expenses in connection with this Bond Agreement and fulfilment of its obligations under this Bond Agreement, including preparation of this Bond Agreement, preparation of the Finance Documents and any registration or notifications relating thereto, listing of the Bonds on the Exchange (if applicable), and the registration and administration of the Bonds in the Securities Register.
- 14.2 The expenses and fees payable to the Bond Trustee (and/or the Security Agent, as the case may be) shall be paid by the Issuer and are set forth in a separate agreement between the Issuer and the Bond Trustee. Fees and expenses payable to the Bond Trustee which, due to the Issuer's insolvency or similar, are not reimbursed in any other way may be covered by making an equivalent reduction in the payments to the Bondholders.
- 14.3 The Issuer shall cover all public fees in connection with the Bonds and the Finance Documents. Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer is not responsible for reimbursing any such fees.
- 14.4 In addition to the fee due to the Bond Trustee pursuant to Clause 14.2 and normal expenses pursuant to Clauses 14.1 and 14.3, the Issuer shall, on demand, cover extraordinary expenses incurred by the Bond Trustee in connection with the Bonds, as determined in a separate agreement between the Issuer and the Bond Trustee.
- 14.5 The Issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to the Bondholders.

## **15 Events of Default**

- 15.1 The Bonds may be declared by the Bond Trustee to be in default upon occurrence of any of the following events (each of which shall be referred to as an “**Event of Default**”) if:
  - (a) *Non-payment*

The Issuer fails to fulfil any payment obligation under this Bond Agreement or any Finance Document when due, unless, in the opinion of the Bond Trustee, it is obvious that such failure will be remedied, and payment in full of any such late payment is made, within five (5) Business Days following the original due date.
  - (b) *Breach of other obligations*

The Issuer fails to duly perform any other covenant or obligation pursuant to this Bond Agreement or any of the Finance Documents, and such failure is not remedied within ten (10) Business Days after notice thereof is given to the Issuer by the Bond Trustee.

(c) *Cross default*

The aggregate amount of Financial Indebtedness of the Issuer or any Group Member falling within paragraphs (i) to (iv) below exceeds a total of 10% of Total Consolidated Equity;

- (i) any Financial Indebtedness is not paid when due nor within any originally applicable grace period;
- (ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);
- (iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or
- (iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described).

No Event of Default will occur under this paragraph (c) of Clause 15.1 if claim(s) falling within this paragraph (c) of Clause 15.1 above are being legitimately contested in good faith and with due diligence, after consulting with the Bond Trustee, by the Issuer or any Group Member.

(d) *Misrepresentations*

Any representation, warranty or statement (including statements in compliance certificates) made under this Bond Agreement or in connection therewith is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made.

(e) *Insolvency*

The following occurs in respect of the Issuer or any other Group Member:

- (i) the suspension of payments, or a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than solvent liquidation or reorganisation;
- (ii) a composition, compromise, assignment or arrangement with any creditor, which has a material adverse effect on the Issuer's ability to perform its payment obligations under this Bond Agreement;
- (iii) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or

Paragraph (e) does not apply, if applicable, in respect of any frivolous or vexatious proceedings presented by a creditor or other third party which are being contested in good faith and with due diligence after consulting with the Bond Trustee.

*(f) Creditors' process*

The Issuer or any other Group Member has a substantial portion of its assets impounded, confiscated, attached or subject to distraint, or is subject to enforcement of any security over any of its assets.

Paragraph (f) does not apply, if applicable, in respect of any frivolous or vexatious proceedings presented by a creditor or other third party which are being contested in good faith and with due diligence after consulting with the Bond Trustee.

*(g) Dissolution, appointment of liquidator or analogous proceedings*

The Issuer or any other Group Member is resolved to be dissolved or a liquidator, administrator or the like is appointed under any law relating to bankruptcy, insolvency or reorganization or relief of debtors.

*(h) Impossibility or illegality*

It is or becomes impossible or unlawful for the Issuer to fulfill or perform any of the terms of the Finance Documents to which it is a party.

*(i) Litigation*

Any claim, litigation, arbitration or administrative proceedings against any Group Member or the Issuer is adversely determined against the Group Member or the Issuer and has a Material Adverse Effect.

*(j) Material Adverse Effect*

Any event or series of events occurs which, in the reasonable opinion of the Bond Trustee, after consultations with the Issuer, has a Material Adverse Effect.

- 15.2 In the event that one (1) or more of the circumstances mentioned in Clause 15.1 occurs and is continuing, the Bond Trustee can, in order to protect the interests of the Bondholders, declare the Outstanding Bonds including accrued interest and expenses to be in default and due for immediate payment.

The Bond Trustee may at its discretion, on behalf of the Bondholders, take every measure necessary to recover the amounts due under the Outstanding Bonds, and all other amounts outstanding under the Bond Agreement and any other Finance Document.

- 15.3 In the event that one (1) or more of the circumstances mentioned in Clause 15.1 occurs and is continuing, the Bond Trustee shall declare the Outstanding Bonds including accrued interest and costs to be in default and due for payment if:

- (a) the Bond Trustee receives a demand in writing with respect to the above from Bondholders representing at least 1/5 of the aggregate principal amount of Voting Bonds, and the Bondholders' Meeting has not decided on other solutions, or
- (b) the Bondholders pursuant to action at a Bondholders' Meeting have decided to declare the Outstanding Bonds in default and due for payment, such decision to be made by a majority of the votes.

In either case the Bond Trustee shall on behalf of the Bondholders take every measure necessary to recover the amounts due under the Outstanding Bonds. The Bond Trustee can request satisfactory security for any possible liability and anticipated expenses, from those Bondholders who requested that the declaration of default be made pursuant to paragraph (a) above and/or those who voted in favour of the decision pursuant to paragraph (b) above.

- 15.4 In the event that the Bond Trustee pursuant to the terms of Clauses 15.2 or 15.3 declares the Outstanding Bonds to be in default and due for payment, the Bond Trustee shall immediately deliver to the Issuer a notice demanding payment of interest and principal due to the Bondholders under the Outstanding Bonds including accrued interest and interest on overdue amounts and expenses. Declaration of default shall be deemed as a mandatory prepayment situation and the Outstanding Bonds shall be repaid at the same prices as set out in Clause 10.2.

## **16 Bondholders' meeting**

### *16.1 Authority of the Bondholders' Meeting*

- 16.1.1 The Bondholders' Meeting represents the supreme authority of the Bondholders community in all matters relating to the Bonds. If a resolution by or an approval of the Bondholders is required, resolution of such shall be passed at a Bondholders' Meeting. Resolutions passed at Bondholders' Meetings shall be binding upon and prevail for all the Bonds and Bondholders.

### *16.2 Procedural rules for Bondholders' Meetings*

- 16.2.1 A Bondholders' Meeting shall be held at the request of:

- (a) the Issuer,
- (b) Bondholders representing at least 1/10 of the aggregate principal amount of Voting Bonds,
- (c) the Exchange, if the Bonds are listed, or
- (d) the Bond Trustee.

- 16.2.2 The Bondholders' Meeting shall be summoned by the Bond Trustee. A request for a Bondholders' Meeting shall be made in writing to the Bond Trustee, and shall clearly state the matters to be discussed.



- 16.2.3 If the Bond Trustee has not summoned a Bondholders' Meeting within ten (10) Business Days after having received such a request, then the requesting party may summons the Bondholders' Meeting itself.
- 16.2.4 Summons to a Bondholders Meeting shall be dispatched no later than ten (10) Business Days prior to the Bondholders' Meeting. The summons and a confirmation of each Bondholder's holdings of Bonds shall be sent to all Bondholders registered in the Securities Register at the time of distribution. The summons shall also be sent to the Exchange for publication.
- 16.2.5 The summons shall specify the agenda of the Bondholders' Meeting. The Bond Trustee may in the summons also set forth other matters on the agenda than those requested. If amendments to this Bond Agreement have been proposed, the main content of the proposal shall be stated in the summons.
- 16.2.6 The Bond Trustee may restrict the Issuer from making any changes of Voting Bonds in the period from distribution of the summons until the Bondholders' Meeting, by serving notice to it to such effect.
- 16.2.7 Matters that have not been reported to the Bondholders in accordance with the procedural rules for summoning of a Bondholders' Meeting may only be adopted with the approval of all Voting Bonds.
- 16.2.8 The Bondholders' Meeting shall be held on premises designated by the Bond Trustee. The Bondholders' Meeting shall be opened and shall, unless otherwise decided by the Bondholders' Meeting, be chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting shall be opened by a Bondholder, and be chaired by a representative elected by the Bondholders' Meeting.
- 16.2.9 Minutes of the Bondholders' Meeting shall be kept. The minutes shall state the numbers of Bondholders represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the result of the voting. The minutes shall be signed by the chairman and at least one (1) other person elected by the Bondholders' Meeting. The minutes shall be deposited with the Bond Trustee and shall be available to the Bondholders.
- 16.2.10 The Bondholders, the Bond Trustee and – provided the Bonds are listed - representatives of the Exchange, have the right to attend the Bondholders' Meeting. The chairman may grant access to the meeting to other parties, unless the Bondholders' Meeting decides otherwise. Bondholders may attend by a representative holding proxy. Bondholders have the right to be assisted by an advisor. In case of dispute the chairman shall decide who may attend the Bondholders' Meeting and vote for the Bonds.
- 16.2.11 Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders' Meeting may resolve that the Issuer's representatives may not participate in particular matters. The Issuer has the right to be present during the voting.

### *16.3 Resolutions passed at Bondholders' Meetings*

- 16.3.1 At the Bondholders' Meeting each Bondholder may cast one (1) vote for each Voting Bond owned at close of business on the day prior to the date of the Bondholders' Meeting in accordance with the records registered in the Securities Register. Whoever opens the Bondholders' Meeting shall adjudicate any question concerning which Bonds shall count as the Issuer's Bonds. The Issuer's Bonds shall not have any voting rights.
- 16.3.2 In all matters, the Issuer, the Bond Trustee and any Bondholder have the right to demand vote by ballot. In case of parity of votes, the chairman shall have the deciding vote, regardless of the chairman being a Bondholder or not.
- 16.3.3 In order to form a quorum, at least half (1/2) of the aggregate principal amount of the Voting Bonds must be represented at the meeting, see however Clause 16.4. Even if less than half (1/2) of the aggregate principal amount of the Voting Bonds are represented, the Bondholders' Meeting shall be held and voting completed.
- 16.3.4 If a quorum exists, resolutions shall be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set forth in Clause 16.3.5.
- 16.3.5 A majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for any waiver or amendment of any terms of this Bond Agreement.
- 16.3.6 The Bondholders' Meeting may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.
- 16.3.7 The Bond Trustee shall ensure that resolutions passed at the Bondholders' Meeting are properly implemented.
- 16.3.8 The Issuer, the Bondholders and the Exchange shall be notified of resolutions passed at the Bondholders' Meeting.

### *16.4 Repeated Bondholders' Meeting*

- 16.4.1. If the Bondholders' Meeting does not form a quorum pursuant to Clause 16.3.3, a repeated Bondholders' Meeting may be summoned to vote on the same matters. The attendance and the voting result of the first Bondholders' Meeting shall be specified in the summons for the repeated Bondholders' Meeting.
- 16.4.2 When a matter is tabled for discussion at a repeated Bondholders' Meeting, a valid resolution may be passed even though less than half (1/2) of the aggregate principal amount of the Voting Bonds are represented.

## **17 The Bond Trustee**

### *17.1 The role and authority of the Bond Trustee*

- 17.1.1 The Bond Trustee shall monitor the compliance by the Issuer of its obligations under this Bond Agreement and applicable laws and regulations which are relevant to the terms of this Bond Agreement, including supervision of timely and correct payment of principal or interest, inform the Bondholders, the Paying Agent and the Exchange of relevant information which is obtained and received in its capacity as Bond Trustee (however, this shall not restrict the Bond Trustee from discussing matters of confidentiality with the Issuer), arrange Bondholders' Meetings, and make the decisions and implement the measures resolved pursuant to this Bond Agreement. The Bond Trustee is not obligated to assess the Issuer's financial situation beyond what is directly set forth in this Bond Agreement.
- 17.1.2 The Bond Trustee may take any step necessary to ensure the rights of the Bondholders in all matters pursuant to the terms of this Bond Agreement. The Bond Trustee may postpone taking action until such matter has been put forward to the Bondholders' Meeting.
- 17.1.3 Except as provided for in Clause 17.1.5 the Bond Trustee may reach decisions binding for all Bondholders concerning this Bond Agreement, including amendments to the Bond Agreement and waivers or modifications of certain provisions, which in the opinion of the Bond Trustee, do not have a Material Adverse Effect on the rights or interests of the Bondholders pursuant to this Bond Agreement.
- 17.1.4 Except as provided for in Clause 17.1.5, the Bond Trustee may reach decisions binding for all Bondholders in circumstances other than those mentioned in Clause 17.1.3 provided prior notification has been made to the Bondholders. Such notice shall contain a proposal of the amendment and the Bond Trustee's evaluation. Further, such notification shall state that the Bond Trustee may not reach a decision binding for all Bondholders in the event that any Bondholder submits a written protest against the proposal within a deadline set by the Bond Trustee. Such deadline may not be less than five (5) Business Days following the dispatch of such notification.
- 17.1.5 The Bond Trustee may not reach decisions pursuant to Clauses 17.1.3 or 17.1.4 for matters set forth in Clause 16.3.5 except to rectify obvious incorrectness, vagueness or incompleteness.
- 17.1.6 The Bond Trustee may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.
- 17.1.7 The Issuer, the Bondholders and the Exchange shall be notified of decisions made by the Bond Trustee pursuant to Clause 17.1 unless such notice obviously is unnecessary.
- 17.1.8 The Bondholders through action at a Bondholders' Meeting may replace the Bond Trustee without the Issuer's approval, as provided for in Clause 16.3.5.

17.2 *Liability and indemnity*

- 17.2.1 The Bond Trustee is liable only for direct losses incurred by Bondholders or the Issuer as a result of negligence or willful misconduct by the Bond Trustee in performing its functions and duties as set forth in this Bond Agreement. The Bond Trustee is not liable for the content of information provided to the Bondholders on behalf of the Issuer.
- 17.2.2 The Issuer is liable for, and shall indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees, agents and representatives) to fulfil its obligations under the terms of this Bond Agreement and any other Finance Documents, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer in connection with the establishment and performance of this Bond Agreement and the other Finance Documents.

### 17.3 *Change of Bond Trustee*

- 17.3.1 Change of Bond Trustee shall be carried out pursuant to the procedures set forth in Clause 16. The Bond Trustee shall continue to carry out its duties as bond trustee until such time that a new Bond Trustee is elected.
- 17.3.2 The fees and expenses of a new bond trustee shall be covered by the Issuer pursuant to the terms set out in Clause 14, but may be recovered wholly or partially from the Bond Trustee if the change is due to a breach of the Bond Trustee duties pursuant to the terms of this Bond Agreement or other circumstances for which the Bond Trustee is liable.
- 17.3.3 The Bond Trustee undertakes to co-operate so that the new bond trustee receives without undue delay following the Bondholders' Meeting the documentation and information necessary to perform the functions as set forth under the terms of this Bond Agreement.

## 18 **Miscellaneous**

### 18.1 *The community of Bondholders*

- 18.1.1 By virtue of holding Bonds, which are governed by this Bond Agreement (which pursuant to Clause 2.1.1 is binding upon all Bondholders), a community exists between the Bondholders, implying, inter alia, that
- (a) the Bondholders are bound by the terms of this Bond Agreement,
  - (b) the Bond Trustee has power and authority to act on behalf of the Bondholders,
  - (c) the Bond Trustee has, in order to administer the terms of this Bond Agreement, access to the Securities Register to review ownership of Bonds registered in the Securities Register,
  - (d) this Bond Agreement establishes a community between Bondholders meaning that;
    - (i) the Bonds rank *pari passu* between each other,

- (ii) the Bondholders may not, based on this Bond Agreement, act directly towards the Issuer and may not themselves institute legal proceedings against the Issuer, guarantors or any other third party based on claims derived from the Finance Documents, including but not limited to recover the Bonds, enforcing any Encumbrance or pursuing claims against any party as a substitute for damages to the interests under the Finance Documents, regardless of claims being pursued on a contractual or non-contractual basis, however not restricting the Bondholders to exercise their individual rights derived from this Bond Agreement;
- (iii) the Issuer may not, based on this Bond Agreement, act directly towards the Bondholders,
- (iv) the Bondholders may not cancel the Bondholders' community, and
- (v) an individual Bondholder may not resign from the Bondholders' community.

## 18.2 *Defeasance*

18.2.1 The Issuer may, at its option and at any time, elect to have certain obligations discharged (see Clause 18.2.2) upon complying with the following conditions ("**Covenant Defeasance**"):

- (a) the Issuer shall have irrevocably pledged to the Bond Trustee for the benefit of the Bondholders cash or government obligations acceptable by the Bond Trustee (the "**Defeasance Pledge**") in such amounts as will be sufficient for the payment of principal (including if applicable premium payable upon exercise of a Call Option) and interest on the Outstanding Bonds to Maturity Date (or redemption upon an exercise of a notified Call Option);
- (b) the Issuer shall, if required by the Bond Trustee, provide a legal opinion reasonable acceptable to the Bond Trustee to the effect that the Bondholders will not recognize income, gain or loss for income tax purposes (under US federal or Norwegian tax law, if applicable) as a result of the Defeasance Pledge and Covenant Defeasance, and will be subject to such income tax on the same amount and in the same manner and at the same times as would have been the case if the Defeasance Pledge had not occurred;
- (c) no Event of Default shall have occurred and be continuing on the date of establishment of the Defeasance Pledge, or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 181<sup>st</sup> day after the date of establishment of the Defeasance Pledge;
- (d) neither the Defeasance Pledge nor the Covenant Defeasance results in a breach or violation of any material agreement or instrument binding upon the Issuer, or the articles of association or other corporate documents governing the Issuer;
- (e) the Issuer shall have delivered to the Bond Trustee a certificate signed by the Chief Executive Officer that the Defeasance Pledge was not made by the Issuer

with the intent of preferring the Bondholders over any other creditors of the Issuer or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others;

- (f) the Issuer shall have delivered to the Bond Trustee any certificate or legal opinion reasonably required regarding the Covenant Defeasance or Defeasance Pledge, including certificate from the Chief Executive Officer and a legal opinion from its legal counsel to the effect that all conditions for Covenant Defeasance have been complied with; and that (i) the Defeasance Pledge will not be subject to any rights of creditors of the Issuer, (ii) the Defeasance Pledge will constitute a valid, perfected and enforceable security interest in favour of the Bond Trustee for the benefit of the Bondholders, and (iii), after the 181<sup>st</sup> day following the establishment of the Defeasance Pledge, the funds and assets so pledged will not be subject to the effects of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors rights generally under the laws of the jurisdiction where the Defeasance Pledge was established and the corporate domicile of the Issuer.

18.2.2 Upon the exercise by the Issuer of its option under Clause 18.2.1;

- (a) the Issuer shall be released from their obligations under all provisions in Clause 13, except paragraphs (a), (e), (h) and (i) of Clause 13.2.1.
- (b) the Issuer shall not (and shall ensure that all Group Companies shall not) take any actions that may cause the value of the Encumbrance created by this Covenant Defeasance to be reduced, and shall at the request of the Bond Trustee execute, or cause to be executed, such further documentation and perform such other acts as the Bond Trustee may reasonably require in order for the Encumbrances to remain valid, enforceable and perfected by the Bond Trustee for the account of the Bondholders;
- (c) any guarantor(s) shall be discharged from their obligations under the guarantee(s), and the guarantee(s) shall cease to have any legal effect;
- (d) any Encumbrances other than the Defeasance Pledge shall be discharged, and the Bond Trustee shall take all steps reasonably possible for it to cause such discharge to be effected, by way of deletion of the relevant Security Document from the relevant register, notice to third parties or as otherwise required;
- (e) all other provisions of the Bond Agreement (except paragraphs (a), (b) and (c) above) shall remain fully in force without any modifications.

18.2.3 All moneys amount covered by the Defeasance Pledge shall be applied by the Bond Trustee, in accordance with the provisions of this Bond Agreement, to the payment to the Bondholders of all sums due to them under this Bond Agreement on the due date thereof.

Any excess funds not required for the payment of principal, premium and interest to the Bondholders (including any expenses and fees due to the Bond Trustee hereunder) shall be returned to the Issuer.

### *18.3 Limitation of claims*

18.3.1 All claims under the Bonds and this Bond Agreement for payment, including interest and principal, shall be subject to the time-bar provisions of the Norwegian Limitation Act of May 18, 1979 No. 18.

### *18.4 Access to information*

18.4.1 The Bond Agreement is available to anyone and copies may be obtained from the Bond Trustee or the Issuer. The Issuer shall ensure that the Bond Agreement is available in copy form to the general public until all the Bonds have been fully discharged.

18.4.2 The Bond Trustee shall, in order to carry out its functions and obligations under the Bond Agreement, have access to the Securities Register for the purposes of reviewing ownership of the Bonds registered in the Securities Register.

### *18.5 Amendments*

18.5.1 All amendments of this Bond Agreement shall be made in writing, and shall unless otherwise provided for by this Bond Agreement, only be made with the approval of all parties hereto.

### *18.6 Notices, contact information*

18.6.1 Written notices, warnings, summons and other communications to the Bondholders made by the Bond Trustee shall be sent via the Securities Register with a copy to the Issuer and the Exchange. Information to the Bondholders may also be published at the web site [www.stamdata.no](http://www.stamdata.no).

18.6.2 The Issuer's written notifications to the Bondholders shall be sent via the Bond Trustee, or alternatively through the Securities Register with a copy to the Bond Trustee and the Exchange.

18.6.3 Unless otherwise specifically provided, all notices or other communications under or in connection with this Bond Agreement between the Bond Trustee and the Issuer shall be given or made in writing, by letter, or telefax. Any such notice or communication shall be deemed to be given or made as follows:

- (a) if by letter, when delivered at the address of the relevant Party;
- (b) if by telefax, when received.

18.6.4 The Issuer and the Bond Trustee shall ensure that the other party is kept informed of changes in postal address, e-mail address, telephone and fax numbers and contact persons.

### *18.7 Dispute resolution and legal venue*

This Bond Agreement and all disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer, shall be governed by Norwegian law.

All disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer, shall be exclusively resolved by the courts of Norway, with the District Court of Oslo as sole legal venue.

This Clause 18.7 is for the benefit of the Bond Trustee only. As a result, the Bond Trustee shall not be prevented from taking proceedings relating to a dispute in any other courts with jurisdiction. To the extent allowed by law, the Bond Trustee may take concurrent proceedings in any number of jurisdictions.

\*\*\*\*\*

This Bond Agreement has been executed in two (2) originals, of which the Issuer and the Bond Trustee retain one (1) each.

**Issuer**

By: Geir Hög.  
Position: President & CEO

**Bond Trustee**

By:  
Position:



This Bond Agreement and all disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer, shall be governed by Norwegian law.

All disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer, shall be exclusively resolved by the courts of Norway, with the District Court of Oslo as sole legal venue.

This Clause 18.7 is for the benefit of the Bond Trustee only. As a result, the Bond Trustee shall not be prevented from taking proceedings relating to a dispute in any other courts with jurisdiction. To the extent allowed by law, the Bond Trustee may take concurrent proceedings in any number of jurisdictions.

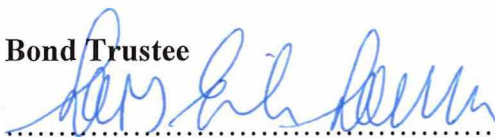
\*\*\*\*\*

This Bond Agreement has been executed in two (2) originals, of which the Issuer and the Bond Trustee retain one (1) each.

**Issuer**

**Bond Trustee**

.....  
By:  
Position:

  
.....  
By: **Lars Erik Lærum**  
Position:

**Attachment 1****COMPLIANCE CERTIFICATE**

Nordic Trustee AS  
P.O. Box 1470 Vika  
N-0116 Oslo  
Norway

Fax: + 47 22 87 94 10  
E-mail: mail@nordictrustee.com

[date]

Dear Sirs,

**FRN Kongsberg Gruppen ASA Senior Unsecured Bond Issue 2018/2021 –  
ISIN NO0010837586**

We refer to the Bond Agreement for the above mentioned Bond Issue made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders, and the undersigned as Issuer under which a Compliance Certificate shall be issued. This letter constitutes the Compliance Certificate for the period [PERIOD].

Capitalised words and expressions are used herein as defined in the Bond Agreement.

With reference to Clause 13.2.3 we hereby certify that:

1. There has been no change which to the best of our knowledge has a Material Adverse Effect since the date of the last accounts or the last Compliance Certificate submitted to you.
2. The covenants set out in Clause 13 are satisfied.

Copies of our latest consolidated [annual audited/quarterly unaudited] accounts are enclosed.

Yours faithfully,

Kongsberg Gruppen ASA

---

*Name of authorized person*

Enclosure: [copy of any written documentation]

ISIN NO0010837602

**BOND AGREEMENT**

between

**Kongsberg Gruppen ASA**  
(Issuer)

and

**Nordic Trustee AS**  
(Bond Trustee)

on behalf of

**the Bondholders**

in the bond issue

FRN Kongsberg Gruppen ASA Senior Unsecured Open Bond Issue  
2018/2024

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Attachment 1 – Compliance Certificate

This bond agreement has been entered into on 3 December 2018 between:

- (1) Kongsberg Gruppen ASA (a company incorporated in Norway with Company No. 943 753 709 and LEI-code 5967007LIEEXZXJ9HK73) as issuer (the “**Issuer**”), and
- (2) Nordic Trustee AS (a company incorporated in Norway with Company No. 963 342 624 and LEI-code 549300XAKTM2BMKIPT85) as bond trustee (the “**Bond Trustee**”).

## 1 Interpretation

### 1.1 Definitions

In this Bond Agreement the following terms shall have the following meanings (certain terms relevant for Clauses 9, 10, 13, 15 and 18 and other Clauses may be defined in the relevant Clause):

“**Account Manager**” means a Bondholder’s account manager in the Securities Register.

“**Attachment**” means any attachments to this Bond Agreement.

“**Bond Agreement**” means this bond agreement, including any Attachments to which it refers, and any subsequent amendments and additions agreed between the Parties.

“**Bond Issue**” means the bond issue constituted by the Bonds.

“**Bond Reference Rate**” means 3 months NIBOR.

“**Bondholder**” means a holder of Bond(s), as registered in the Securities Register, from time to time.

“**Bondholders’ Meeting**” means a meeting of Bondholders, as set forth in Clause 16.

“**Bonds**” means the securities issued by the Issuer pursuant to this Bond Agreement, representing the Bondholders’ underlying claim on the Issuer.

“**Business Day**” means any day on which Norwegian commercial banks are open for general business, and when Norwegian banks can settle foreign currency transactions.

“**Business Day Convention**” means that if the relevant Interest Payment Date falls on a day that is not a Business Day, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day (*Modified Following Business Day Convention*).

**“Change of Control Event”** means an event where any investor or group of investors (other than the Kingdom of Norway), affiliated with each other or which should be consolidated under the terms of section 1-3 of the Norwegian Limited Liabilities Act, is or becomes the owner, directly or indirectly, of more than 50% of the voting shares of the Issuer.

**“De-listing”** means that the Issuer’s shares ceases to be listed on the Oslo Stock Exchange or another regulated market without being or simultaneously becoming listed on another regulated market.

**“Encumbrance”** means any encumbrance, mortgage, pledge, lien, charge (whether fixed or floating), assignment by way of security, finance lease, sale and repurchase or sale and leaseback arrangement, sale of receivables on a recourse basis or security interest or any other agreement or arrangement having the effect of conferring security.

**“Event of Default”** means the occurrence of an event or circumstance specified in Clause 15.1.

**“Exchange”** means securities exchange or other reputable marketplace for securities, on which the Bonds are listed, or where the Issuer has applied for listing of the Bonds.

**“Finance Documents”** means (i) this Bond Agreement, (ii) the agreement between the Bond Trustee and the Issuer referred to in Clause 14.2, and (iii) any other document (whether creating a security interest or not) which is executed at any time by the Issuer or any other party in relation to any amount payable under this Bond Agreement.

**“Financial Indebtedness”** means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility;
- (c) any amount raised pursuant to any note purchase facility of the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (e) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing and would be treated as such in accordance with generally accepted accounting principles applicable to the Issuer (but, for the avoidance of doubt, excluding any trade credit incurred in the ordinary course of business); and
- (f) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (f) above,

provided, that for the avoidance of doubt, Financial Indebtedness shall not include any indebtedness for or in respect of any interest rate swap, currency swap, forward foreign exchange transaction, cap, floor, collar or option transaction or any other

treasury transaction or any combination of hybrid thereof or any derivative or other transaction entered into in connection with protection against or benefit from fluctuation in any rate of price.

“**Financial Statements**” means the audited consolidated annual accounts and financial statements of the Issuer for any financial year, prepared in accordance with GAAP, such accounts to include a profit and loss account, balance sheet, cash flow statement and report from the Board of Directors.

“**GAAP**” means the generally accepted accounting practice and principles in Norway including, if applicable, the International Financial Reporting Standards (IFRS) and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof), in force from time to time.

“**Group**” means the Issuer and its Subsidiaries, and a “**Group Member**” means the Issuer or any of its Material Subsidiaries.

“**Interest Payment Date**” means 6 March, 6 June, 6 September and 6 December each year and the Maturity Date. Any adjustment will be made according to the Business Day Convention.

“**ISIN**” means International Securities Identification Numbering system – the identification number of the Bonds.

“**Issue Date**” means 6 December 2018.

“**Issuer’s Bonds**” means Bonds owned by the Issuer, any party or parties who has decisive influence over the Issuer, or any party or parties over whom the Issuer has decisive influence.

“**Manager**” means the manager for the Bond Issue.

“**Margin**” means 1.20 percentage points per annum.

“**Material Adverse Effect**” means a material adverse effect on the ability of the Issuer to perform its payment obligations under this Bond Agreement.

“**Material Subsidiary**” means each Subsidiary, whose assets have an aggregate book value which exceeds 10% of the Total Consolidated Assets of the Group and/or whose aggregate revenues exceed 10% of the consolidated revenues of the Group.

“**Maturity Date**” means 6 June 2024. Any further adjustment may be made according to the Business Day Convention.

“**NIBOR**” means the interest rate fixed for a defined period on Oslo Børs’ webpage at approximately 12.15 Oslo time or, on days on which Oslo Børs has shorter opening hours (New Year’s Eve and the Wednesday before Maundy Thursday), the data published at approximately 10.15 a.m. shall be used. In the event that such page is not available, has been removed or changed such that the quoted interest rate no

longer represents, in the opinion of the Bond Trustee, a correct expression of the relevant interest rate, an alternative page or other electronic source which in the opinion of the Bond Trustee and the Issuer gives the same interest rate shall be used. If this is not possible, the Bond Trustee shall calculate the relevant interest rate based on comparable quotes from major banks in Oslo. If any such rate is below zero, NIBOR will be deemed to be zero.

“**NOK**” means Norwegian kroner, being the lawful currency of Norway.

“**Non-Commercial Financing**” means any financing on concessional terms granted to a member of the Group by a government or public financial institution, export credit agency or other type of non-commercial lending institution, provided that such financing is provided in respect of work in or in connection with a project under a national or international recognized programme established to promote exports or development of a geographic region or research or development of technology or development of new markets.

“**Outstanding Bonds**” means the aggregate principal amount of the total number of Bonds not redeemed or otherwise discharged.

“**Party**” means a party to this Bond Agreement (including its successors and permitted transferees).

“**Paying Agent**” means any legal entity as appointed by the Issuer who acts as paying agent on behalf of the Issuer with respect to the Bonds.

“**Payment Date**” means a date for payment of principal or interest on the Bonds.

“**Quarter Date**” means each 31 March, 30 June, 30 September and 31 December.

“**Quarterly Financial Reports**” means the quarterly unaudited financial report of the Group in the same format as is made available to the public, prepared on the basis of the accounting principles essentially consistent with the principles applied in relation to the Financial Statements.

“**Securities Register Act**” means the Norwegian Act relating to Registration of Financial Instruments of 5 July 2002 No. 64.

“**Security Agent**” means the Bond Trustee, unless any other legal entity is appointed as collateral agent pursuant to Clause 17.3.

“**Securities Register**” means the securities register in which the Bond Issue is registered.

“**Subsidiary**” means a subsidiary (*datterselskap*) as defined in Section 1-3 of the Norwegian Limited Companies Act 1997 (*allmennaksjeloven*).

“**Tap Issue**” means subsequent issues after Issue Date up to the total aggregate amount described in Clause 2.2.1.



“**Taxes**” means all present and future taxes, levies, imposts, duties, charges, fees, deductions and withholdings, and any restrictions and or conditions resulting in a charge together with interest thereon and penalties in respect thereof and “**Tax**” and “**Taxation**” shall be construed accordingly.

“**Total Consolidated Assets**” means the aggregate book value of the total consolidated assets of the Group as determined from the financial statements most recently delivered to reflect IFRS.

“**Total Consolidated Equity**” means the aggregated book value of the total consolidated equity of the Group as determined from the financial statements most recently delivered to reflect IFRS.

“**US Securities Act**” means the U.S. Securities Act of 1933, as amended.

“**Voting Bonds**” means the Outstanding Bonds less the Issuer’s Bonds.

## 1.2 *Construction*

In this Bond Agreement, unless the context otherwise requires:

- (a) headings are for ease of reference only;
- (b) words denoting the singular number shall include the plural and vice versa;
- (c) references to Clauses are references to the Clauses of this Bond Agreement;
- (d) references to a time is a reference to Oslo time unless otherwise stated herein;
- (e) references to a provision of law is a reference to that provision as it may be amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law, including any determinations, rulings, judgments and other binding decisions relating to such provision or regulation;
- (f) references to “control” means the power to appoint a majority of the board of directors of the Issuer or to direct the management and policies of an entity, whether through the ownership of voting capital, by contract or otherwise; and
- (g) references to a “person” shall include any individual, firm, partnership, joint venture, company, corporation, trust, fund, body corporate, unincorporated body of persons, or any state or any agency of a state or association (whether or not having separate legal personality).

## 2 **The Bonds**

### 2.1 *Binding nature of the Bond Agreement*

- 2.1.1 The Bondholders are, through their subscription, purchase or other transfer of Bonds bound by the terms of the Bond Agreement and other Finance Documents, and has through their subscriptions granted authority to the Bond Trustee to finalize and execute the Bond Agreement on the Bondholders behalf as set out in the subscription documents, term sheet, sales documents or in any other way, and all Bond transfers are subject to the terms of this Bond Agreement and all Bond transferees are, in taking transfer of Bonds, deemed to have accepted the terms of the Bond Agreement and the other Finance Documents and will automatically become parties to the Bond

Agreement upon the completed transfer having been registered, without any further action required to be taken or formalities to be complied with, see also Clause 18.1.

- 2.1.2 The Bond Agreement is available to anyone and may be obtained from the Bond Trustee or the Issuer. The Issuer shall ensure that the Bond Agreement is available to the general public throughout the entire term of the Bonds.

## 2.2 *The Bonds*

- 2.2.1 The Issuer has resolved to issue a series of Bonds in the total aggregate amount of up to NOK 1,500,000,000. The Bond Issue may comprise one (1) or more tranches issued on different issue dates. The first tranche will be in the amount of NOK 500,000,000.

The Bonds will be in denominations of NOK 1,000,000 each and rank *pari passu* between themselves.

The Bond Issue will be described as “FRN Kongsberg Gruppen ASA Senior Unsecured Open Bond Issue 2018/2024”.

The International Securities Identification Number (ISIN) of the Bond Issue will be NO0010837602.

The tenor of the Bonds is from and including the Issue Date to the Maturity Date.

- 2.2.2 The Bond Issue is a Tap Issue, under which subsequent issues may take place after Issue Date up to the total aggregate amount described in Clause 2.2.1, running from the Issue Date and to be closed no later than five (5) Business Days prior to the Maturity Date.

All Tap Issues will be subject to identical terms in all respects. The rights and obligations of all parties to the Bond Agreement also apply for later Tap Issues. The Bond Trustee will on the issuing of additional Tap Issues make an addendum to the Bond Agreement regulating the conditions for such Tap Issue.

## 2.3 *Purpose and utilization*

- 2.3.1 The net proceeds of the Bonds shall be employed for part financing of the Group’s acquisition of Rolls-Royce Commercial Marine and/or general corporate purposes.

## 3 **Listing**

- 3.1 The Issuer shall apply for listing of the Bonds on the Oslo Stock Exchange.
- 3.2 If the Bonds are listed, the Issuer shall ensure that the Bonds remain listed until they have been discharged in full.

#### **4 Registration in a Securities Register**

- 4.1 The Bond Issue and the Bonds shall prior to disbursement be registered in the Securities Register according to the Securities Register Act and the conditions of the Securities Register. Any repayment of Bonds and/or interest accrued thereon will be credited the Bondholders through the Securities Register.
- 4.2 The Issuer shall promptly arrange for notification to the Securities Register of any changes in the terms and conditions of this Bond Agreement. The Bond Trustee shall receive a copy of the notification.
- 4.3 The Issuer is responsible for the implementation of correct registration in the Securities Register. The registration may be executed by an agent for the Issuer provided that the agent is qualified according to relevant regulations.
- 4.4 The Bonds have not been registered under the US Securities Act, and the Issuer is under no obligation to arrange for registration of the Bonds under the US Securities Act.

#### **5 Purchase and transfer of Bonds**

- 5.1 Subject to the restrictions set forth in this Clause 5, the Bonds are freely transferable and may be pledged.
- 5.2 Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a Bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business). Each Bondholder must ensure compliance with local laws and regulations applicable at own cost and expense.
- 5.3 Notwithstanding the above, a Bondholder which has purchased the Bonds in contradiction to mandatory restrictions applicable may nevertheless utilize its voting rights under this Bond Agreement.

#### **6 Conditions Precedent**

- 6.1 Disbursement of the first tranche of the Bonds to the Issuer will be subject to the Bond Trustee having received the following documents, in form and substance satisfactory to it, at least two (2) Business Days prior to the Issue Date:
- (a) this Bond Agreement duly executed by all parties thereto;
  - (b) certified copies of all necessary corporate resolutions to issue the Bonds and execute the Finance Documents;
  - (c) a power of attorney from the Issuer to relevant individuals for their execution of the relevant Finance Documents, or extracts from the relevant register or similar documentation evidencing the individuals authorized to sign on behalf of the Issuer;

- (d) certified copies of (i) the Certificate of Incorporation or other similar official document for the Issuer, evidencing that it is validly existing and (ii) Articles of Association of the Issuer;
  - (e) confirmation that the requirements set forth in Chapter 7 of the Norwegian Securities Trading Act (implementing the EU prospectus directive (2003/71 EC)) concerning prospectuses have been fulfilled or do not apply;
  - (f) to the extent necessary, any public authorisations required for the Bond Issue;
  - (g) confirmation from the Paying Agent that the Bonds have been registered in the Securities Register;
  - (h) written confirmation in accordance with Clause 7.3 (if required);
  - (i) the agreement set forth in Clause 14.2, duly executed; and
  - (j) documentation on the granting of authority to the Bond Trustee as set out in Clause 2.1 and copies of any written documentation made public by the Issuer or the Manager in connection with the Bond Issue.
- 6.2 The Bond Trustee may, in its reasonable opinion, waive the deadline or requirements for documentation as set forth in Clause 6.1.
- 6.3 The Bond Trustee may require any statement or legal opinion in connection with the Bond Issue (pre and post Issue Date).
- 6.4 Disbursement of the net proceeds from the Bonds is subject to the Bond Trustee's written notice to the Issuer, the Manager and the Paying Agent that the documents have been controlled and that the required conditions precedent are fulfilled.
- 6.5 On the Issue Date, subject to receipt of confirmation from the Bond Trustee pursuant to Clause 6.4, the Manager shall make the net proceeds from the first tranche of the Bond Issue available to the Issuer.
- 6.6 The Issuer may issue Tap Issues provided that (i) the amount of the aggregate of (a) the Outstanding Bonds prior to such Tap Issue and (b) the requested amount for such Tap Issue shall not exceed the maximum issue amount (ii) no Event of Default occurs or would occur as a result of the making of such Tap Issue, (iii) the documents earlier received by the Bond Trustee, c.f. Clause 6.1, are still valid or issued in updated or new version making them valid at the time of the Tap Issues, (iv) the representations and warranties contained in this Bond Agreement being true, correct and repeated by the Issuer, and (v) that such Tap Issue is in compliance with laws and regulations as of the time of such issue.

## 7 Representations and Warranties

7.1 The Issuer represents and warrants to the Bond Trustee (on behalf of the Bondholders) that:

*(a) Status*

It is a public limited liability company, duly incorporated and validly existing under the law of the jurisdiction in which it is registered, and has the power to own its assets and carry on its business as it is being conducted.

*(b) Power and authority*

It has the power to enter into and perform, and has taken all necessary corporate action to authorise its entry into, performance and delivery of this Bond Agreement and any other Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

*(c) Valid, binding and enforceable obligations*

This Bond Agreement and any other Finance Document to which it is a party constitute (or will constitute, when executed by the respective parties thereto) legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, and (save as provided for therein) no further registration, filing, payment of Tax or fees or other formalities are necessary to render the said documents enforceable against the Issuer.

*(d) Non-conflict with other obligations*

The entry into and performance by the Issuer of the Bond Agreement and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any present law or regulation or present judicial or official order; (ii) its articles of association, by-laws or other constitutional documents; or (iii) any document or agreement which is binding on the Issuer or any of its assets.

*(e) No Event of Default*

No Event of Default exists, and no other circumstances exist which constitute or (with the giving of notice, lapse of time, determination of materiality or the fulfilment of any other applicable condition, or any combination of the foregoing) would constitute a default under any document which is binding on the Issuer or any of its assets, and which would reasonable be expected to have a Material Adverse Effect.

*(f) Authorizations and consents*

All authorisations, consents, licenses or approvals of any governmental authorities required for the Issuer in connection with the execution, performance, validity or enforceability of this Bond Agreement or any other Finance Document, and the transactions contemplated thereby, have been obtained and are valid and in full force and effect. All authorisations, consents, licenses or approvals of any governmental authorities required for the Issuer to carry on its business as presently conducted and as contemplated by this Bond Agreement, have been obtained and are in full force and effect.

*(g) Litigation*

No litigation, arbitration or administrative proceeding of or before any court, arbitral body or agency is pending or, to the best of the Issuer's knowledge, threatened which, if adversely determined, would reasonably be expected to have a Material Adverse Effect.

*(h) Financial Statements*

The most recently audited Financial Statements and the most recent unaudited Quarterly Financial Reports for the Issuer fairly and accurately represent in all material respect the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with GAAP, consistently applied from one (1) year to another.

*(i) No undisclosed liabilities*

As of the date of the Financial Statements, the Issuer had to the best of its knowledge no material liabilities, direct or indirect, actual or contingent, and there were no material anticipated losses from any unfavorable commitments not disclosed by or reserved against in the Financial Statements or in the notes thereto.

*(j) No Material Adverse Effect*

Since the date of the Financial Statements, there has been no change in the business, assets or financial condition of the Issuer that is likely to have a Material Adverse Effect.

*(k) No misleading information*

All documents and information which have been provided to the subscribers or the Bond Trustee in connection with this Bond Issue represent the latest available public financial information concerning the Group.

*(l) Environmental compliance*

The Issuer is in compliance with any material and relevant applicable environmental law or regulation and no circumstances have occurred which would prevent such compliance in a manner which has or is likely to have a Material Adverse Effect.

*(m) No withholdings*

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee (on behalf of the Bondholders) or the Bondholders under this Bond Agreement.

*(n) Pari passu ranking*

The Issuer's payment obligations under this Bond Agreement or any other Finance Document to which it is a party rank at least *pari passu* as set out in Clause 8.1.

7.2 The representations and warranties set out in Clause 7.1 shall apply for the Issuer and are made on the execution date of this Bond Agreement, and shall be deemed to be repeated on the Issue Date.

7.3 The Bond Trustee may prior to disbursement require a written statement from the Issuer confirming compliance with Clause 7.1.

7.4 In the event of misrepresentation, the Issuer shall indemnify the Bond Trustee for any economic losses suffered, both prior to the disbursement of the Bonds, and during the term of the Bonds, as a result of its reliance on the representations and warranties provided by the Issuer herein.

## 8 Status of the Bonds

### 8.1 *Ranking and priority*

The Bonds shall rank at least *pari passu* with all other senior obligations of the Issuer other than obligations which are mandatorily preferred by law. The Bonds shall rank ahead of subordinated capital.

## 9 Interest

9.1 The Issuer shall pay interest on the aggregate outstanding principal amount of the Bonds from, and including, the Issue Date at the Bond Reference Rate plus the Margin (together the “**Floating Rate**”).

9.2 Interest payments shall be made in arrears on the Interest Payment Dates each year, the first Interest Payment Date falls in 6 March 2019.

9.3 The relevant interest payable amount shall be calculated based on a period from, and including, one (1) Interest Payment Date to, but excluding, the next following applicable Interest Payment Date.

9.4 The day count fraction (the “**Floating Rate Day Count Fraction**”) in respect of the calculation of the payable interest amount shall be “Actual/360”, which refers to the number of days in the calculation period for which interest is payable divided by 360.

9.5 The applicable Floating Rate on the Bonds is set/reset on each Interest Payment Date by the Bond Trustee commencing on the Interest Payment Date at the beginning of the relevant calculation period, based on the Bond Reference Rate two (2) Business Days preceding that Interest Payment Date.

When the interest rate is set for the first time and on subsequent interest rate resets, the next Interest Payment Date, the interest rate applicable up to the next Interest Payment Date and the actual number of calendar days up to that date shall immediately be notified to the Bondholders, the Issuer, the Paying Agent, and if the Bonds are listed, the Exchange.

9.6 The payable interest amount per Bond for a relevant calculation period shall be calculated as follows:

$$\text{Interest Amount} = \text{Face Value} \times \text{Floating Rate} \times \text{Floating Rate Day Count Fraction}$$

## **10 Maturity of the Bonds and Redemption**

### *10.1 Maturity*

The Bonds shall mature in full on the Maturity Date, and shall be repaid at par (100%) by the Issuer.

### *10.2 Change of Control and De-listing*

10.2.1 Upon the occurrence of a Change of Control Event and/or a De-listing each Bondholder shall have a right of pre-payment (a “**Put Option**”) of its Bonds at a price of 101 % of par plus accrued and unpaid interest.

10.2.2 The Put Option must be exercised within 60 days after the Issuer has given notification to the Bond Trustee and the Bondholders of a Change of Control Event and or a De-listing. Such notification shall be given as soon as possible after a Change of Control Event and/or De-listing has taken place.

The Put Option may be exercised by the Bondholders by giving written, irrevocable notice of the request to its Account Manager. The Account Manager shall notify the Paying Agent of the pre-payment request. The settlement date of the Put Option shall be 25 Business Days following the date when the Paying Agent received the repayment request.

10.2.3 On the settlement date of the Put Option, the Issuer shall pay to each of the Bondholders holding Bonds to be pre-paid, the principal amount of each such Bond and any unpaid interest accrued up to (but not including) the settlement date.

## **11 Payments**

### *11.1 Payment mechanics*

11.1.1 The Issuer shall pay all amounts due to the Bondholders under the Bonds and this Bond Agreement by crediting the bank account nominated by each Bondholder in connection with its securities account in the Securities Register.

11.1.2 Payment shall be considered to have been made once the amount has been credited to the bank which holds the bank account nominated by the Bondholder in question, but if the paying bank and the receiving bank are the same, payment shall be considered to have been made once the amount has been credited to the bank account nominated by the Bondholder in question, see however Clause 11.2.

### *11.2 Currency*

11.2.1 If the Bonds are denominated in currencies other than NOK, each Bondholder must provide the Paying Agent (either directly or through its Account Manager) with specific payment instructions, including foreign exchange bank account details. Depending on the currency exchange settlement agreements between the Bondholders' bank and the Paying Agent, cash settlement may be delayed, in which case no default interest or other penalty shall accrue for the benefit of the Issuer.



11.2.2 Except as otherwise expressly provided, all amounts payable under this Bond Agreement and any other Finance Document shall be payable in the same currency as the Bonds are denominated in. If, however, the Bondholder has not given instruction as set out in Clause 11.2.1, within five (5) Business Days prior to a Payment Date, the cash settlement will be exchanged into NOK and credited to the NOK bank account registered with the Bondholders account in the Securities Register.

11.2.3 Amounts payable in respect of costs, expenses, Taxes and other liabilities shall be payable in the currency in which they are incurred.

### *11.3 Set-off and counterclaims*

11.3.1 The Issuer may not apply or perform any counterclaims or set-off against any payment obligations pursuant to this Bond Agreement or any other Finance Document.

### *11.4 Interest in the event of late payment*

11.4.1 In the event that payment of interest or principal is not made on the relevant Payment Date, the unpaid amount shall bear interest from the Payment Date at an interest rate equivalent to the interest rate according to Clause 9 plus 5.00 percentage points.

11.4.2 The interest charged under this Clause 11.4 shall be added to the defaulted amount on each respective Interest Payment Date relating thereto until the defaulted amount has been repaid in full.

11.4.3 The unpaid amounts shall bear interest as stated above until payment is made, whether or not the Bonds are declared to be in default pursuant to paragraph (a) of Clause 15.1, cf. Clauses 15.2, 15.3 and 15.4.

### *11.5 Irregular payments*

11.5.1 In case of irregular payments, the Bond Trustee may instruct the Issuer or Bondholders of other payment mechanisms than described in Clause 11.1 or 11.2 above. The Bond Trustee may also obtain payment information regarding Bondholders' accounts from the Securities Register or Account Managers.

## **12 Issuer's acquisition of Bonds**

- 12.1 The Issuer has the right to acquire and own Bonds (Issuer's Bonds). The Issuer's Bonds may at the Issuer's discretion be retained by the Issuer, sold or discharged.

## **13 Covenants**

### *13.1 General*

- 13.1.1 The Issuer has undertaken the covenants in this Clause 13 to the Bond Trustee (on behalf of the Bondholders), as further stated below.
- 13.1.2 The covenants in this Clause 13 shall remain in force from the date of this Bond Agreement and until such time that no amounts are outstanding under this Bond Agreement and any other Finance Document, unless the Bond Trustee (or the Bondholders Meeting, as the case may be), has agreed in writing to waive any covenant, and then only to the extent of such waiver, and on the terms and conditions set forth in such waiver.

### *13.2 Information Covenants*

- 13.2.1 The Issuer shall
- (a) promptly give written notice to the Bond Trustee as soon as it becomes aware of the occurrence of any Event of Default or event which with the giving of notice, lapse of time or other condition would constitute an Event of Default;
  - (b) supply to the Bond Trustee such additional publicly available information as the Bond Trustee may from time to time reasonably require;
  - (c) as soon as practicable (and in any event not later than one hundred and fifty (150) days after the close of each financial year), make its audited consolidated balance sheet and profit and loss account for such year available on its website;
  - (d) as soon as practicable (and in any event within ninety (90) days of the end of each financial quarter), make available a quarterly unaudited financial report of the Issuer in the format as is made available to the public on its website;
  - (e) at the request of the Bond Trustee, report the balance of Issuer's Bonds;
  - (f) without being requested to do so, inform the Bond Trustee of changes in the registration of the Bonds in the Securities Register;
  - (g) immediately notify the Bondholders (via the Securities Register), the Bond Trustee and the Exchange (if listed) if a Change of Control Event takes place; and
  - (h) without being requested to do so, send the Bond Trustee copies of any statutory creditors' notifications of the Issuer, including but not limited to; mergers, demergers and reduction of the Issuer's share capital or equity.

- 13.2.2 The Issuer shall at the request of the Bond Trustee provide the documents and information necessary to maintain the listing and quotation of the Bonds on the Exchange (if listed) and to otherwise enable the Bond Trustee to carry out its rights and duties pursuant to this Bond Agreement and the other Finance Documents, as well as applicable laws and regulations.
- 13.2.3 The Issuer shall in connection with the issue of its Financial Statements and Quarterly Financial Reports under Clause 13.2.1 (d), confirm to the Bond Trustee in writing the Issuer's compliance with the covenants in Clause 13. Such confirmation shall be undertaken in a compliance certificate, substantially in the format set out in Attachment 1 hereto, signed by the Chief Executive Officer, the Chief Financial Officer or the Corporate Treasurer of the Issuer. In the event of non-compliance, the compliance certificate shall describe the non-compliance, the reasons therefore as well as the steps which the Issuer has taken and will take in order to rectify the non-compliance.

### 13.3 *General Covenants*

(a) *Pari passu ranking*

The Issuer's obligations under this Bond Agreement and any other Finance Document shall at all times rank at least *pari passu* as set out in Clause 8.1.

(b) *Material adverse change*

The Issuer undertakes not to, and procure that no Group Member will (either in one (1) action or as several actions, voluntarily or involuntarily):

- (i) Sell or otherwise dispose of all parts of its assets or business,
- (ii) Change the nature of its business, or
- (iii) Merge, demerge or in any other way restructure its business,

if such action will materially and adversely affect the Issuer's ability to fulfil its obligations under the loan agreement.

### 13.4 *Corporate and operational matters*

(a) *Intra-group transactions*

All transactions between any companies in the Group shall be on commercial terms, and shall comply with all applicable provisions of applicable corporate law applicable to such transactions, including, in respect of Norwegian companies, Section 3-9 of the Private or Public Limited Companies Act 1997.

(b) *Corporate status*

The Issuer shall not, and shall ensure that no other member of the Group, change its type of organization or jurisdiction of organization if such change would have a Material Adverse Effect.

(c) *Compliance with laws*

The Issuer shall carry on its business in accordance with acknowledged, careful and sound practices in all material aspects and comply in all material respects

with laws and regulations it or they may be subject to from time to time (including environmental laws and regulations).

(d) *Negative Pledge*

The Issuer shall not, and shall procure that no member of the Group shall, without the prior written consent of the Bond Trustee (on behalf of the Bondholders) create or incur, or allow to exist over any of its present or future assets or revenues, any Encumbrance other than permitted Encumbrances defined as follows (the “**Permitted Encumbrances**”):

- (i) any Encumbrance existing on the date hereof provided that the principal amount secured is not increased;
- (ii) any Encumbrance arising solely by operation of law and not arising as a result of any default or omission on the part of the Issuer or any member of the Group and securing obligations of not more than thirty (30) days’ maturity, unless being contested in good faith;
- (iii) any Encumbrances in the ordinary course of business including cash pool schemes, and retention of title arrangements in the ordinary course of trading;
- (iv) any Encumbrance existing over any company or asset acquired after the date hereof; provided that:
  - (a) such encumbrance having been created or granted by the relevant company prior to (and not concurrently with) becoming a member of the Group;
  - (b) there is no increase in the principal amount or change in the nature of, the indebtedness thereby secured; and
  - (c) any Encumbrances according to (a) or (b) shall be released not later than 12 months after such company has become a member of the Group;
- (v) any Encumbrance over any asset comprising a project which is the subject of a project financing by a member of the Group whose principal assets and business are constituted by a project, provided that the person (not being a member of the Group) making available such indebtedness has no recourse whatsoever to any member of the Group for the payment of such indebtedness;
- (vi) any Encumbrance granted in respect of Non-Commercial Financing, provided that the maximum amount of indebtedness secured by all encumbrances pursuant to this paragraph does not, at any time, exceed 5 % of Total Consolidated Assets;
- (vii) any Encumbrance entered into in connection with ordinary treasury activities in connection with entering into hedging arrangements or in respect of exchange requirements;
- (viii) any Encumbrance not covered by paragraphs (i), (ii), (iii), (iv), (v) and (vii) above, provided that the aggregate amount of indebtedness

secured by all encumbrances under this paragraph (viii) does not, at any time, exceed 10% of Total Consolidated Assets; and

- (ix) any Encumbrance consented to in writing by the Bond Trustee (or by simple majority at the Bondholders' Meeting).

## **14 Fees and expenses**

- 14.1 The Issuer shall cover all its own expenses in connection with this Bond Agreement and fulfilment of its obligations under this Bond Agreement, including preparation of this Bond Agreement, preparation of the Finance Documents and any registration or notifications relating thereto, listing of the Bonds on the Exchange (if applicable), and the registration and administration of the Bonds in the Securities Register.
- 14.2 The expenses and fees payable to the Bond Trustee (and/or the Security Agent, as the case may be) shall be paid by the Issuer and are set forth in a separate agreement between the Issuer and the Bond Trustee. Fees and expenses payable to the Bond Trustee which, due to the Issuer's insolvency or similar, are not reimbursed in any other way may be covered by making an equivalent reduction in the payments to the Bondholders.
- 14.3 The Issuer shall cover all public fees in connection with the Bonds and the Finance Documents. Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer is not responsible for reimbursing any such fees.
- 14.4 In addition to the fee due to the Bond Trustee pursuant to Clause 14.2 and normal expenses pursuant to Clauses 14.1 and 14.3, the Issuer shall, on demand, cover extraordinary expenses incurred by the Bond Trustee in connection with the Bonds, as determined in a separate agreement between the Issuer and the Bond Trustee.
- 14.5 The Issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to the Bondholders.

## **15 Events of Default**

- 15.1 The Bonds may be declared by the Bond Trustee to be in default upon occurrence of any of the following events (each of which shall be referred to as an "**Event of Default**") if:
  - (a) *Non-payment*  
The Issuer fails to fulfil any payment obligation under this Bond Agreement or any Finance Document when due, unless, in the opinion of the Bond Trustee, it is obvious that such failure will be remedied, and payment in full of any such late payment is made, within five (5) Business Days following the original due date.
  - (b) *Breach of other obligations*

The Issuer fails to duly perform any other covenant or obligation pursuant to this Bond Agreement or any of the Finance Documents, and such failure is not remedied within ten (10) Business Days after notice thereof is given to the Issuer by the Bond Trustee.

(c) *Cross default*

The aggregate amount of Financial Indebtedness of the Issuer or any Group Member falling within paragraphs (i) to (iv) below exceeds a total of 10% of Total Consolidated Equity;

- (i) any Financial Indebtedness is not paid when due nor within any originally applicable grace period;
- (ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);
- (iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or
- (iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described).

No Event of Default will occur under this paragraph (c) of Clause 15.1 if claim(s) falling within this paragraph (c) of Clause 15.1 above are being legitimately contested in good faith and with due diligence, after consulting with the Bond Trustee, by the Issuer or any Group Member.

(d) *Misrepresentations*

Any representation, warranty or statement (including statements in compliance certificates) made under this Bond Agreement or in connection therewith is or proves to have been incorrect, inaccurate or misleading in any material respect when made or deemed to have been made.

(e) *Insolvency*

The following occurs in respect of the Issuer or any other Group Member:

- (i) the suspension of payments, or a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than solvent liquidation or reorganisation;
- (ii) a composition, compromise, assignment or arrangement with any creditor, which has a material adverse effect on the Issuer's ability to perform its payment obligations under this Bond Agreement;
- (iii) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or

Paragraph (e) does not apply, if applicable, in respect of any frivolous or vexatious proceedings presented by a creditor or other third party which are being contested in good faith and with due diligence after consulting with the Bond Trustee.

*(f) Creditors' process*

The Issuer or any other Group Member has a substantial portion of its assets impounded, confiscated, attached or subject to distraint, or is subject to enforcement of any security over any of its assets.

Paragraph (f) does not apply, if applicable, in respect of any frivolous or vexatious proceedings presented by a creditor or other third party which are being contested in good faith and with due diligence after consulting with the Bond Trustee.

*(g) Dissolution, appointment of liquidator or analogous proceedings*

The Issuer or any other Group Member is resolved to be dissolved or a liquidator, administrator or the like is appointed under any law relating to bankruptcy, insolvency or reorganization or relief of debtors.

*(h) Impossibility or illegality*

It is or becomes impossible or unlawful for the Issuer to fulfill or perform any of the terms of the Finance Documents to which it is a party.

*(i) Litigation*

Any claim, litigation, arbitration or administrative proceedings against any Group Member or the Issuer is adversely determined against the Group Member or the Issuer and has a Material Adverse Effect.

*(j) Material Adverse Effect*

Any event or series of events occurs which, in the reasonable opinion of the Bond Trustee, after consultations with the Issuer, has a Material Adverse Effect.

- 15.2 In the event that one (1) or more of the circumstances mentioned in Clause 15.1 occurs and is continuing, the Bond Trustee can, in order to protect the interests of the Bondholders, declare the Outstanding Bonds including accrued interest and expenses to be in default and due for immediate payment.

The Bond Trustee may at its discretion, on behalf of the Bondholders, take every measure necessary to recover the amounts due under the Outstanding Bonds, and all other amounts outstanding under the Bond Agreement and any other Finance Document.

- 15.3 In the event that one (1) or more of the circumstances mentioned in Clause 15.1 occurs and is continuing, the Bond Trustee shall declare the Outstanding Bonds including accrued interest and costs to be in default and due for payment if:

- (a) the Bond Trustee receives a demand in writing with respect to the above from Bondholders representing at least 1/5 of the aggregate principal amount of Voting Bonds, and the Bondholders' Meeting has not decided on other solutions, or
- (b) the Bondholders pursuant to action at a Bondholders' Meeting have decided to declare the Outstanding Bonds in default and due for payment, such decision to be made by a majority of the votes.

In either case the Bond Trustee shall on behalf of the Bondholders take every measure necessary to recover the amounts due under the Outstanding Bonds. The Bond Trustee can request satisfactory security for any possible liability and anticipated expenses, from those Bondholders who requested that the declaration of default be made pursuant to paragraph (a) above and/or those who voted in favour of the decision pursuant to paragraph (b) above.

- 15.4 In the event that the Bond Trustee pursuant to the terms of Clauses 15.2 or 15.3 declares the Outstanding Bonds to be in default and due for payment, the Bond Trustee shall immediately deliver to the Issuer a notice demanding payment of interest and principal due to the Bondholders under the Outstanding Bonds including accrued interest and interest on overdue amounts and expenses. Declaration of default shall be deemed as a mandatory prepayment situation and the Outstanding Bonds shall be repaid at the same prices as set out in Clause 10.2.

## **16 Bondholders' meeting**

### *16.1 Authority of the Bondholders' Meeting*

- 16.1.1 The Bondholders' Meeting represents the supreme authority of the Bondholders community in all matters relating to the Bonds. If a resolution by or an approval of the Bondholders is required, resolution of such shall be passed at a Bondholders' Meeting. Resolutions passed at Bondholders' Meetings shall be binding upon and prevail for all the Bonds and Bondholders.

### *16.2 Procedural rules for Bondholders' Meetings*

- 16.2.1 A Bondholders' Meeting shall be held at the request of:

- (a) the Issuer,
- (b) Bondholders representing at least 1/10 of the aggregate principal amount of Voting Bonds,
- (c) the Exchange, if the Bonds are listed, or
- (d) the Bond Trustee.

- 16.2.2 The Bondholders' Meeting shall be summoned by the Bond Trustee. A request for a Bondholders' Meeting shall be made in writing to the Bond Trustee, and shall clearly state the matters to be discussed.



- 16.2.3 If the Bond Trustee has not summoned a Bondholders' Meeting within ten (10) Business Days after having received such a request, then the requesting party may summons the Bondholders' Meeting itself.
- 16.2.4 Summons to a Bondholders Meeting shall be dispatched no later than ten (10) Business Days prior to the Bondholders' Meeting. The summons and a confirmation of each Bondholder's holdings of Bonds shall be sent to all Bondholders registered in the Securities Register at the time of distribution. The summons shall also be sent to the Exchange for publication.
- 16.2.5 The summons shall specify the agenda of the Bondholders' Meeting. The Bond Trustee may in the summons also set forth other matters on the agenda than those requested. If amendments to this Bond Agreement have been proposed, the main content of the proposal shall be stated in the summons.
- 16.2.6 The Bond Trustee may restrict the Issuer from making any changes of Voting Bonds in the period from distribution of the summons until the Bondholders' Meeting, by serving notice to it to such effect.
- 16.2.7 Matters that have not been reported to the Bondholders in accordance with the procedural rules for summoning of a Bondholders' Meeting may only be adopted with the approval of all Voting Bonds.
- 16.2.8 The Bondholders' Meeting shall be held on premises designated by the Bond Trustee. The Bondholders' Meeting shall be opened and shall, unless otherwise decided by the Bondholders' Meeting, be chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting shall be opened by a Bondholder, and be chaired by a representative elected by the Bondholders' Meeting.
- 16.2.9 Minutes of the Bondholders' Meeting shall be kept. The minutes shall state the numbers of Bondholders represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the result of the voting. The minutes shall be signed by the chairman and at least one (1) other person elected by the Bondholders' Meeting. The minutes shall be deposited with the Bond Trustee and shall be available to the Bondholders.
- 16.2.10 The Bondholders, the Bond Trustee and – provided the Bonds are listed - representatives of the Exchange, have the right to attend the Bondholders' Meeting. The chairman may grant access to the meeting to other parties, unless the Bondholders' Meeting decides otherwise. Bondholders may attend by a representative holding proxy. Bondholders have the right to be assisted by an advisor. In case of dispute the chairman shall decide who may attend the Bondholders' Meeting and vote for the Bonds.
- 16.2.11 Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders' Meeting may resolve that the Issuer's representatives may not participate in particular matters. The Issuer has the right to be present during the voting.

### *16.3 Resolutions passed at Bondholders' Meetings*

- 16.3.1 At the Bondholders' Meeting each Bondholder may cast one (1) vote for each Voting Bond owned at close of business on the day prior to the date of the Bondholders' Meeting in accordance with the records registered in the Securities Register. Whoever opens the Bondholders' Meeting shall adjudicate any question concerning which Bonds shall count as the Issuer's Bonds. The Issuer's Bonds shall not have any voting rights.
- 16.3.2 In all matters, the Issuer, the Bond Trustee and any Bondholder have the right to demand vote by ballot. In case of parity of votes, the chairman shall have the deciding vote, regardless of the chairman being a Bondholder or not.
- 16.3.3 In order to form a quorum, at least half (1/2) of the aggregate principal amount of the Voting Bonds must be represented at the meeting, see however Clause 16.4. Even if less than half (1/2) of the aggregate principal amount of the Voting Bonds are represented, the Bondholders' Meeting shall be held and voting completed.
- 16.3.4 If a quorum exists, resolutions shall be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set forth in Clause 16.3.5.
- 16.3.5 A majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for any waiver or amendment of any terms of this Bond Agreement.
- 16.3.6 The Bondholders' Meeting may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.
- 16.3.7 The Bond Trustee shall ensure that resolutions passed at the Bondholders' Meeting are properly implemented.
- 16.3.8 The Issuer, the Bondholders and the Exchange shall be notified of resolutions passed at the Bondholders' Meeting.

### *16.4 Repeated Bondholders' Meeting*

- 16.4.1. If the Bondholders' Meeting does not form a quorum pursuant to Clause 16.3.3, a repeated Bondholders' Meeting may be summoned to vote on the same matters. The attendance and the voting result of the first Bondholders' Meeting shall be specified in the summons for the repeated Bondholders' Meeting.
- 16.4.2 When a matter is tabled for discussion at a repeated Bondholders' Meeting, a valid resolution may be passed even though less than half (1/2) of the aggregate principal amount of the Voting Bonds are represented.

## **17 The Bond Trustee**

### *17.1 The role and authority of the Bond Trustee*

- 17.1.1 The Bond Trustee shall monitor the compliance by the Issuer of its obligations under this Bond Agreement and applicable laws and regulations which are relevant to the terms of this Bond Agreement, including supervision of timely and correct payment of principal or interest, inform the Bondholders, the Paying Agent and the Exchange of relevant information which is obtained and received in its capacity as Bond Trustee (however, this shall not restrict the Bond Trustee from discussing matters of confidentiality with the Issuer), arrange Bondholders' Meetings, and make the decisions and implement the measures resolved pursuant to this Bond Agreement. The Bond Trustee is not obligated to assess the Issuer's financial situation beyond what is directly set forth in this Bond Agreement.
- 17.1.2 The Bond Trustee may take any step necessary to ensure the rights of the Bondholders in all matters pursuant to the terms of this Bond Agreement. The Bond Trustee may postpone taking action until such matter has been put forward to the Bondholders' Meeting.
- 17.1.3 Except as provided for in Clause 17.1.5 the Bond Trustee may reach decisions binding for all Bondholders concerning this Bond Agreement, including amendments to the Bond Agreement and waivers or modifications of certain provisions, which in the opinion of the Bond Trustee, do not have a Material Adverse Effect on the rights or interests of the Bondholders pursuant to this Bond Agreement.
- 17.1.4 Except as provided for in Clause 17.1.5, the Bond Trustee may reach decisions binding for all Bondholders in circumstances other than those mentioned in Clause 17.1.3 provided prior notification has been made to the Bondholders. Such notice shall contain a proposal of the amendment and the Bond Trustee's evaluation. Further, such notification shall state that the Bond Trustee may not reach a decision binding for all Bondholders in the event that any Bondholder submits a written protest against the proposal within a deadline set by the Bond Trustee. Such deadline may not be less than five (5) Business Days following the dispatch of such notification.
- 17.1.5 The Bond Trustee may not reach decisions pursuant to Clauses 17.1.3 or 17.1.4 for matters set forth in Clause 16.3.5 except to rectify obvious incorrectness, vagueness or incompleteness.
- 17.1.6 The Bond Trustee may not adopt resolutions which may give certain Bondholders or others an unreasonable advantage at the expense of other Bondholders.
- 17.1.7 The Issuer, the Bondholders and the Exchange shall be notified of decisions made by the Bond Trustee pursuant to Clause 17.1 unless such notice obviously is unnecessary.
- 17.1.8 The Bondholders through action at a Bondholders' Meeting may replace the Bond Trustee without the Issuer's approval, as provided for in Clause 16.3.5.

17.2 *Liability and indemnity*

- 17.2.1 The Bond Trustee is liable only for direct losses incurred by Bondholders or the Issuer as a result of negligence or willful misconduct by the Bond Trustee in performing its functions and duties as set forth in this Bond Agreement. The Bond Trustee is not liable for the content of information provided to the Bondholders on behalf of the Issuer.
- 17.2.2 The Issuer is liable for, and shall indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees, agents and representatives) to fulfil its obligations under the terms of this Bond Agreement and any other Finance Documents, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer in connection with the establishment and performance of this Bond Agreement and the other Finance Documents.

### 17.3 *Change of Bond Trustee*

- 17.3.1 Change of Bond Trustee shall be carried out pursuant to the procedures set forth in Clause 16. The Bond Trustee shall continue to carry out its duties as bond trustee until such time that a new Bond Trustee is elected.
- 17.3.2 The fees and expenses of a new bond trustee shall be covered by the Issuer pursuant to the terms set out in Clause 14, but may be recovered wholly or partially from the Bond Trustee if the change is due to a breach of the Bond Trustee duties pursuant to the terms of this Bond Agreement or other circumstances for which the Bond Trustee is liable.
- 17.3.3 The Bond Trustee undertakes to co-operate so that the new bond trustee receives without undue delay following the Bondholders' Meeting the documentation and information necessary to perform the functions as set forth under the terms of this Bond Agreement.

## 18 **Miscellaneous**

### 18.1 *The community of Bondholders*

- 18.1.1 By virtue of holding Bonds, which are governed by this Bond Agreement (which pursuant to Clause 2.1.1 is binding upon all Bondholders), a community exists between the Bondholders, implying, inter alia, that
- (a) the Bondholders are bound by the terms of this Bond Agreement,
  - (b) the Bond Trustee has power and authority to act on behalf of the Bondholders,
  - (c) the Bond Trustee has, in order to administer the terms of this Bond Agreement, access to the Securities Register to review ownership of Bonds registered in the Securities Register,
  - (d) this Bond Agreement establishes a community between Bondholders meaning that;
    - (i) the Bonds rank *pari passu* between each other,

- (ii) the Bondholders may not, based on this Bond Agreement, act directly towards the Issuer and may not themselves institute legal proceedings against the Issuer, guarantors or any other third party based on claims derived from the Finance Documents, including but not limited to recover the Bonds, enforcing any Encumbrance or pursuing claims against any party as a substitute for damages to the interests under the Finance Documents, regardless of claims being pursued on a contractual or non-contractual basis, however not restricting the Bondholders to exercise their individual rights derived from this Bond Agreement;
- (iii) the Issuer may not, based on this Bond Agreement, act directly towards the Bondholders,
- (iv) the Bondholders may not cancel the Bondholders' community, and
- (v) an individual Bondholder may not resign from the Bondholders' community.

## 18.2 *Defeasance*

18.2.1 The Issuer may, at its option and at any time, elect to have certain obligations discharged (see Clause 18.2.2) upon complying with the following conditions ("**Covenant Defeasance**");

- (a) the Issuer shall have irrevocably pledged to the Bond Trustee for the benefit of the Bondholders cash or government obligations acceptable by the Bond Trustee (the "**Defeasance Pledge**") in such amounts as will be sufficient for the payment of principal (including if applicable premium payable upon exercise of a Call Option) and interest on the Outstanding Bonds to Maturity Date (or redemption upon an exercise of a notified Call Option);
- (b) the Issuer shall, if required by the Bond Trustee, provide a legal opinion reasonable acceptable to the Bond Trustee to the effect that the Bondholders will not recognize income, gain or loss for income tax purposes (under US federal or Norwegian tax law, if applicable) as a result of the Defeasance Pledge and Covenant Defeasance, and will be subject to such income tax on the same amount and in the same manner and at the same times as would have been the case if the Defeasance Pledge had not occurred;
- (c) no Event of Default shall have occurred and be continuing on the date of establishment of the Defeasance Pledge, or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 181<sup>st</sup> day after the date of establishment of the Defeasance Pledge;
- (d) neither the Defeasance Pledge nor the Covenant Defeasance results in a breach or violation of any material agreement or instrument binding upon the Issuer, or the articles of association or other corporate documents governing the Issuer;
- (e) the Issuer shall have delivered to the Bond Trustee a certificate signed by the Chief Executive Officer that the Defeasance Pledge was not made by the Issuer

with the intent of preferring the Bondholders over any other creditors of the Issuer or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Issuer or others;

- (f) the Issuer shall have delivered to the Bond Trustee any certificate or legal opinion reasonably required regarding the Covenant Defeasance or Defeasance Pledge, including certificate from the Chief Executive Officer and a legal opinion from its legal counsel to the effect that all conditions for Covenant Defeasance have been complied with; and that (i) the Defeasance Pledge will not be subject to any rights of creditors of the Issuer, (ii) the Defeasance Pledge will constitute a valid, perfected and enforceable security interest in favour of the Bond Trustee for the benefit of the Bondholders, and (iii), after the 181<sup>st</sup> day following the establishment of the Defeasance Pledge, the funds and assets so pledged will not be subject to the effects of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors rights generally under the laws of the jurisdiction where the Defeasance Pledge was established and the corporate domicile of the Issuer.

18.2.2 Upon the exercise by the Issuer of its option under Clause 18.2.1;

- (a) the Issuer shall be released from their obligations under all provisions in Clause 13, except paragraphs (a), (e), (h) and (i) of Clause 13.2.1.
- (b) the Issuer shall not (and shall ensure that all Group Companies shall not) take any actions that may cause the value of the Encumbrance created by this Covenant Defeasance to be reduced, and shall at the request of the Bond Trustee execute, or cause to be executed, such further documentation and perform such other acts as the Bond Trustee may reasonably require in order for the Encumbrances to remain valid, enforceable and perfected by the Bond Trustee for the account of the Bondholders;
- (c) any guarantor(s) shall be discharged from their obligations under the guarantee(s), and the guarantee(s) shall cease to have any legal effect;
- (d) any Encumbrances other than the Defeasance Pledge shall be discharged, and the Bond Trustee shall take all steps reasonably possible for it to cause such discharge to be effected, by way of deletion of the relevant Security Document from the relevant register, notice to third parties or as otherwise required;
- (e) all other provisions of the Bond Agreement (except paragraphs (a), (b) and (c) above) shall remain fully in force without any modifications.

18.2.3 All moneys amount covered by the Defeasance Pledge shall be applied by the Bond Trustee, in accordance with the provisions of this Bond Agreement, to the payment to the Bondholders of all sums due to them under this Bond Agreement on the due date thereof.

Any excess funds not required for the payment of principal, premium and interest to the Bondholders (including any expenses and fees due to the Bond Trustee hereunder) shall be returned to the Issuer.

### *18.3 Limitation of claims*

18.3.1 All claims under the Bonds and this Bond Agreement for payment, including interest and principal, shall be subject to the time-bar provisions of the Norwegian Limitation Act of May 18, 1979 No. 18.

### *18.4 Access to information*

18.4.1 The Bond Agreement is available to anyone and copies may be obtained from the Bond Trustee or the Issuer. The Issuer shall ensure that the Bond Agreement is available in copy form to the general public until all the Bonds have been fully discharged.

18.4.2 The Bond Trustee shall, in order to carry out its functions and obligations under the Bond Agreement, have access to the Securities Register for the purposes of reviewing ownership of the Bonds registered in the Securities Register.

### *18.5 Amendments*

18.5.1 All amendments of this Bond Agreement shall be made in writing, and shall unless otherwise provided for by this Bond Agreement, only be made with the approval of all parties hereto.

### *18.6 Notices, contact information*

18.6.1 Written notices, warnings, summons and other communications to the Bondholders made by the Bond Trustee shall be sent via the Securities Register with a copy to the Issuer and the Exchange. Information to the Bondholders may also be published at the web site [www.stamdata.no](http://www.stamdata.no).

18.6.2 The Issuer's written notifications to the Bondholders shall be sent via the Bond Trustee, or alternatively through the Securities Register with a copy to the Bond Trustee and the Exchange.

18.6.3 Unless otherwise specifically provided, all notices or other communications under or in connection with this Bond Agreement between the Bond Trustee and the Issuer shall be given or made in writing, by letter, or telefax. Any such notice or communication shall be deemed to be given or made as follows:

- (a) if by letter, when delivered at the address of the relevant Party;
- (b) if by telefax, when received.

18.6.4 The Issuer and the Bond Trustee shall ensure that the other party is kept informed of changes in postal address, e-mail address, telephone and fax numbers and contact persons.

### *18.7 Dispute resolution and legal venue*

This Bond Agreement and all disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer, shall be governed by Norwegian law.

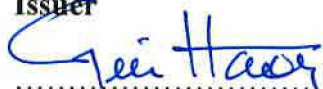
All disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer, shall be exclusively resolved by the courts of Norway, with the District Court of Oslo as sole legal venue.

This Clause 18.7 is for the benefit of the Bond Trustee only. As a result, the Bond Trustee shall not be prevented from taking proceedings relating to a dispute in any other courts with jurisdiction. To the extent allowed by law, the Bond Trustee may take concurrent proceedings in any number of jurisdictions.

\*\*\*\*\*

This Bond Agreement has been executed in two (2) originals, of which the Issuer and the Bond Trustee retain one (1) each.

**Issuer**

  
.....

By: Geir Håøy  
Position: President & CEO

**Bond Trustee**

.....

By:  
Position:



This Bond Agreement and all disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer, shall be governed by Norwegian law.

All disputes arising out of, or in connection with this Bond Agreement between the Bond Trustee, the Bondholders and the Issuer, shall be exclusively resolved by the courts of Norway, with the District Court of Oslo as sole legal venue.

This Clause 18.7 is for the benefit of the Bond Trustee only. As a result, the Bond Trustee shall not be prevented from taking proceedings relating to a dispute in any other courts with jurisdiction. To the extent allowed by law, the Bond Trustee may take concurrent proceedings in any number of jurisdictions.

\*\*\*\*\*

This Bond Agreement has been executed in two (2) originals, of which the Issuer and the Bond Trustee retain one (1) each.

**Issuer**

**Bond Trustee**

.....  
By:  
Position:

  
By: Lars Erik Lærum  
Position:

**Attachment 1****COMPLIANCE CERTIFICATE**

Nordic Trustee AS  
P.O. Box 1470 Vika  
N-0116 Oslo  
Norway

Fax: + 47 22 87 94 10  
E-mail: mail@nordictrustee.com

[date]

Dear Sirs,

**FRN Kongsberg Gruppen ASA Senior Unsecured Bond Issue 2018/2024 –  
ISIN NO0010837602**

We refer to the Bond Agreement for the above mentioned Bond Issue made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders, and the undersigned as Issuer under which a Compliance Certificate shall be issued. This letter constitutes the Compliance Certificate for the period [PERIOD].

Capitalised words and expressions are used herein as defined in the Bond Agreement.

With reference to Clause 13.2.3 we hereby certify that:

1. There has been no change which to the best of our knowledge has a Material Adverse Effect since the date of the last accounts or the last Compliance Certificate submitted to you.
2. The covenants set out in Clause 13 are satisfied.

Copies of our latest consolidated [annual audited/quarterly unaudited] accounts are enclosed.

Yours faithfully,

Kongsberg Gruppen ASA

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*Name of authorized person*

Enclosure: [copy of any written documentation]



**KONGSBERG**

**Kongsberg Gruppen ASA**

Kirkegårdsveien 45  
N-3616 Kongsberg  
Norway

**Managers**

Arctic Securities AS  
Haakon VIIIs gate 5  
N-0123 Oslo  
Norway

Nordea Bank Abp, filial i Norge  
Essendrops gate 7  
N-0368 Oslo  
Norway

**Legal Adviser to the Company**

*(as to Norwegian law)*

Advokatfirmaet Thommessen AS  
Haakon VIIIs gate 10  
N-0161 Oslo  
Norway